# DB Australian Companies Tour

5 September, 2006

**Noel Meehan**
**Executive Director Finance**

**Greg Slade**
**Investor Relations Manager**

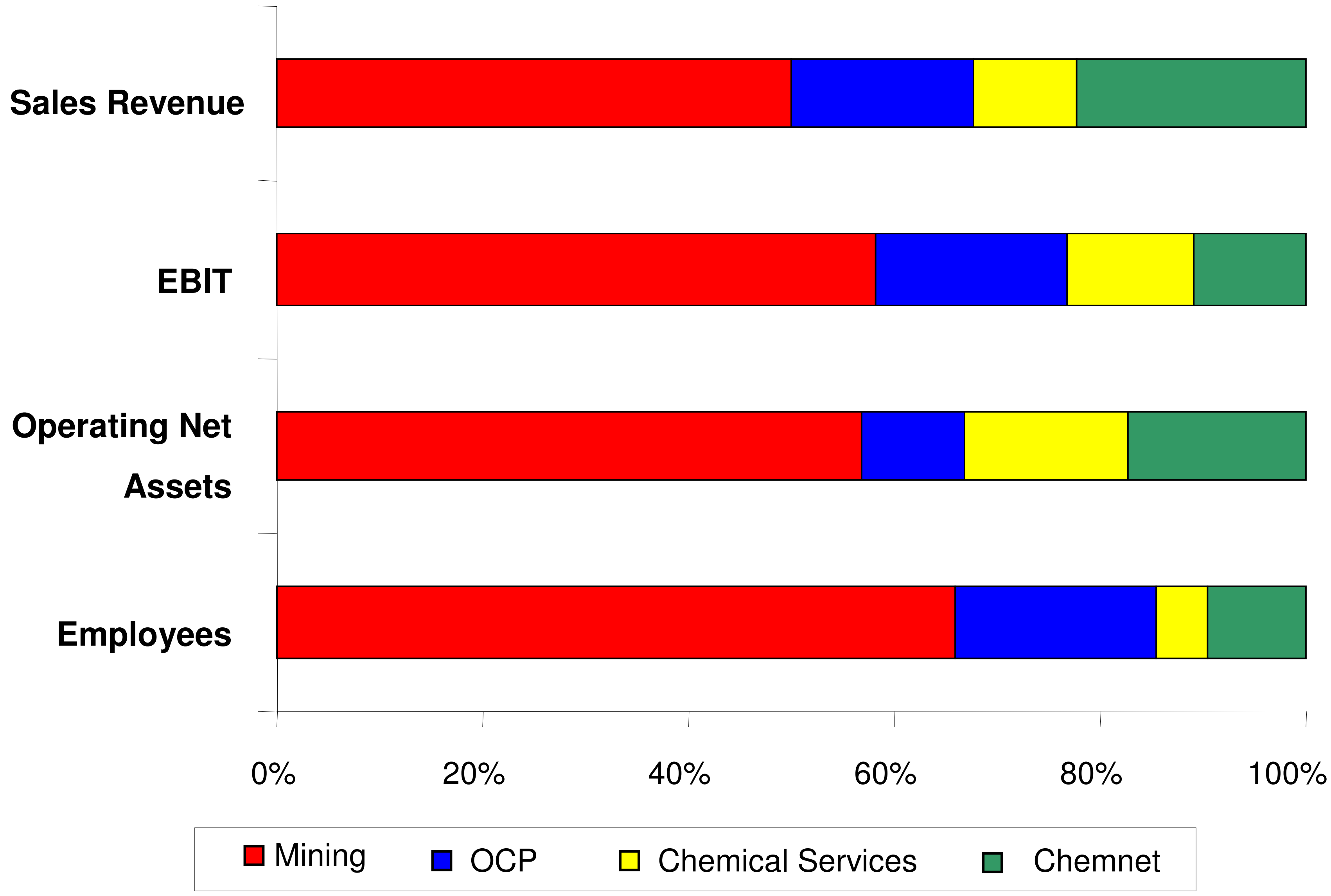
# Orica – snapshot

- Australian owned publicly listed company trading on the Australian Stock Exchange (ORI)
- Market capitalisation of approximately A$7.2bn*
- Ranked in top 50 Australian companies based on market capitalisation
- Operates in approximately 50 countries - 13,000 employees
- Comprises four business platforms - all leaders in their chosen markets
- Financial Year End - 30 September

**An Australian based global company**

* based on share price close 31 August 2006

# Half year ended 31 march 2006
# Orica – business dimensions (exc. IPL)



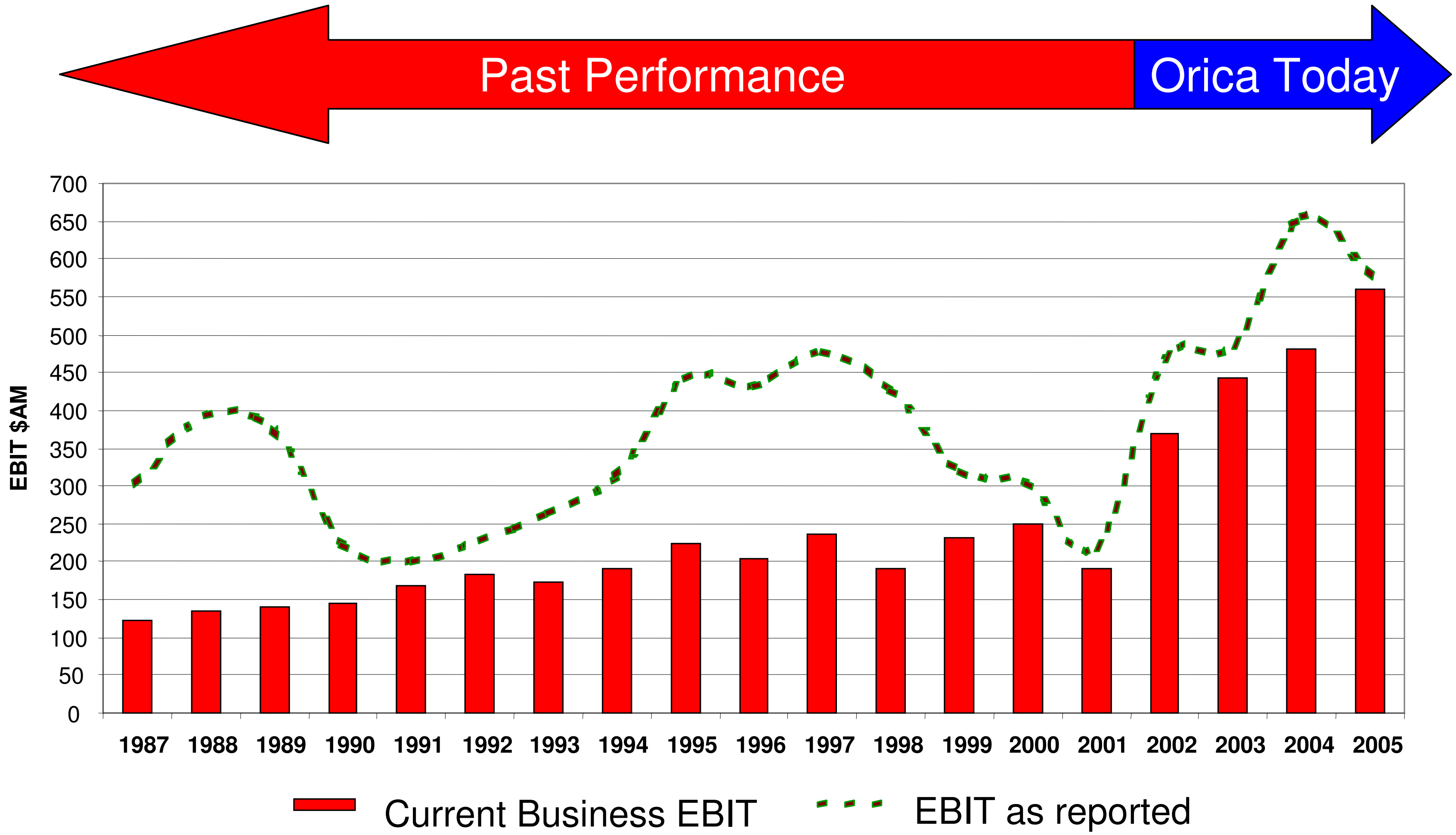
# Orica's strategy

Three Key Principles:

- Market leadership
- Earning the "Right to Grow"
- Growing "Close to the Core"

**No change to existing strategy**

# EBIT* performance (exc. IPL)




**Earnings less cyclical going forward**



* excluding corporate costs

# Orica Mining Services

ORICA

## Business drivers

- Commodity production volume, not commodity prices
- Electronic blasting systems (EBS) driven by customers seeking improved productivity
- Rise & fall clauses protect against volatility in input prices

## Current market conditions

- Strong volume growth across most regions
- Contract rollovers achieving satisfactory price increases

## Strategy

- Lowest cost AN sourcing – own AN manufacture versus contract manufacturing (e.g. Terra)
- Leverage our position as only global commercial explosives supplier

# Orica Consumer Products

## Business drivers

- New housing construction
- Existing property market turnover and renovation activity
- Consumer spending

## Current market conditions

- New housing construction remains soft
- Consumer spending impacted by higher interest rates and petrol prices

## Strategy

- Leverage pre-eminent position in Australia & NZ and grow market share
- Look for opportunities in higher growth markets that deliver our required rates of return

# Orica Chemical Services

## Business drivers

- Chlorine consumption
- Caustic soda prices
- Sodium cyanide demand

## Current market conditions

- Caustic soda prices are strong driven by alumina production
- Strong conditions for gold miners driving sodium cyanide demand and pricing

## Strategy

- Capture potential value in step out growth segments (industrial versus municipal markets)
- Increasingly align new technologies with customer needs (i.e MIEX)
- Expand sodium cyanide to take advantage of tight global markets (Yarwun uprate to 80ktpa)

# Orica Chemnet

## Business drivers

- Overall economic growth in Australia and New Zealand
- Health of the Australian manufacturing sector which is a key customer group

## Current market conditions

- Australian manufacturing conditions remain subdued
- Chemnet no.1 player ~10% market share, but market is fragmented

## Strategy

- Successfully execute re-structuring program to deliver $20M in annualised cost savings
- Focus on returning Chemnet to achieving Orica's 18% RONA target

# Key operational challenges ahead

- Successfully integrate Dyno acquisition and achieve A$90M in annualised synergies
- Capturing strong incremental returns from AN brownfield expansions
- Chemnet restructuring
- Managing legacy environmental issues
- Active capital management

**Aim to continue driving superior shareholder returns**

# Dyno – financial performance update

| $Am Y/E June 2006A | EMEA | Asia | LatAm | 2006 Total |
|---|---|---|---|---|
| **Revenue** | 277 | 81 | 217 | 575 |
| **EBITDA** | 44 | 14 | 26 | 84 |
| **EBIT** | 35 | 10 | 21 | 66 |
| **2005 EBIT** | 37 | 9 | 17 | 63 |

Overview of Performance

EMEA – the results have been slightly below expectations due to higher raw material costs which have not yet been passed on to customers.

Asia – although the performance is in line with expectations, higher AN prices have been offset by volume increases.

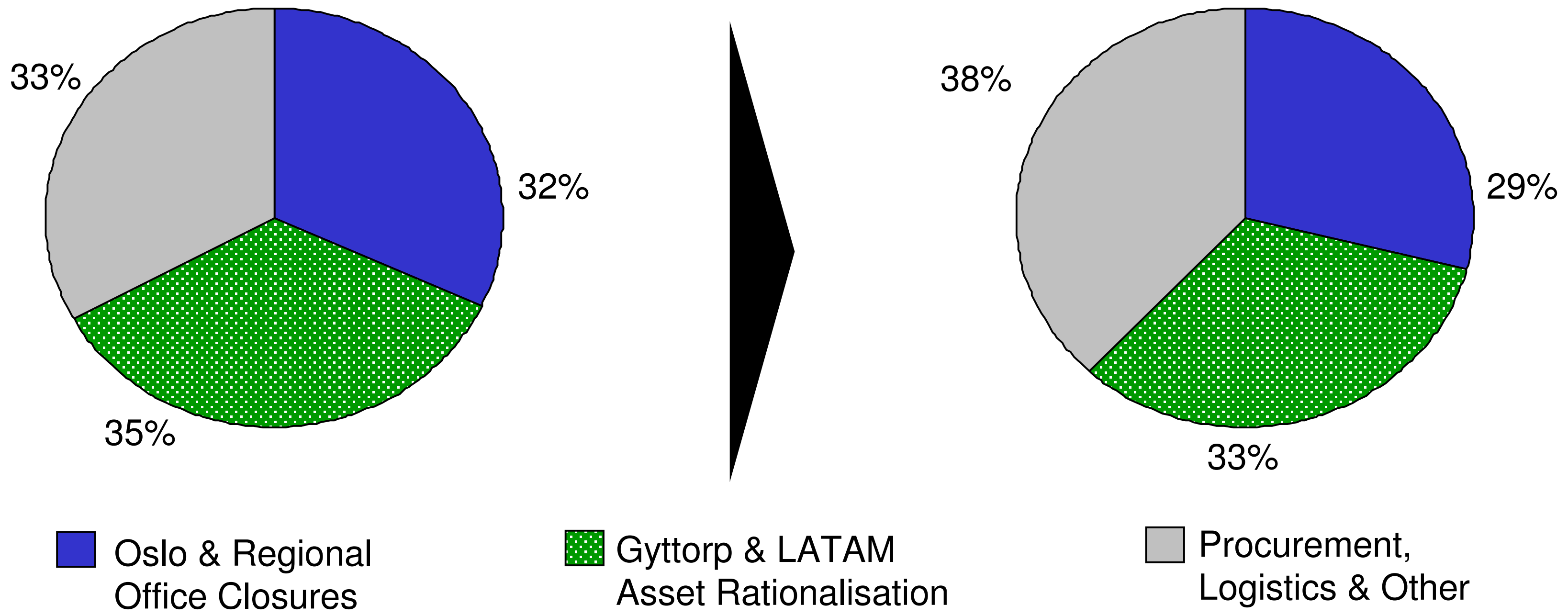
LatAm – has benefited from strong sales growth in all major markets.

Notes: (1) Results are unaudited
(2) Analysis based on twelve months ended 30 June 2006, including an allocation for Dyno corporate costs
(3) No adjustments made to align differing accounting policies between Orica and Dyno, or for the new AIFRS standards

# Dyno – synergy target A$90M per annum

**Pre-acquisition estimated Split of synergies (June '05)**

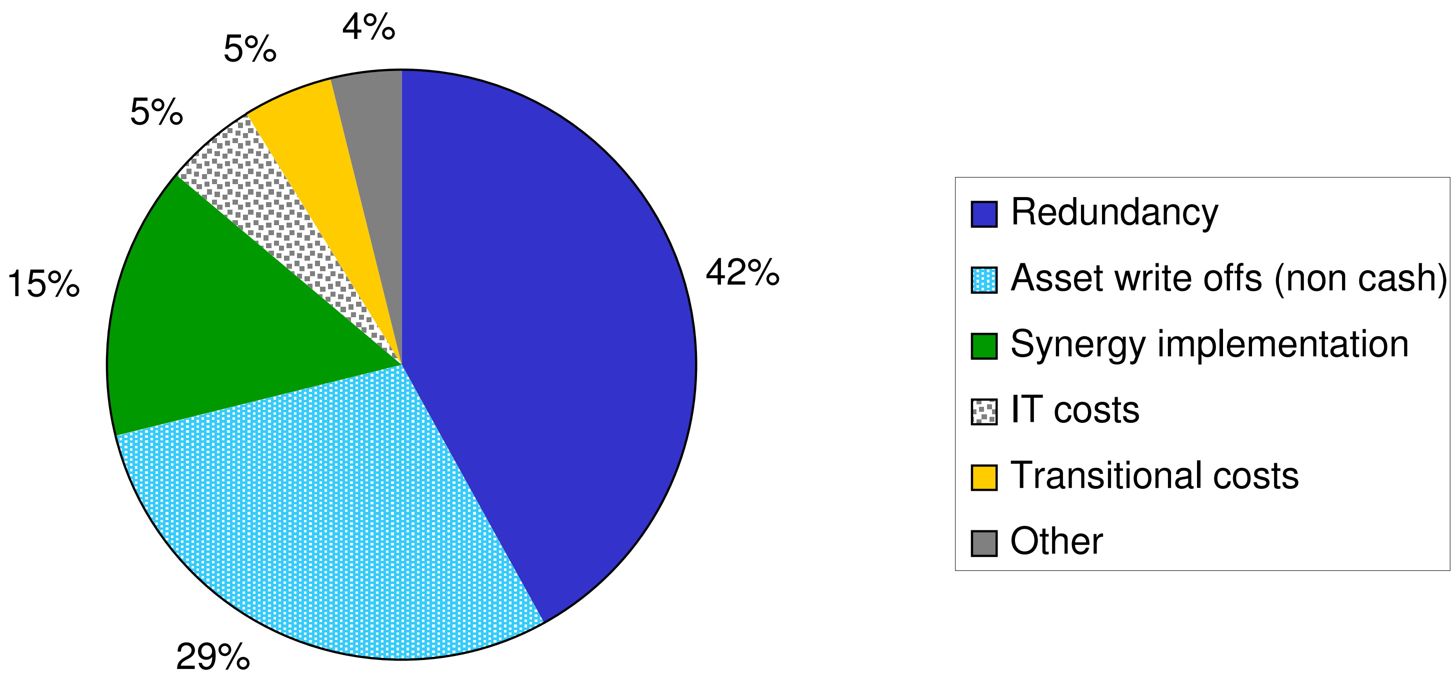
**Current split of expected synergies (August '06)**




## Current estimate of synergy deliverables

| $A M's | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|
| Annualised Forecast | 10 | 40 - 50 | 70 – 80 | 90 |

# Dyno – integration costs




- Approximately 80% of implementation costs are expected to be incurred by year end 30 Sept 2007.

**Implementation costs on track at $150M**

# Yarwun update

- Yarwun expansion commissioned and AN production increasing
- Imports of Ammonium Nitrate have been replaced and domestic customers are taking additional product from Yarwun
- Production set to achieve forecast (572,000 ktpa) for full fiscal year 2007
- Estimated final cost of Yarwun expansion ~A$195M
- Expected production of additional AN volume in FY 2007:
  - Replacing expensive AN imports from third parties (approx 80 ktpa)
  - Support ongoing growth in domestic market (approx 100ktpa)
  - Exported volume (approx 110-120 ktpa) will reduce as domestic market growth continues in coming years
    - Option to export to Latin America
    - Potential to replace competitor AN imports

**Yarwun expansion delivers strong incremental returns**

# Chemnet restructuring

- 80% of planned headcount reductions achieved

- Warehousing rationalisation
  - Closure of Sydney sites complete

- Supply chain rationalisation
  - Back office streamlining
  - Six sigma projects underway

- Chemnet post restructuring:
  - More efficient supply chain
  - Better focus on customers and suppliers
  - Business capable of delivering sustainable economic profit

**Aim to deliver A$20M in annualised cost savings**

# Environmental issues – Botany Park


Boundary marked by red border represents BIP site boundary
Boundary marked in blue represents Southlands Block 1
Boundary marked in green represents Southlands Block 2

## Site Information

- 100 hectare site, 10 km from Sydney CBD
- Orica owns surplus land including Southlands Blocks 1&2 (over 20 hectares)
- GTP operating 2.5 megalitres per day - a rate that contains the plume
- Applied for licence to export HCB waste
- Provision currently ~A$145M

# Financial settings

- Target gearing range 35-45% (net debt/net debt + equity)
- Pro forma gearing post IPL divestment 18%
- Orica capital management
  - Expansion projects relating to existing businesses
  - M&A across existing businesses
  - Capital management initiatives
- Dividend payout ratio 50% of NPAT pre significant items
- Share buybacks more effective method of returning cash to shareholders given Orica's limited franking credits

**18% RONA requirement on expansion and M&A opportunities**

# Summary – key investment themes

- Dyno integration on track
- Yarwun expansion successfully commissioned
- Mining Services exposed to commodity volumes, not price
- Consumer Products, Chemnet and Chemical Services have strong positions in their respective markets
- Strong balance sheet capable of funding future growth and capital management initiatives

**A disciplined approach to growing shareholder value**