



## Full Year 2006 Roadshow Pack

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Managing Director & CEO

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# Orica - overview



- Australian owned publicly listed company trading on the Australian Stock Exchange (ORI)
- Operates in approximately 50 countries – approx 14,000<sup>1</sup> employees
- Market capitalisation of approximately A\$7.5billion<sup>2</sup>
- Ranked in top 50 Australian companies based on market capitalisation
- Four key business platforms going forward – all market leaders in their field
- Financial Year End - 30 September

An Australian based global company

1 Post acquisition of Minova  
2 Based on share price close 15 November 2006

# Orica – what we do



## Mining Services

- Commercial explosives, initiating systems and blast based services



## Consumer Products

- Paint, consumer handyman and garden care products



## Chemical Services

- Manufacture of watercare, industrial and mining chemicals



## Chemnet

- Chemical distribution, value add and niche manufacturing

Businesses united by chemical sciences

Market Leadership

Leading Brands

Privileged Assets

Capable People

Technology

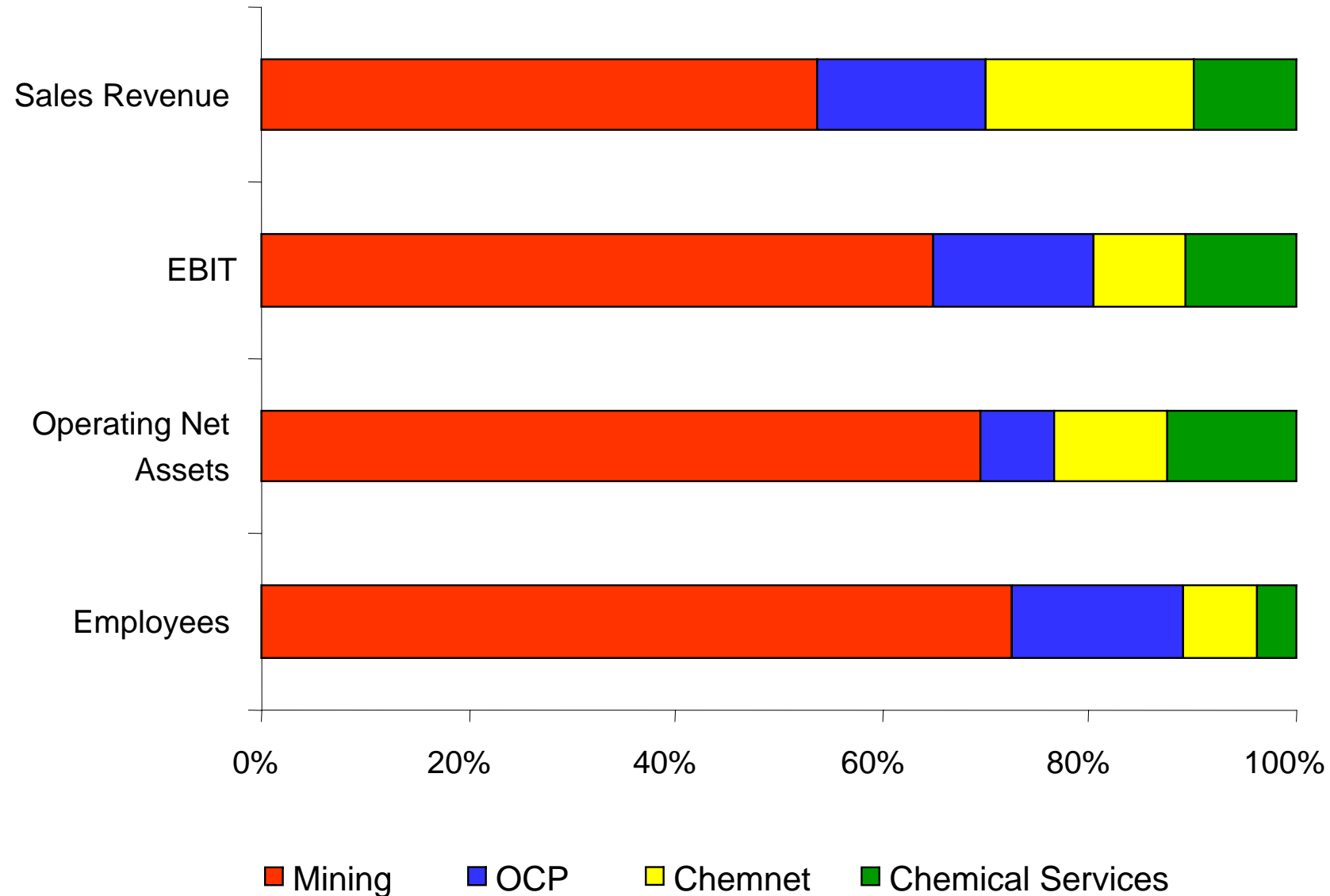
Strong & Disciplined Culture

Turning science into solutions

Year Ended 30 September 2006



# Business dimensions



# Orica – business characteristics



## Mining Services

- Global business
- Largest commercial explosives company in the world
- Superior assets & technology
- Complete product offering

## Consumer Products

- Largest paint and paint preparation business in Australia and NZ
- Market and brand leader
- Distribution strength and service excellence
- World class technology



## Chemical Services

- Largest Chemical business in Australia and New Zealand
- Strong asset positions
- Leading technology
- Cost and capital efficiency

## Chemnet

- Largest chemical trading business in Australasia
- Strong asset positions
- Widespread market coverage with customers of all sizes across almost all industries

# Orica – business drivers



## Mining Services

- Mining volumes
- Global economic activity
- Country development
- Power generation

## Consumer Products

- Discretionary income & spending
- GDP
- Housing renovation and turnover
- Building and construction



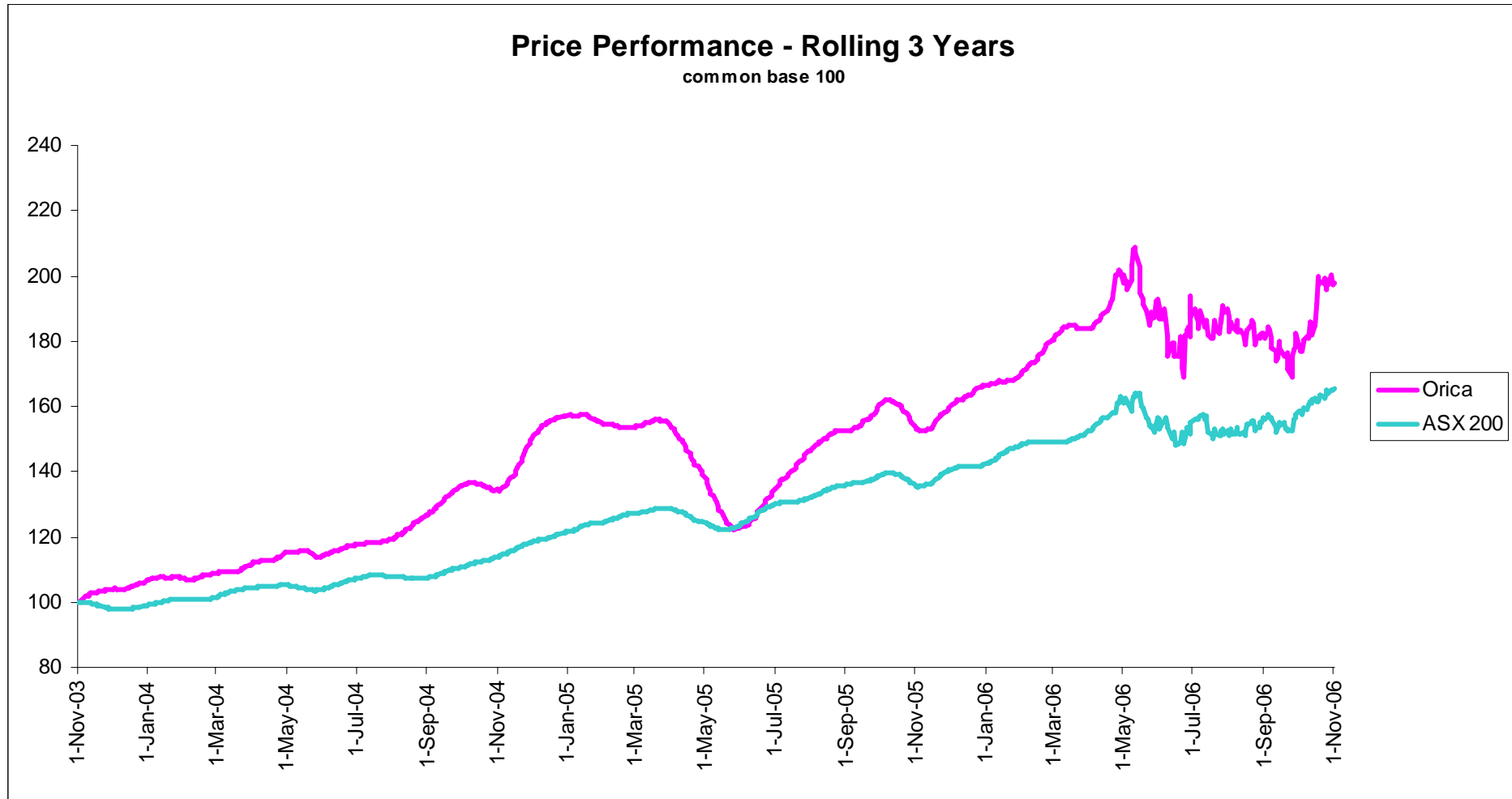
## Chemical Services

- GDP
- Weather
- Caustic soda and sodium cyanide prices

## Chemnet

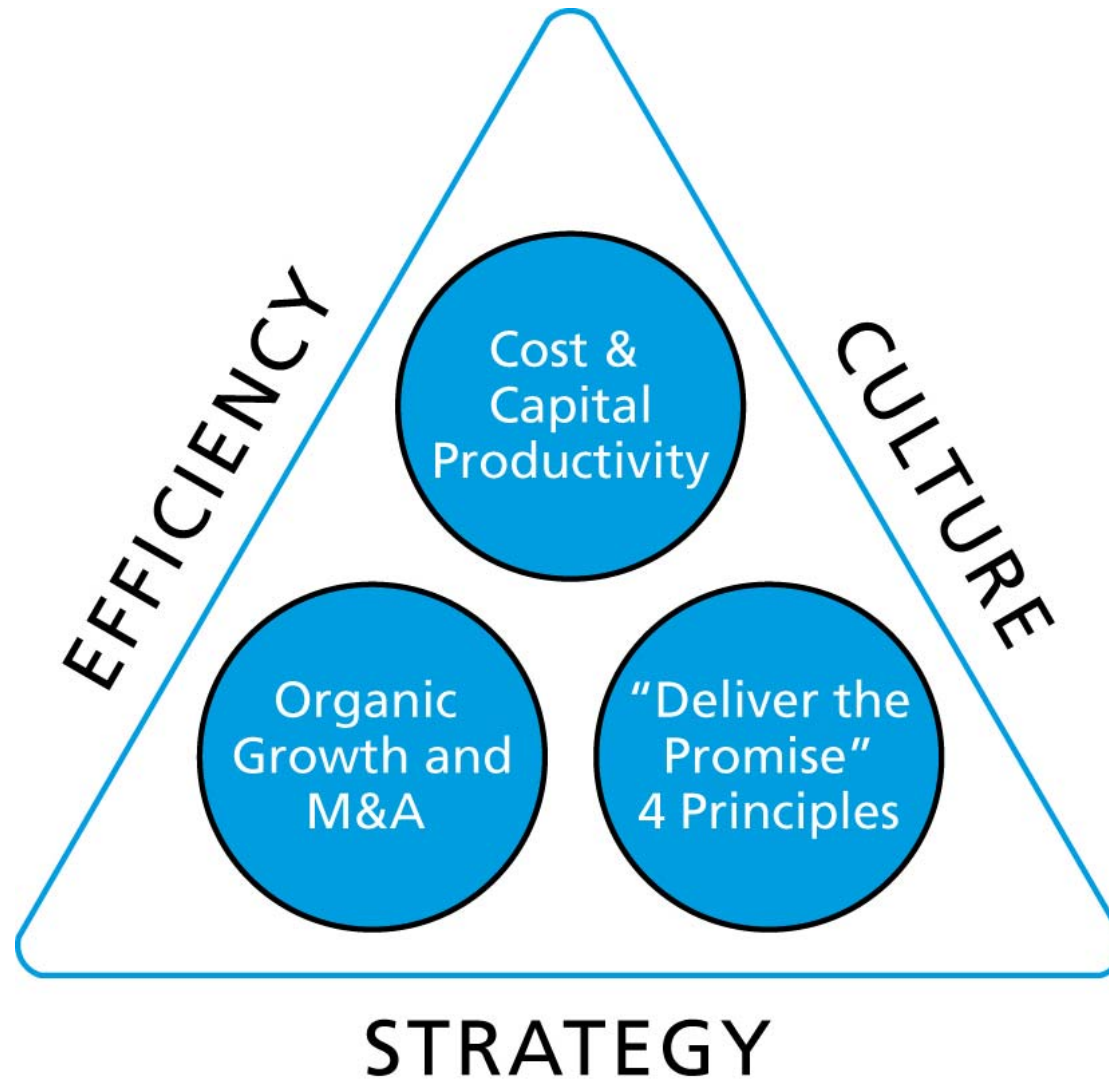
- Manufacturing activity
- Automotive manufacturing activity
- Building activity
- International chemical prices

# Creating value for shareholders



Rewarding shareholders over time

# Orica's approach – value drivers



# Orica's strategy



Three key principles:

- Market leadership
- Earning the “right to grow”
- Growing “close to the core”

No change to existing strategy

# Strategic growth themes



Business Unit	Strategic growth opportunity
<b>Mining Services</b>	<ul style="list-style-type: none"> <li>- Leverage our global scale</li> <li>- Lowest cost AN sourcing</li> <li>- Electronic blasting systems (EBS)</li> <li>- Geographic expansion</li> <li>- Increase mining services offering</li> </ul>
<b>Consumer Products</b>	<ul style="list-style-type: none"> <li>- Leverage our position in Aust &amp; NZ</li> <li>- M&amp;A opportunities into higher growth markets</li> <li>- Category expansion</li> <li>- R&amp;D on product development</li> </ul>
<b>Chemical Services</b>	<ul style="list-style-type: none"> <li>- Capture value in adjacent market segments</li> <li>- Advanced Water Technologies (MIEX)</li> <li>- Expand sodium cyanide capacity</li> <li>- Enzymes</li> </ul>
<b>Chemnet</b>	<ul style="list-style-type: none"> <li>- Geographic expansion</li> <li>- Supply chain optimisation</li> </ul>

# Why invest in Orica?



- Market leadership in chosen businesses
- Strong financial discipline, strong returns on capital, ongoing earnings growth and less cyclicality
- Strong balance sheet capable of funding strategic growth opportunities and capital management

A disciplined approach to growing shareholder value

# Financial results

Year ended 30 September 2006

Year ended 30 September 2006

# Highlights



## Financial highlights

- Sales Revenue +5%
- EBIT +9%
- NPAT +12%
- EPS +1%

## Operational highlights

- Record result in Mining Services & Chemical Services
- Improving cashflow performance
- Integration of Dyno proceeding well
- SH&E performance improved with lower recordable case rate

## Strategic highlights

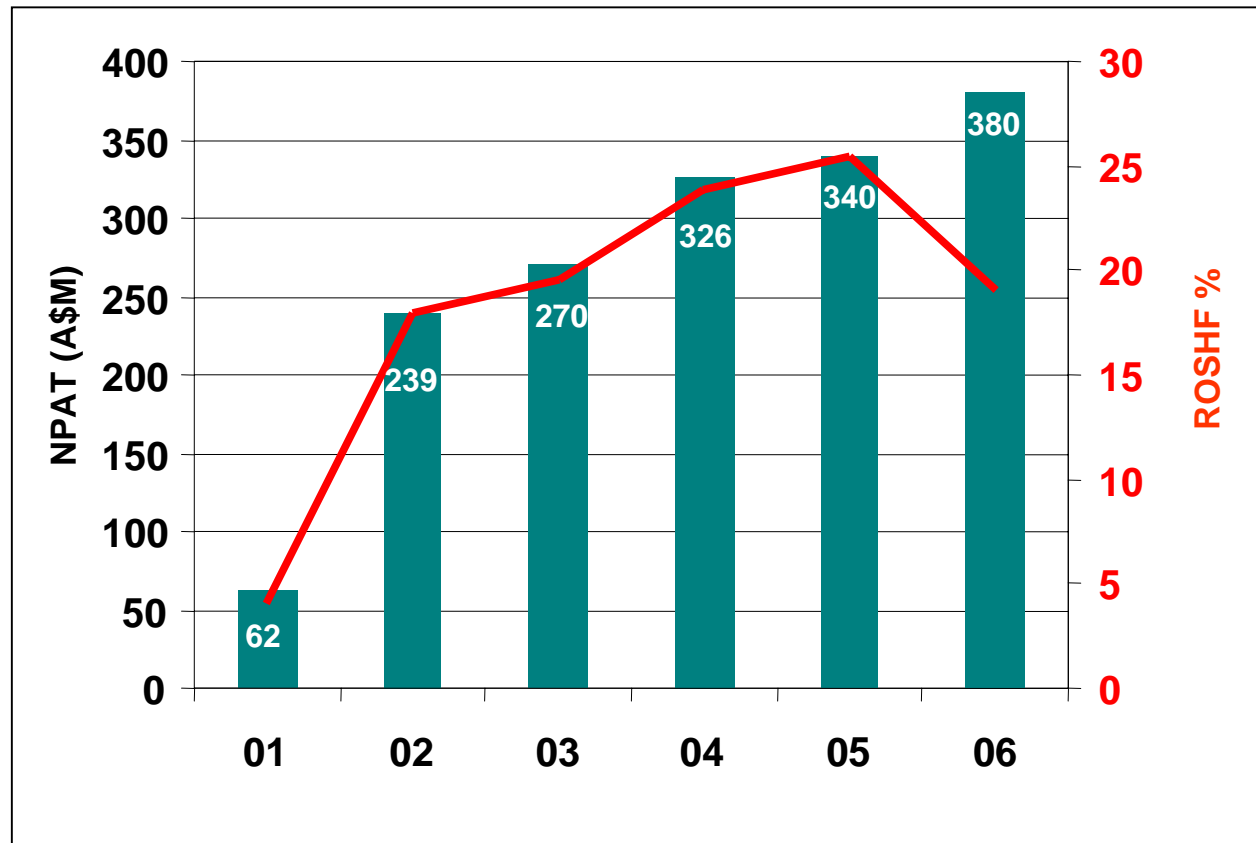
- Business portfolio significantly re-shaped
- Qenos divestment
- Acquisition of Dyno Nobel
- Divestment of IPL
- Acquisition of Minova<sup>1</sup>

A year of transition

1. Post 30 September 2006 year end

Year ended 30 September 2006

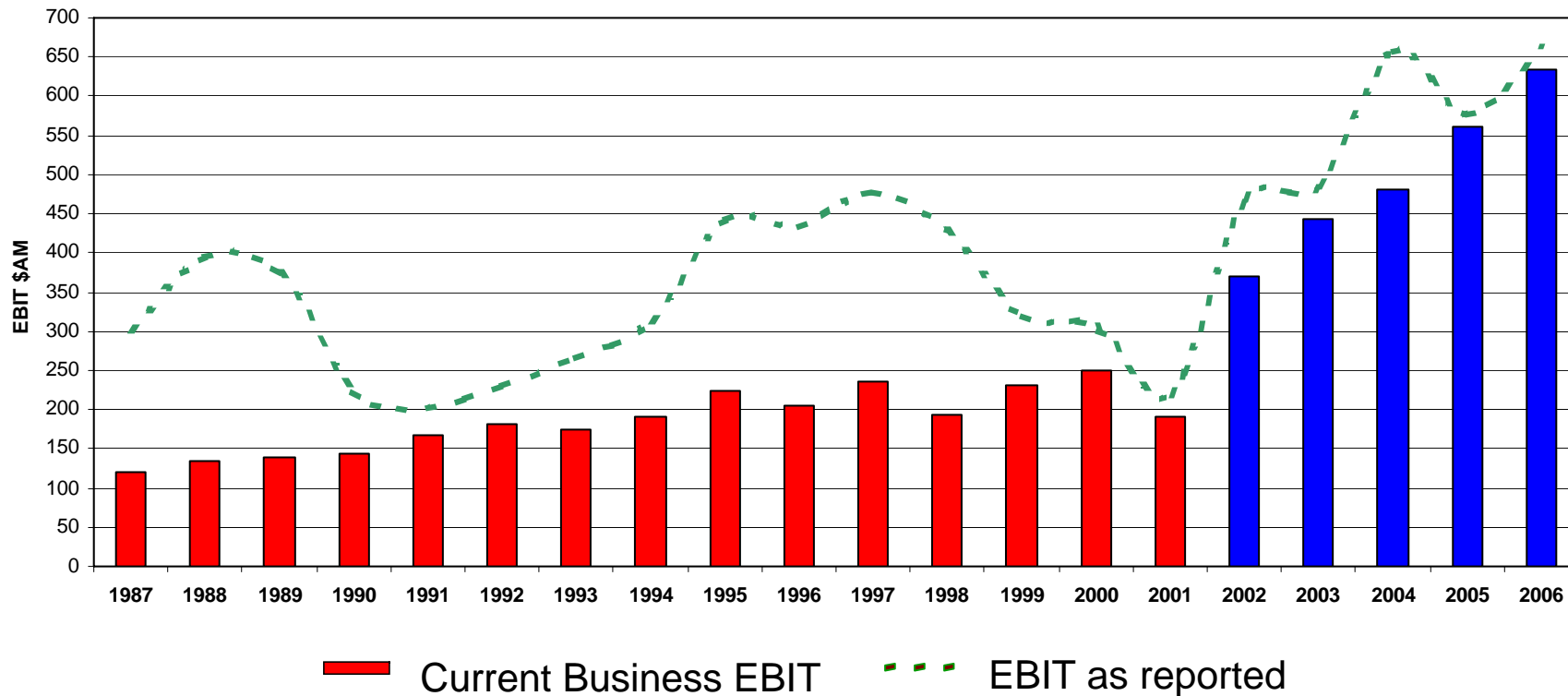
# Financial results



Expanded capital base impacted ROSHF

- Pre significant items
- Pre 2005 not AIFRS adjusted

# EBIT\* performance



Earnings less cyclical going forward

\* Excluding corporate costs

Year ended 30 September 2006

# Financial summary



		2006	2005 <sup>1</sup>	% Change
<b>Results including significant items:</b>				
NPAT including significant items	A\$M	539	208	159
Significant items after tax	A\$M	159	(132)	
<b>Underlying Results:</b>				
Sales Revenue	A\$M	5,359	5,127	5
EBIT (excluding significant items)	A\$M	658	601	9
NPAT (excluding significant items)	A\$M	380	340	12
<b>Coverage Ratios:</b>				
Gearing (book)	%	10.2	42.3	
Gearing (adjusted) <sup>2</sup>	%	18.4	42.3	
Interest cover	x	7.1	5.9	
Interest cover (adjusted) <sup>2</sup>	x	6.5	5.9	

1. 2005 comparatives are AIFRS adjusted
2. Hybrid shares notionally reclassified as 50% equity and 50% debt

# Full year ended 30 September 2006

## Significant items (A\$M)



	<u>2006</u>	<u>2005</u>
<b>Legacy Issues</b>		
Botany HCB Waste (NSW)	(49)	-
Villawood (NSW)	(23)	-
Cockle Creek (NSW)	(14)	-
Botany Groundwater (NSW)	-	(18)
<b>Restructuring &amp; Rationalisation</b>		
Chemnet	(35)	-
IPL	-	(31)
Corporate	-	(11)
Chemical Services	-	(5)
Seneca (North America)	(8)	-
<b>Dyno Nobel income (expenditure)</b>		
Integration costs	(78)	-
Net financing income	2	-
<b>Other</b>		
Profit on disposal of IPL	409	-
Impairment writedowns:		
Adhesives & Resins	(10)	(11)*
Seneca (North America)		(15)*
Seneca Environmental Provision	(19)	-
Tax Indemnity – Cropcare	(16)	-
Qenos Divestment	-	(34)
Restructuring provisions – on acquisition		(7)*
<b>TOTAL (after tax)</b>	<b>159</b>	<b>(132)</b>

Amounts subject to rounding

\* AIFRS adjustments to pcj

Year ended 30 September 2006



# Shareholder scorecard

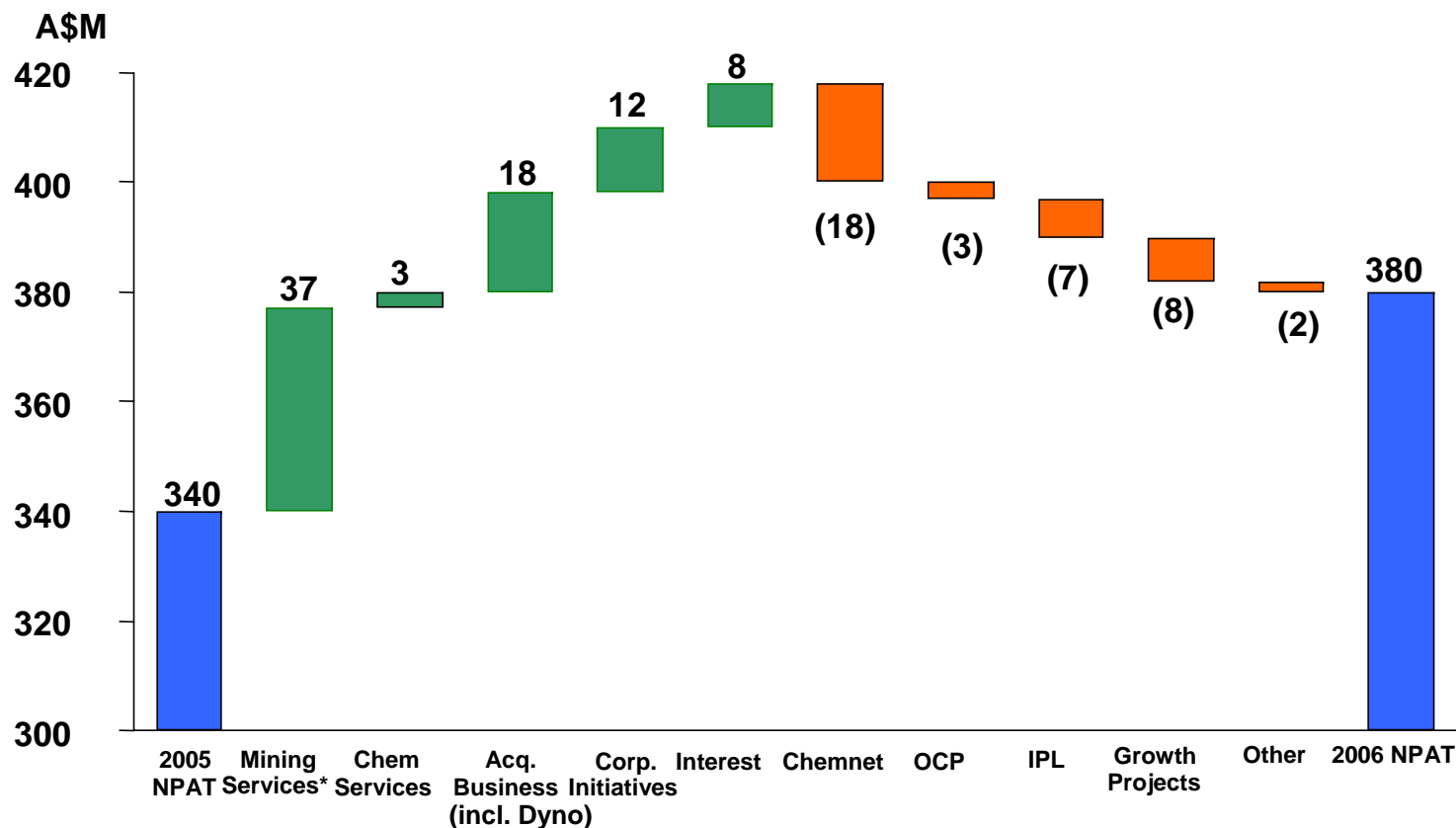
		2006	2005	% Change
<b>Results (before significant items)</b>				
Earnings per share	cents	125.5	124.6	1
Return on shareholders' funds	%	19.3	25.5	
<b>Results (after significant items)</b>				
Earnings per share	cents	177.8	76.3	133
Return on shareholders' funds	%	27.3	15.6	
<b>Cash Returns to Shareholders</b>				
Interim dividend	cents	26	25	4
Final dividend	cents	48	46	4
Total dividend	cents	74	71	4
Franking per share	%	41	32	n/a
Payout ratio	%	59	58	n/a
Share buyback	(\$M)	81	54	50
Orica SPS distribution	(\$M)	25*	n/a	n/a

**Growth in earnings and dividends**

\* SPS distribution to be paid in November 2006

Year ended 30 September 2006

# NPAT analysis



- ✓ NPAT up 12%
- ✓ Record result in Mining Services & Chemical Services
- ✓ Dyno integration proceeding well
- ✓ Lower corporate initiatives spend

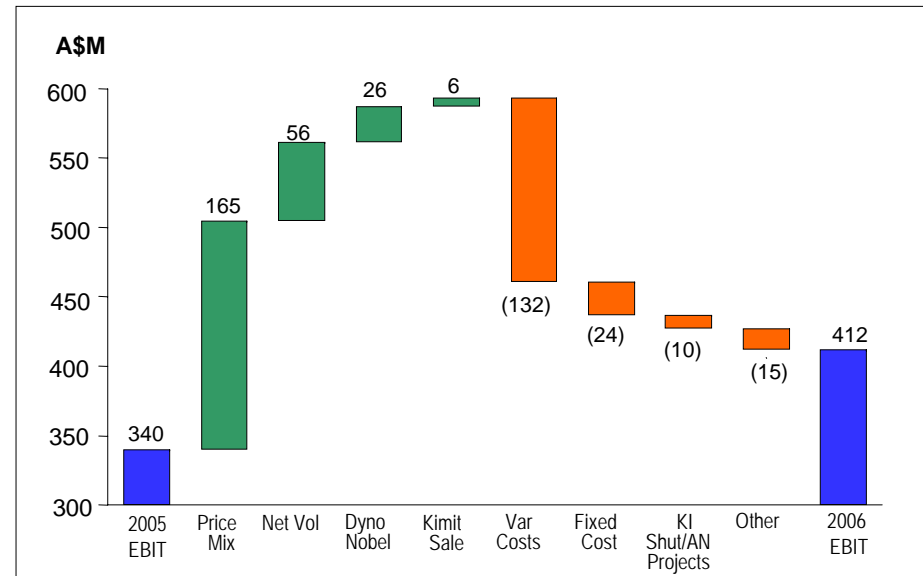
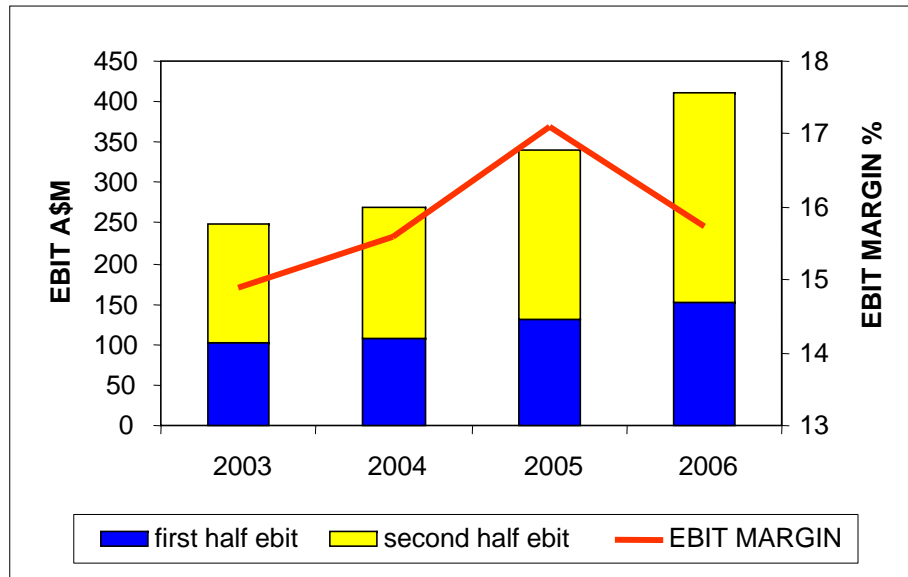
- ✓ Lower interest expense
- ✗ Chemnet earnings down
- ✗ Consumer Products down marginally
- ✗ Loss of contribution from IPL
- ✗ Increased spend on growth projects

\* Excludes expenditure on evaluating strategic AN growth projects

# Mining Services



Sales \$2,621M; EBIT \$412M; Average Net Assets \$1,644M; RONA 25%



- ✓ Record result
- ✓ Recovery of input costs
- ✓ Volume growth across all regions
- ✓ Successful contract renegotiations
- ✓ Dyno integration proceeding well
- ✓ Yarwun successfully commissioned

- ✗ Higher input costs
- ✗ Rising labour costs and lease charges
- ✗ KI shutdown spend
- ✗ Increased spending on AN projects
- ✗ Increased depreciation & amortisation and forex movements

# Dyno performance\*



EBIT Category	2006 Actual (A\$M)
Underlying trading performance of Dyno businesses	21.5
Synergies (1)	12.0
<b>Underlying performance post synergies</b>	<b>33.5</b>
Lost contribution from businesses sold (2)	(2.1)
Adjustments for Orica reporting purposes (3):	
- Australian consolidation accounting	(1.0)
- AIFRS adjustments	(4.4)
<b>2006 reported Dyno EBIT</b>	<b>26.0</b>

1. Synergies banked in 2006 - A\$12M
  - closure of Oslo head office
  - decision to relocate European IS manufacturing
2. Orica disposed of the Sasol (South Africa) and Tenaglia Kemia (Malaysia) business. Both sold for multiples higher than the post synergy multiple of the original acquisition.
3. Acquisition accounting adjustments totalled A\$5.4M. These adjustments had no impact on the cashflow generated from the acquired businesses.

\* Four months ended 30 September 2006

# Dyno integration costs



Integration cost category	2006 Actual (A\$M)
Asset write-offs – non cash	45
Redundancies	41
Transitional salaries	5
Synergy implementation costs	4
Other	3
<b>Total Integration costs</b>	<b>97</b>
Project office costs (acquisition costs)	18
<b>Total significant items (pre tax)</b>	<b>115</b>

- Largest asset write-off relates to closure of Troisdorf facility
- Approximately 700 headcount reductions identified, principally functional and manufacturing roles. 180 employees had left the company by September 2006
- Project office costs relate to the integration team based in London



# Dyno integration – next steps

2007 and beyond...

- Successful implementation of project plans to deliver A\$90M in synergies
- Integrate the management and financial systems of the two businesses in all countries
- Expand IS manufacturing capacity at Gyttorp, Sweden following the decision to close Troisdorf, Germany
- Examining options for Latin American manufacturing rationalisation
- Driving a customer focused culture and developing products for the future

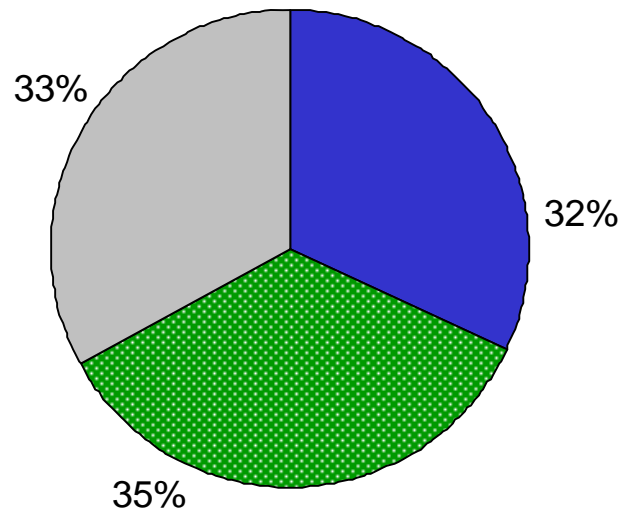
## Current view of synergy deliverables

\$A M's	FY2007	FY2008	FY2009
Cumulative Forecast	40 - 50	70 - 80	90

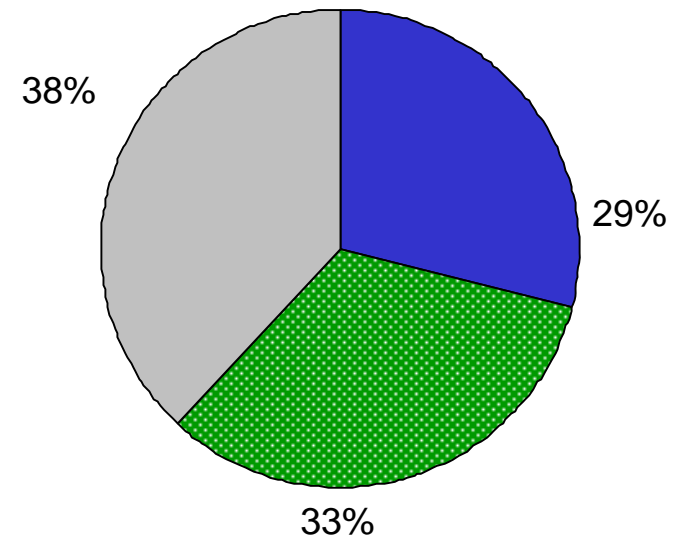
# Dyno – synergy update



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



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



Oslo & Regional  
Office Closures

Gyttorp & LATAM  
Asset Rationalisation

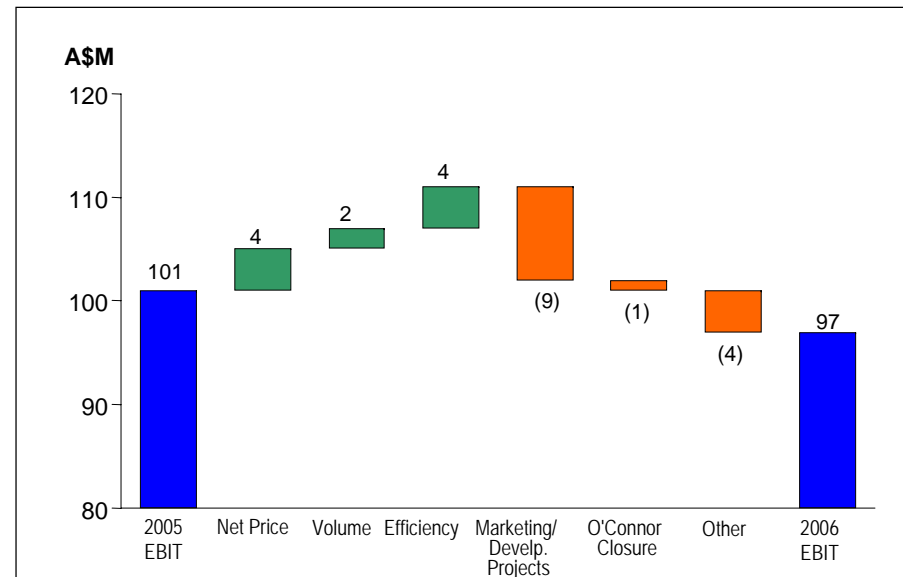
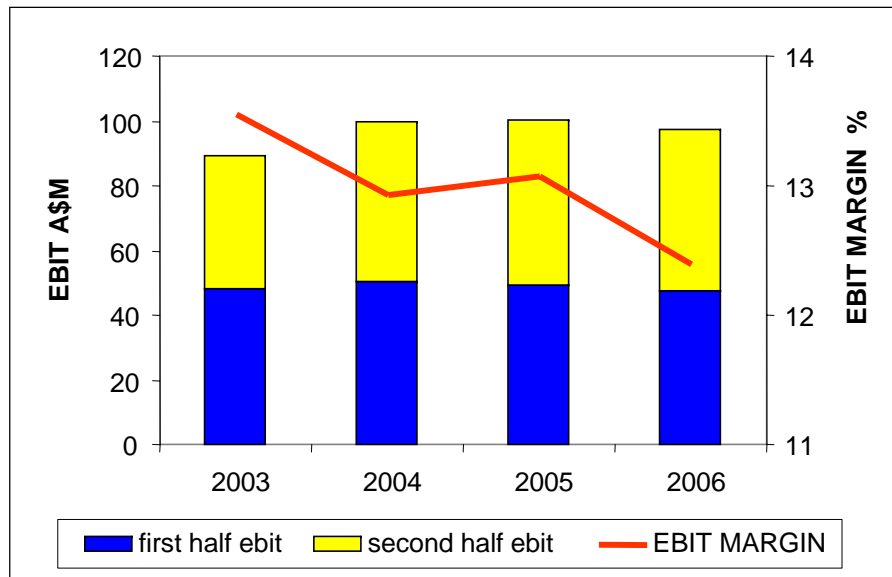
Procurement,  
Logistics & Other

High degree of confidence in delivering A\$90M of synergies

# Consumer Products



Sales \$785M; EBIT \$97M; Average Net Assets \$219M; RONA 44%



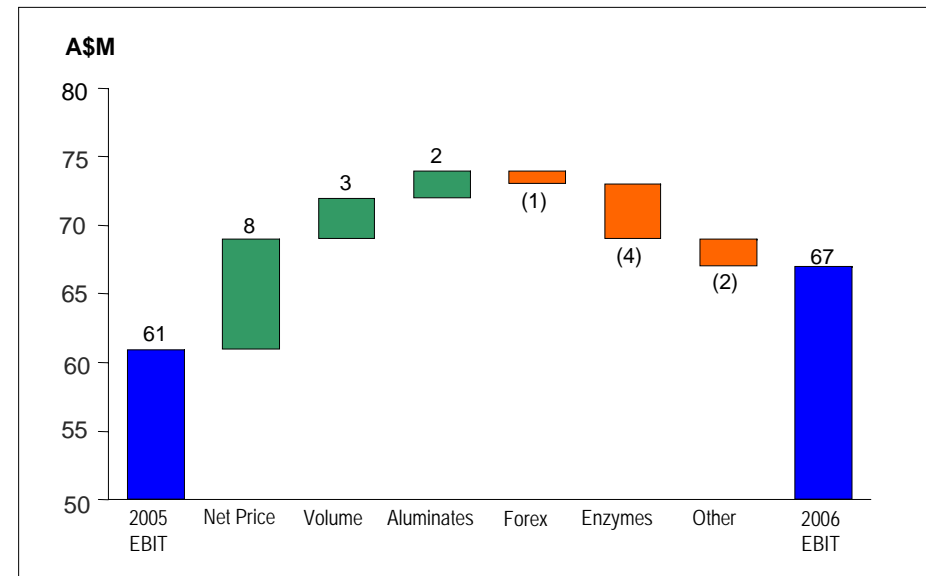
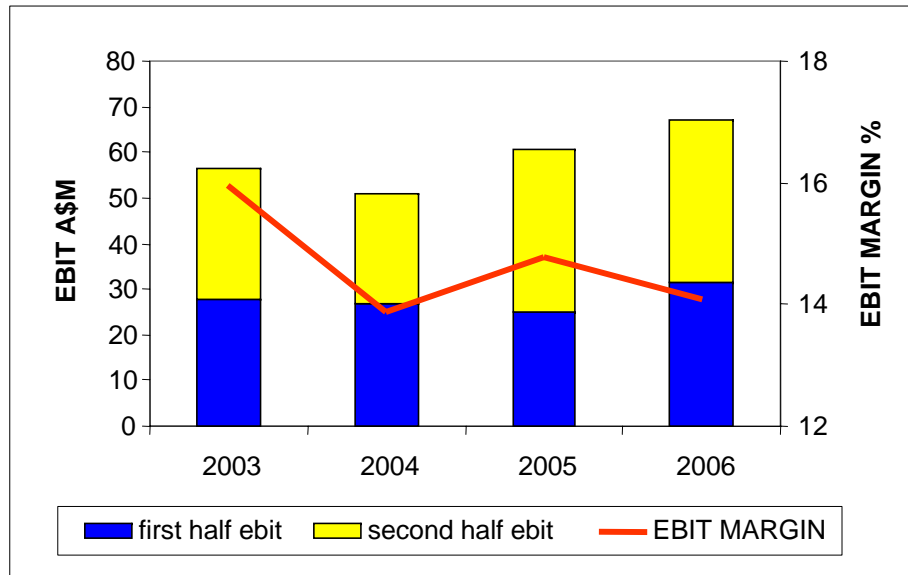
- ✓ Strong result despite softer market
- ✓ Good performance by Australian trade and NZ decorative paints
- ✓ Market share gains in Australian paints, Selleys & Yates
- ✓ Investing for the future by increasing marketing and project funding

- ✗ Australian retail paint volumes flat
- ✗ Yates improvement slower than planned
- ✗ Weaker \$NZ impacted translation

# Chemical Services



Sales \$477M; EBIT \$67M; Average Net Assets \$380M; RONA 20%\*



- ✓ Record result
- ✓ Strong sodium cyanide demand
- ✓ Aluminates acquisition
- ✓ MIEX gaining momentum

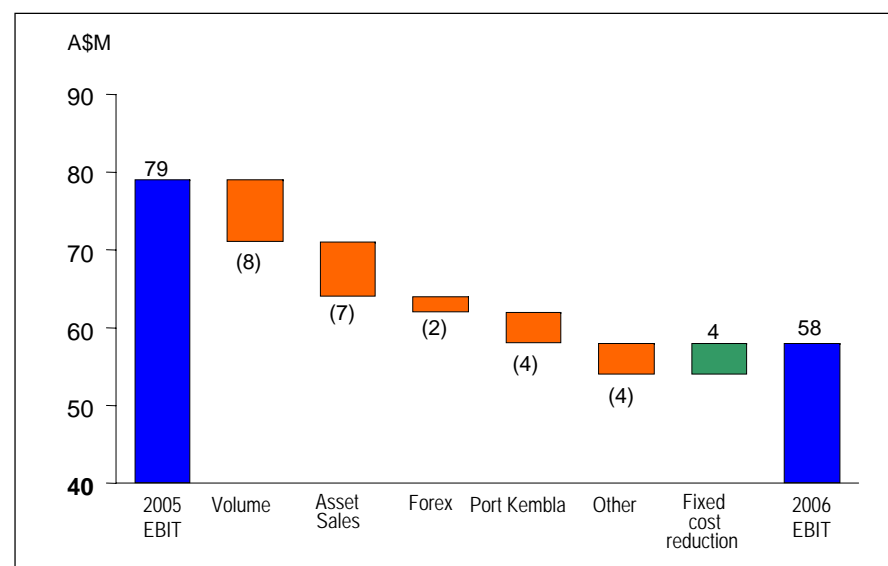
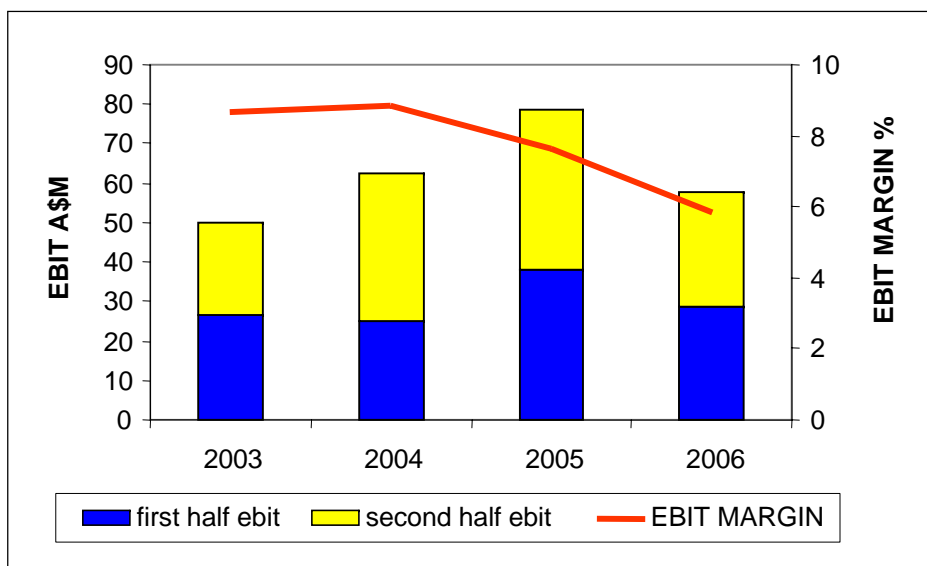
- ✗ Forex
- ✗ Enzymes cost previously in corporate spend

\* Excluding Miex and Enzymes

# Chemnet



Sales \$987M; EBIT \$58M; Average Net Assets \$376M; RONA 15%



- ✗ Lower volumes due to weaker end markets
- ✗ Lower surplus asset rationalisation
- ✗ B&J loss of market share
- ✗ Weaker \$NZ impacted translation
- ✗ Port Kembla site remediation
- ✗ Lower rental income
- ✗ Marplex struggling

- ✓ Restructure gaining traction
- ✓ Lower fixed costs in 2<sup>nd</sup> half
- ✓ Integration of acquisitions completed

# Corporate centre and other support services (A\$M)

	<u>2006</u>	<u>2005</u>	<u>\$ Change</u>
<b>Corporate Centre</b>	(36.3)	(35.9)	(0.4)
<b>Other Support Costs</b>			
Corporate initiatives	(8.4)	(26.5)*	18.1
Growth projects	(6.0)	(0)	(6.0)
	<u>(14.4)</u>	<u>(26.5)</u>	<u>12.1</u>
<b>TOTAL</b>	<u>(50.7)</u>	<u>(62.4)</u>	<u>11.7</u>

## Corporate Centre

- ✓ Corporate costs flat

## Other Support Services

- ✓ Lower corporate initiative spend
- ✗ Higher insurance costs
- ✗ Growth project spend

\* This amount included corporate funded business unit projects no longer funded by corporate in 2006

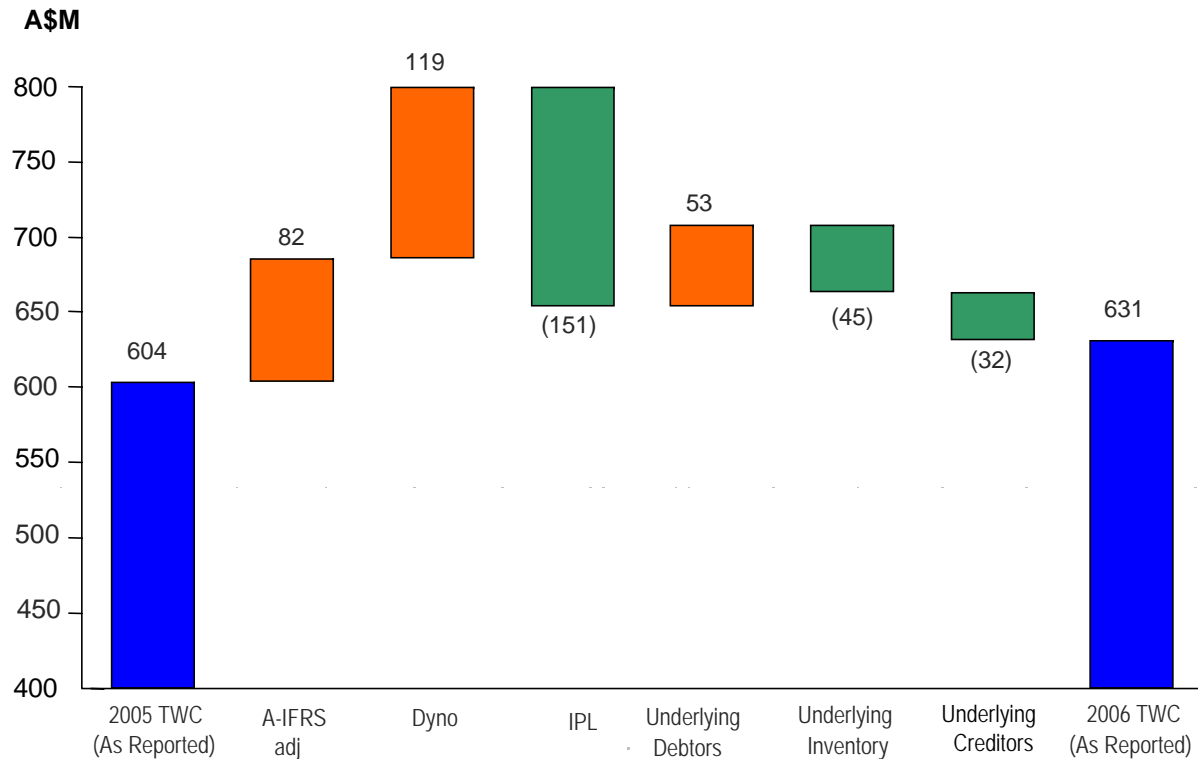
Year ended 30 September 2006

# Cashflow A\$M



	<u>2006</u>	<u>2005</u>	<u>% Change</u>
EBITDA	815	741	10
Net interest paid	(90)	(82)	(10)
Net tax paid	(102)	(104)	2
Disputed tax assessment	--	(105)	
Trade working capital	(213)	175	
Non-trade working capital	4	(249)	
Net operating cash flows	<u>414</u>	<u>376</u>	<u>10</u>
Net investing cash flows	(376)	(301)	(25)
Net financing cash flows	<u>757</u>	<u>(8)</u>	
TOTAL	<u>795</u>	<u>67</u>	

# Underlying trade working capital



- Underlying working capital improvement of \$24M
- Underlying working capital/sales ratio 11.6% (pcp 13.4%)

Significant improvement in underlying TWC performance

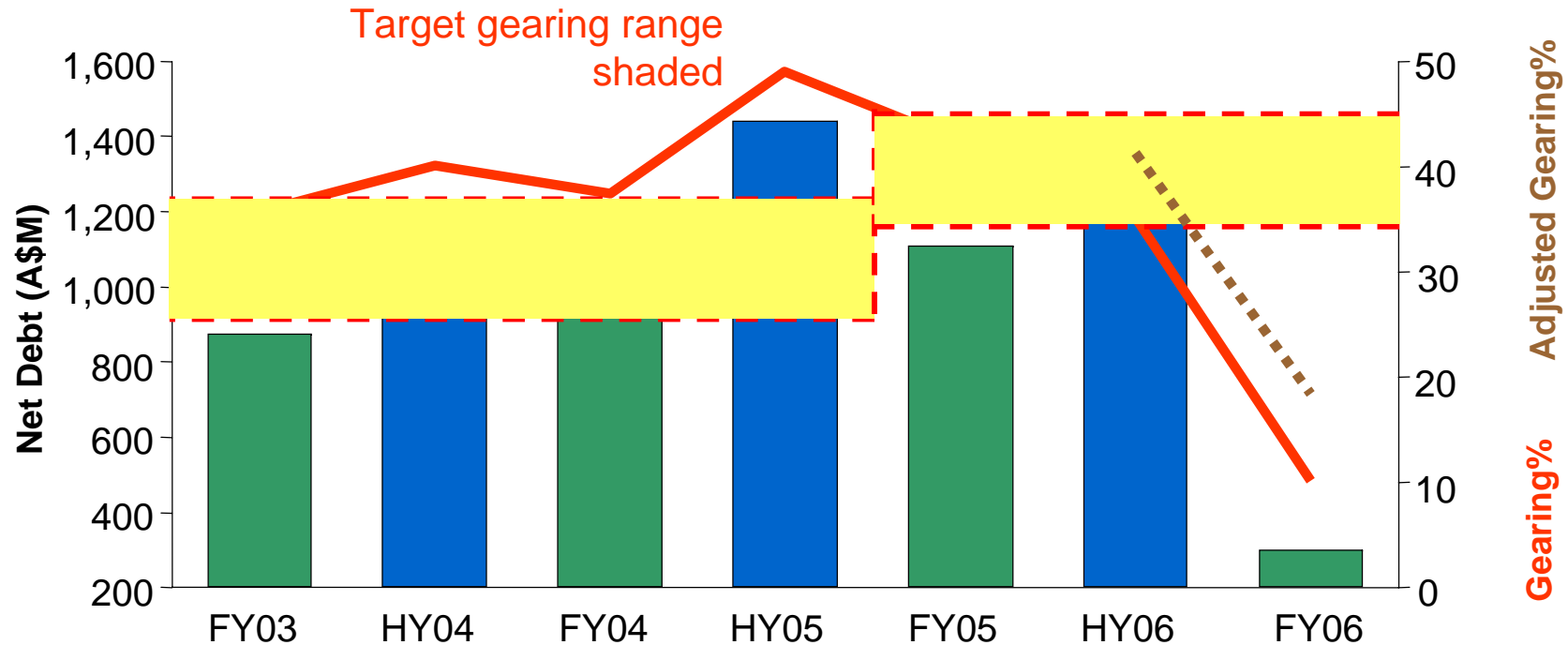
Year ended 30 September 2006

## Balance sheet (A\$M)



	<u>Sept 2006</u>	<u>March 2006</u>	<u>Sept 2005</u>
Trade working capital	630	875	604
Net property, plant & equipment	1,603	1,774	1,594
Net other assets	737	1,392	434
Net debt	(302)	(1,423)	(1,112)
<b>Net Assets</b>	<b>2,668</b>	<b>2,618</b>	<b>1,520</b>
Orica shareholders' equity	2,617	2,431	1,328
Outside equity interests	51	187	192
<b>Equity</b>	<b>2,668</b>	<b>2,618</b>	<b>1,520</b>

# Net debt and gearing



- Book Gearing 10.2%
- Adjusted Gearing 18.4% (hybrids notionally 50/50 debt & equity split)
- Pro forma book gearing post Minova acquisition 31%

# Environmental provisions update



Environmental Provisions	As at 30 September 2006 (A\$M)
HCB waste processing	127
Botany groundwater	61
Dyno Nobel <sup>1</sup>	33
Villawood	33
Seneca	31
Other	12
<b>Total Environmental Provisions</b>	<b>297</b>

- Botany groundwater and HCB waste processing comprise the majority of Orica's environmental provisions

# Environmental issues – Botany Park



**Boundary marked by red border represents BIP site boundary**  
**Boundary marked in green represents Southlands**  
**Boundary marked Yellow is Carpark encapsulation**  
**Boundary marked magenta shows the GTP site**  
**Boundary marked aqua shows the HCB Storage facility**

## Site Information

- 100 hectare site, 10 km from Sydney CBD
- Orica owns surplus land including Southlands Blocks 1&2 (18 hectares)
- GTP operating approx. 5.0 megalitres per day - a rate that contains the plume
- Applied for licence to export HCB waste
- Botany provisions total ~A\$188M

# Summary



- Strong result despite weakness in some business platforms
- Record Mining Services and Chemical Services result
- Dyno integration on track
- Financial discipline and improved cashflow performance
- Strong balance sheet capable of funding future growth

A disciplined and consistent approach to growing shareholder value

# Outlook



Subject to global economic conditions, group net profit before significant items in 2007, is expected to be higher than that reported in 2006, as we look forward to a full year contribution from the acquired Dyno businesses and recently commissioned ammonium nitrate expansion at Yarwun, in addition to improved earnings across our existing businesses. We also expect a nine month earnings contribution from the recently announced Minova acquisition.

# Supplementary information

# Orica – the past twelve months



- The business portfolio and strategic direction have been significantly re-shaped
- The remaining business platforms will drive the next growth phase for Orica.

The evolution of Orica continues...

# Acquisition of Minova



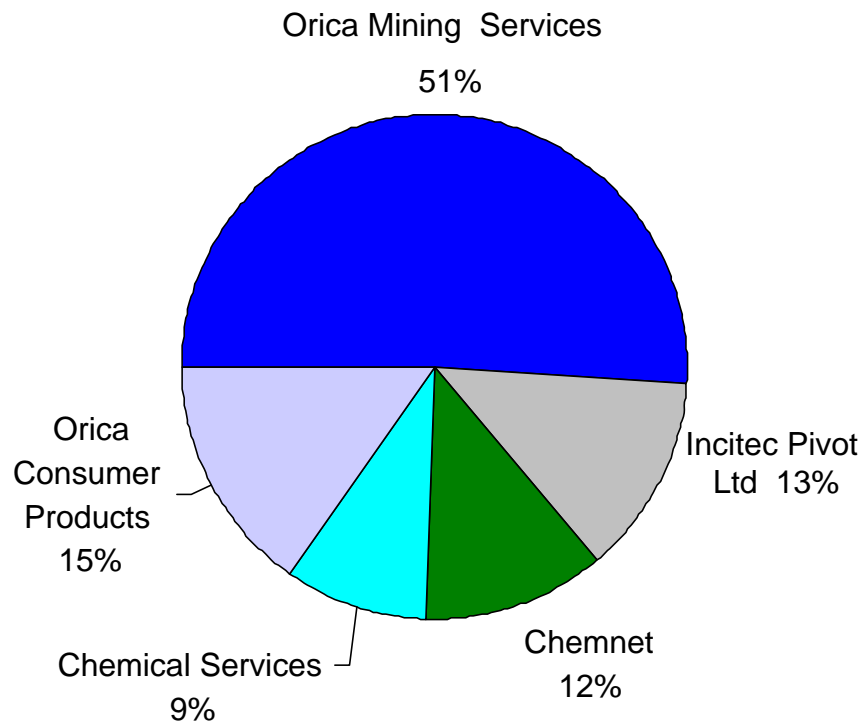
- Rationale:
  - expand into a high growth niche market segment
  - adds further growth to Orica's portfolio
  - Minova is a highly cash generative business
- The acquisition meets Orica's strategic criteria:
  - market leadership
  - grow "close to the core"
  - earning the "right to grow" - 18% RONA in 3<sup>rd</sup> year post integration
- Minova held separately for two years before integration
- Minova management incentivised through two year earn-out agreement
- Acquisition price A\$870M<sup>1</sup>
- Funded by existing cash and debt facilities

1. Including transaction costs

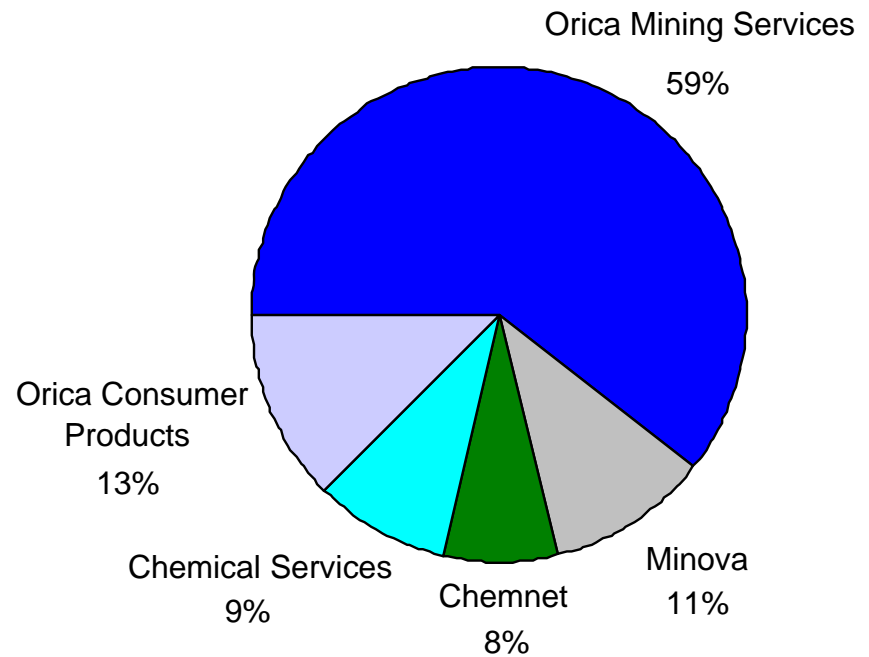
# EBIT<sup>1</sup> contribution by business platform



**2005 (A)**



**2006 (A)<sup>2,3</sup>**

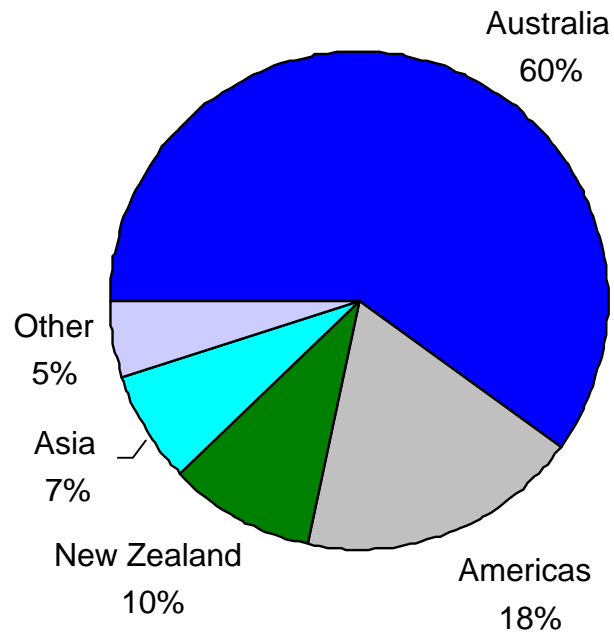


1. Excludes corporate costs
2. Assumes FY06 annualised contribution from Dyno
3. Includes Minova CY2006F EBIT

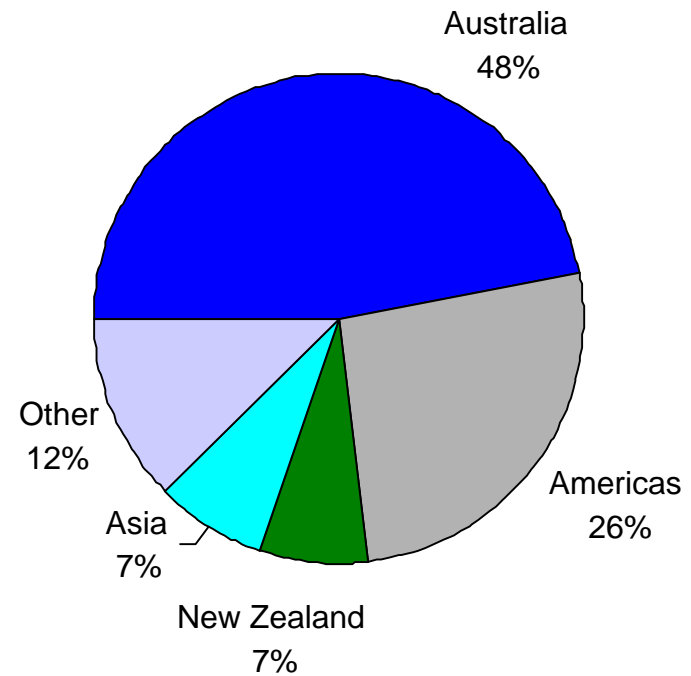
# Gross sales by geography



**2005 (A)**



**2006 (A)<sup>1,2</sup>**



1. Assumes FY06 annualised revenue contribution from Dyno
2. Includes Minova CY2006F Sales

# Key sensitivities

- Commodity production volumes
- Consumer confidence/spending
- Caustic soda and sodium cyanide prices
- Global economic conditions

Global economic conditions, on balance, are favourable



# Foreign currency - sensitivity

Orica has a net exposure to an appreciating AUD.  
As a guide:

Every one cent movement in the USD/AUD  
exchange rate will impact EBIT by approximately  
A\$1.6M\*

Dyno has increased Orica's currency exposure

\* Does not include Minova

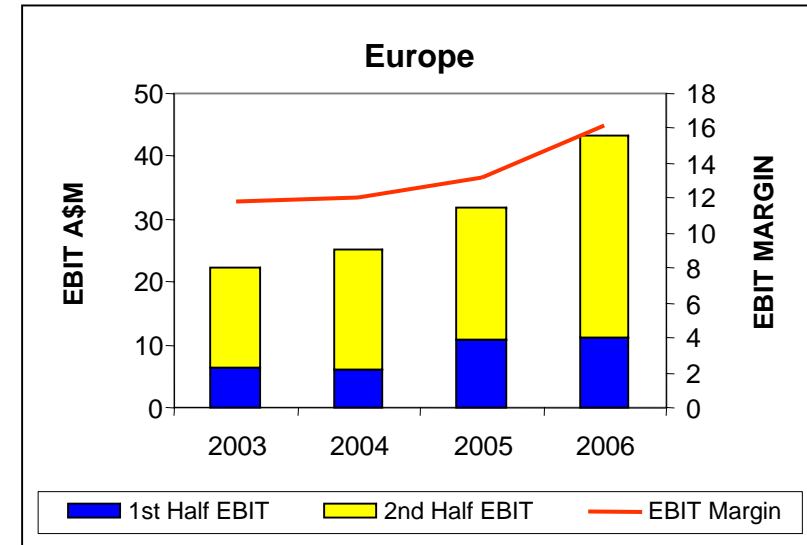
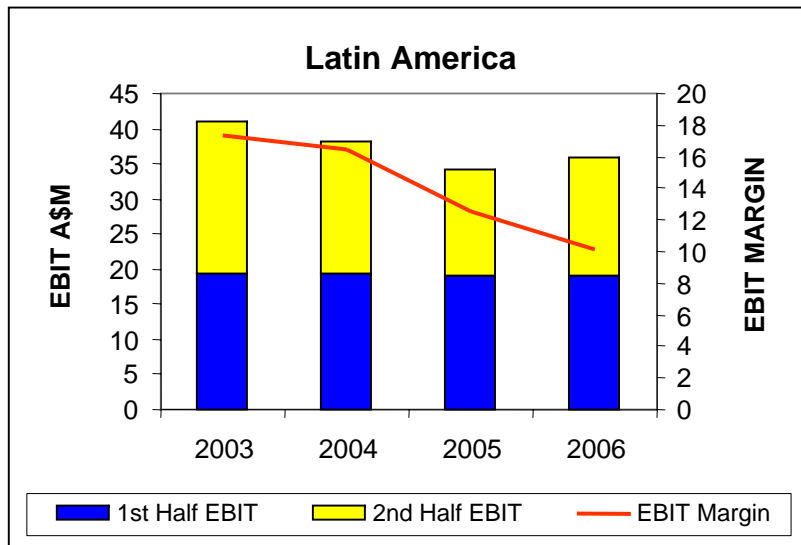
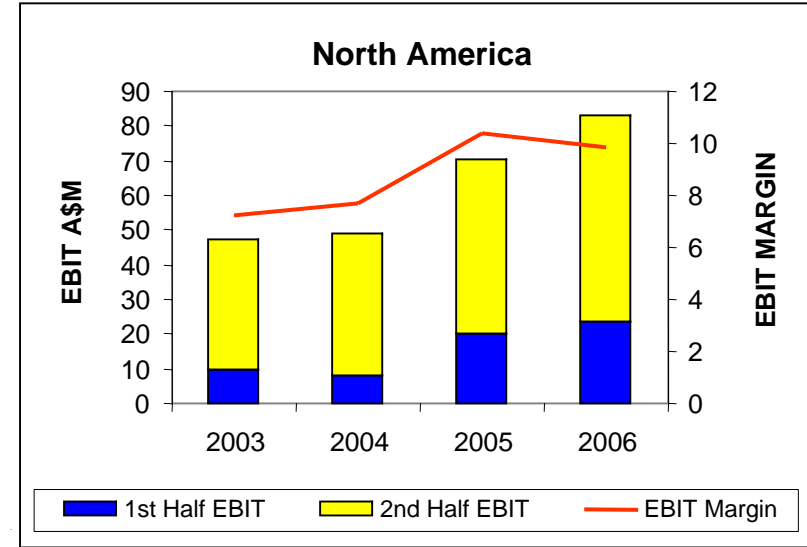
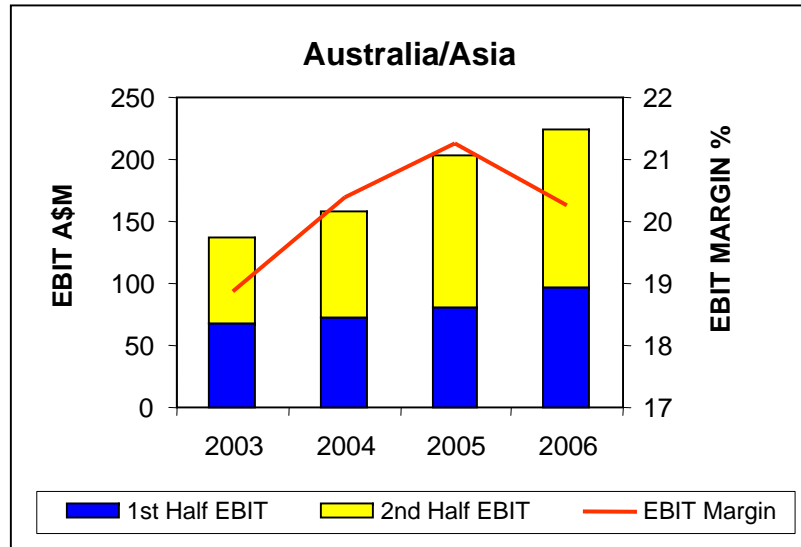


# Environmental provisions update



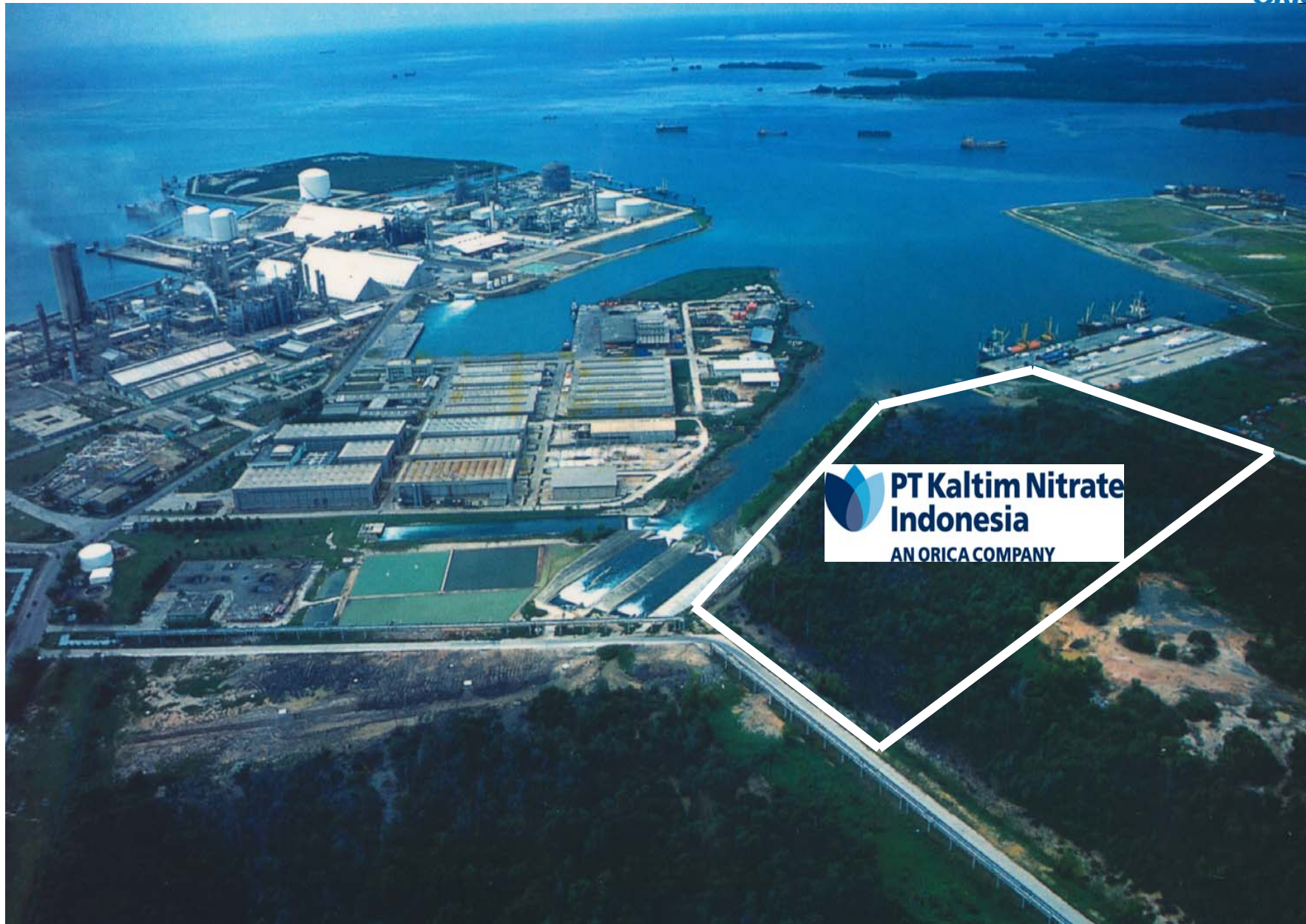
1. Dyno provisions part of acquisition accounting

# Mining Services by geography\*



\* Excluding Dyno contribution

# Proposed AN site at Bontang, Indonesia



 **PT Kaltim Nitrate  
Indonesia**  
AN ORICA COMPANY

Year ended 30 September 2006



# Efficiency - cost productivity

	2006	2005	Increase	
	\$M	\$M	\$M	%
Sales revenue	5,359	5,127	232	5
Variable costs	3,234	3,151	83	3
Gross margin	2,125	1,976	149	8
<i>Gross margin/sales %</i>	<i>39.7</i>	<i>38.5</i>		
Fixed costs (incl D&A)	1,547	1,445	102	7
<i>Fixed costs/gross margin %</i>	<i>72.8</i>	<i>73.1</i>		
Whole of cost bar	4,781	4,596	185	4
<i>WOCB/sales %</i>	<i>89.2</i>	<i>89.6</i>		

Year Ended 30 September 2006

# Efficiency – capital productivity



	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Disciplined Capital Management</b>			
TWC / Sales %	11.8	11.8	16.6
Inventory Turns (times)	5.6	3.8	3.6
Sales/Operating Net Assets	1.7	1.8	1.8
Sustenance as % of Depreciation	101.7	108.0	106.2
<b>Expansion Capex (\$M)</b>	215	214	53
<b>M&amp;A Activity (\$M)</b>			
Acquisitions	928*	59	184
Divestments	857		

\* Comprises Dyno net of businesses sold and SEC acquisition in the United States

# A-IFRS FY 2005 (pcp) reconciliation



<b>Year Ended 30 September 2005</b>	<b>AGAAP</b>	<b>Adjustments</b>	<b>AIFRS</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Sales Revenue	5,127		5,127
Share Based Payments		(11.6)	
Goodwill amortisation		35.5	
Other expenses		(1.0)	
Share of associates' net profit/(loss) equity accounted		0.8	
<b>EBIT</b>	<b>577.2</b>	<b>23.7</b>	<b>600.9</b>
Interest Expense		0.6	
Tax Expense		(16.2)	
Minority Interests		(3.1)	
<b>NPAT before significant items</b>	<b>334.9</b>	<b>5.0</b>	<b>339.9</b>
<b>Significant items</b>	<b>98.6</b>	<b>33.0</b>	<b>131.6</b>
<b>NPAT after significant items</b>	<b>236.3</b>	<b>28.0</b>	<b>208.3</b>