

# Half Year Results Announcement

3 May 2010

# Presentation outline

- |                            |                |
|----------------------------|----------------|
| ▶ Group performance        | Graeme Liebelt |
| ▶ Divisional performance   | Noel Meehan    |
| ▶ Balance Sheet & Cashflow | Noel Meehan    |
| ▶ Strategic priorities     | Graeme Liebelt |
| ▶ Outlook                  | Graeme Liebelt |

# Group financial performance

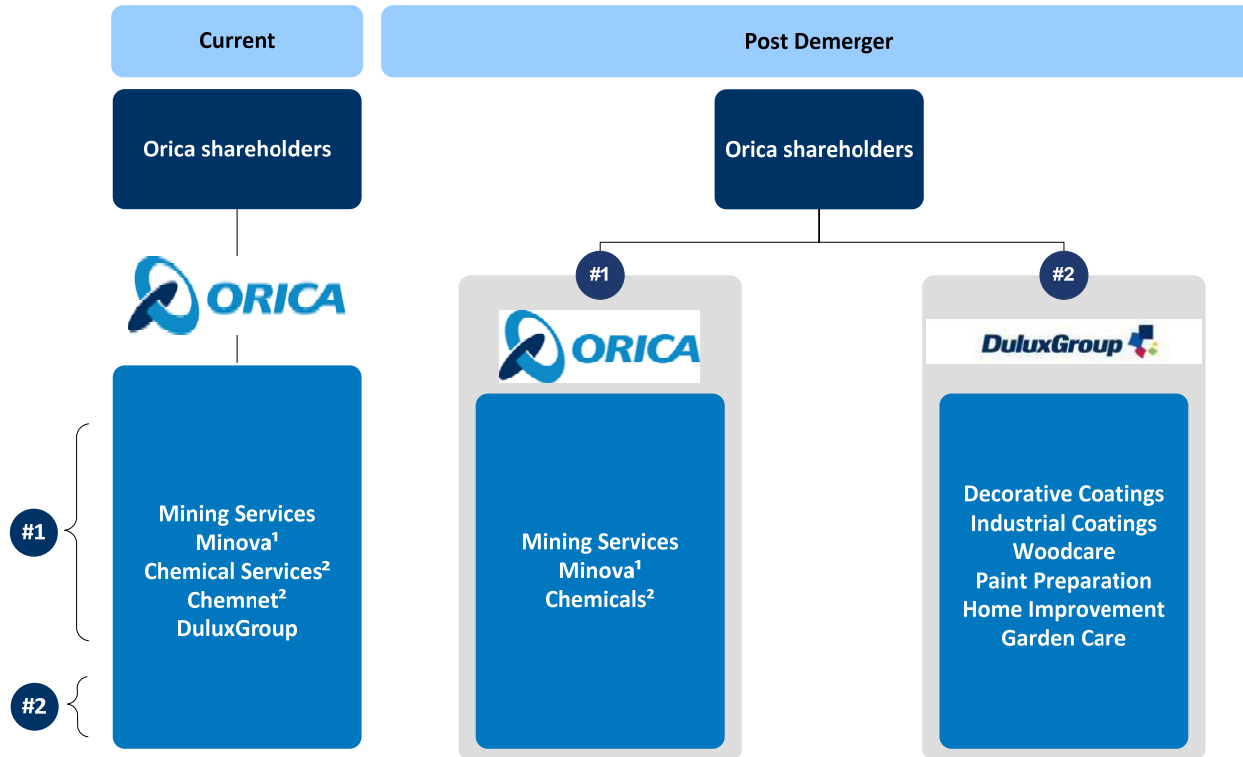
Half year ended 31 March (A\$M)	2010	2009	% $\updownarrow$
Sales	3,226.0	3,960.2	(18.5) $\downarrow$
Gross margin	1,522.8	1,596.1	(4.6) $\downarrow$
EBITDA <sup>1</sup>	615.6	594.5	3.5 $\uparrow$
EBIT <sup>1</sup>	495.9	469.4	5.7 $\uparrow$
Net profit after tax pre individually material items	293.2	264.2	11.0 $\uparrow$
Net profit after tax after individually material items	55.1	220.4	(75.0) $\downarrow$
Operating cashflow	268.8	217.3	23.7 $\uparrow$
Productivity (%) <sup>2</sup>	69.6	70.9	1.9 $\uparrow$
Earnings per share (cents) <sup>1</sup>	80.6	68.6	17.5 $\uparrow$
Dividends per share (cents)	41.0	40.0	2.5 $\uparrow$
Return on shareholder's funds (%) <sup>1</sup>	15.7	12.6	24.6 $\uparrow$
Gearing (%) <sup>3</sup>	24.9	25.7	(3.2) $\uparrow$

<sup>1</sup> Pre individually material items

<sup>2</sup> Productivity is measured as fixed costs (incl. depreciation and amortisation) as a percentage of gross margin.

<sup>3</sup> Net debt/(net debt + book equity)

# Demerger of DuluxGroup



- ▶ 100% of DuluxGroup shares to be distributed to eligible Orica ordinary shareholders
- ▶ Orica shareholders to retain existing Orica shares

# Group safety performance

	Half Year 2010	Half Year 2009
AWRCR <sup>1</sup>	<b>0.73</b>	0.63
Recordable cases	<b>83</b>	66
Distribution incidents	<b>13</b>	17
Fatalities	<b>-</b>	4

<sup>1</sup> All Worker Recordable Case Rate is calculated as the number of injuries and illnesses per 200,000 hours worked.

# Sustainability

## Challenge 2010 Targets

Energy consumption	✓
Greenhouse gas emissions	✓
Water consumption	✓
Waste generation	✓

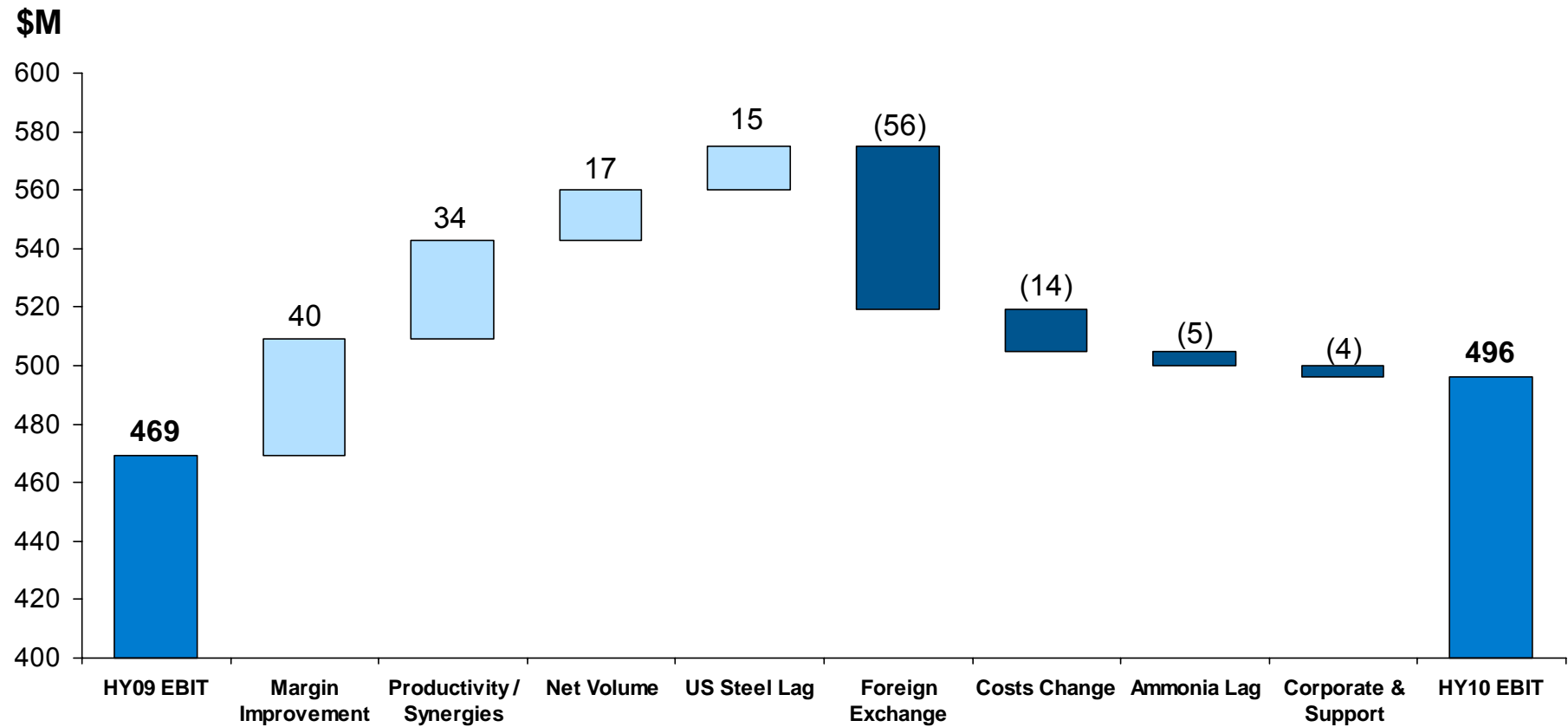
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**On track to achieve Challenge 2010 targets**

# Divisional Performance and Capital Management

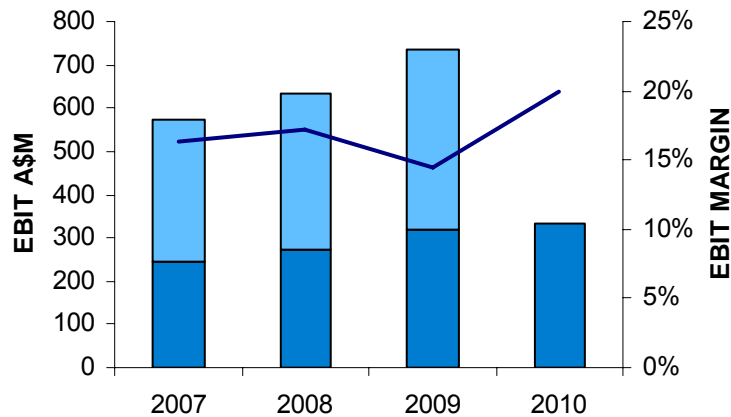
# Group EBIT

EBIT ↑ 6%



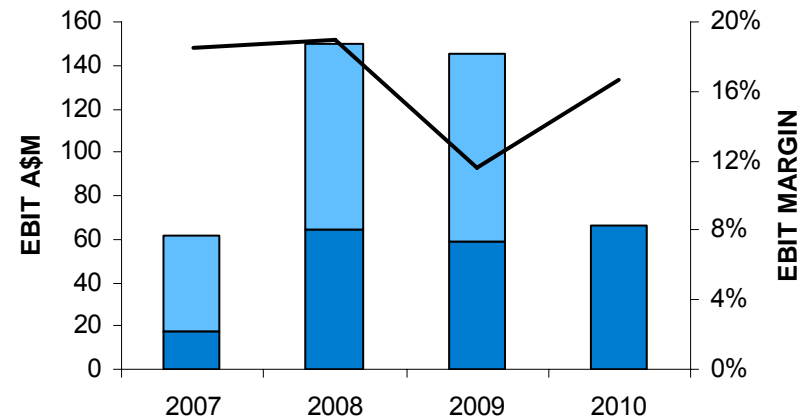
# EBIT growth by business

## Mining Services



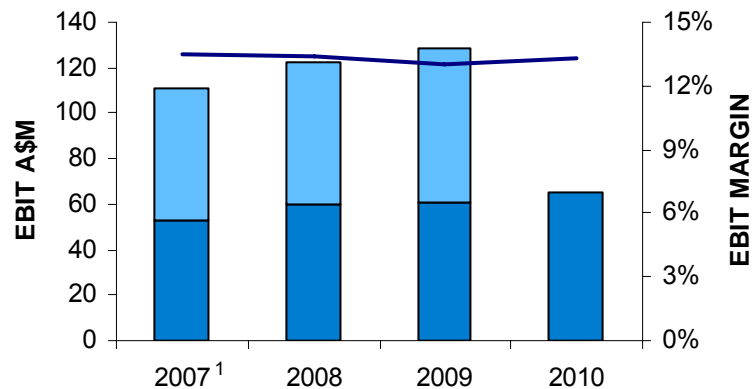
1st Half EBIT 2nd Half EBIT EBIT Margin

## Minova



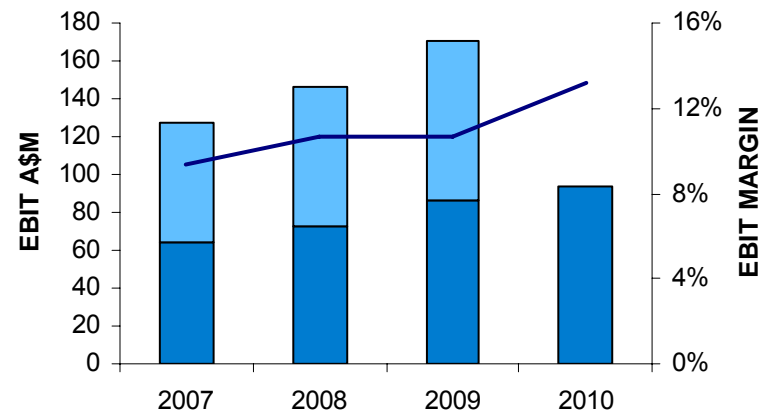
1st Half EBIT 2nd Half EBIT EBIT Margin

## DuluxGroup



1st Half EBIT 2nd Half EBIT EBIT Margin

## Chemicals



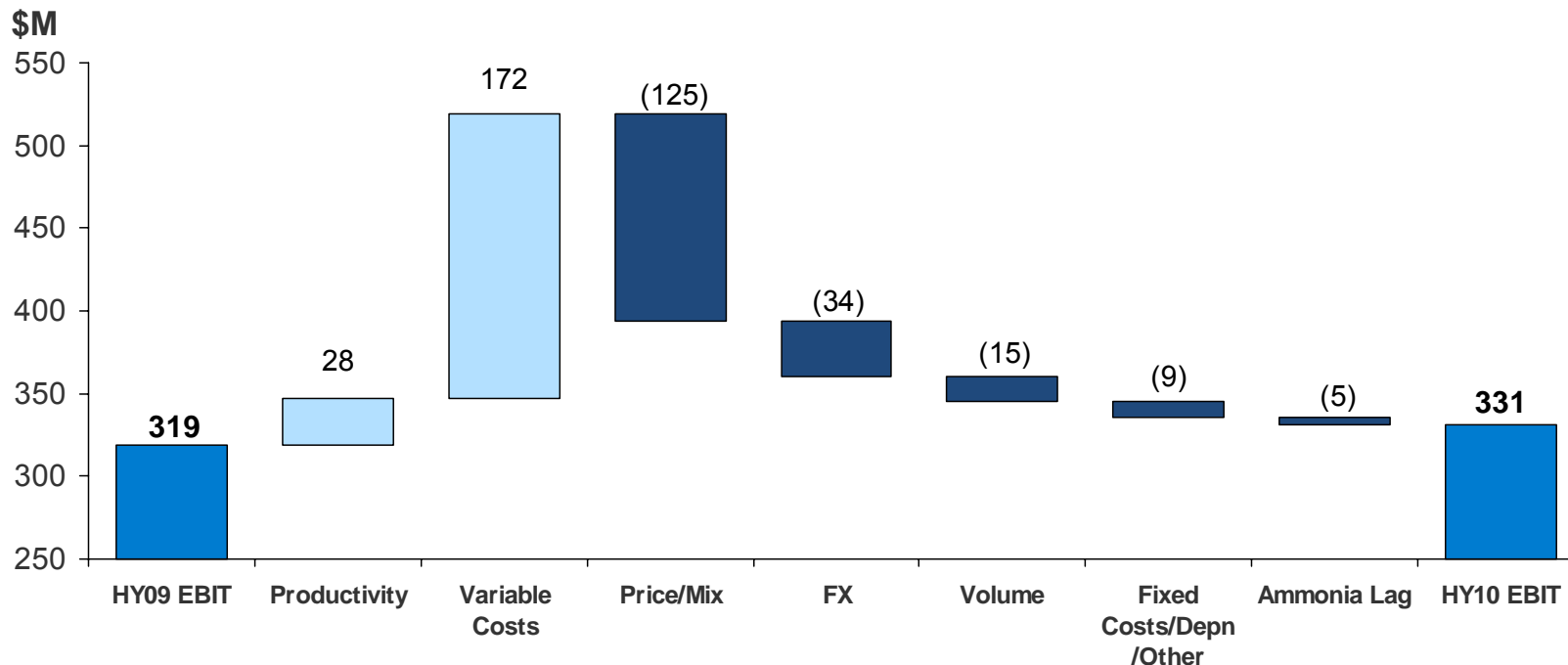
1st Half EBIT 2nd Half EBIT EBIT Margin

<sup>1</sup> Excludes the \$9.5M Yates restructuring provision in 2007

# Orica Mining Services

**EBIT ↑ 4%**

Sales \$1,661M; EBIT \$331M; Average Operating Net Assets \$2,764M

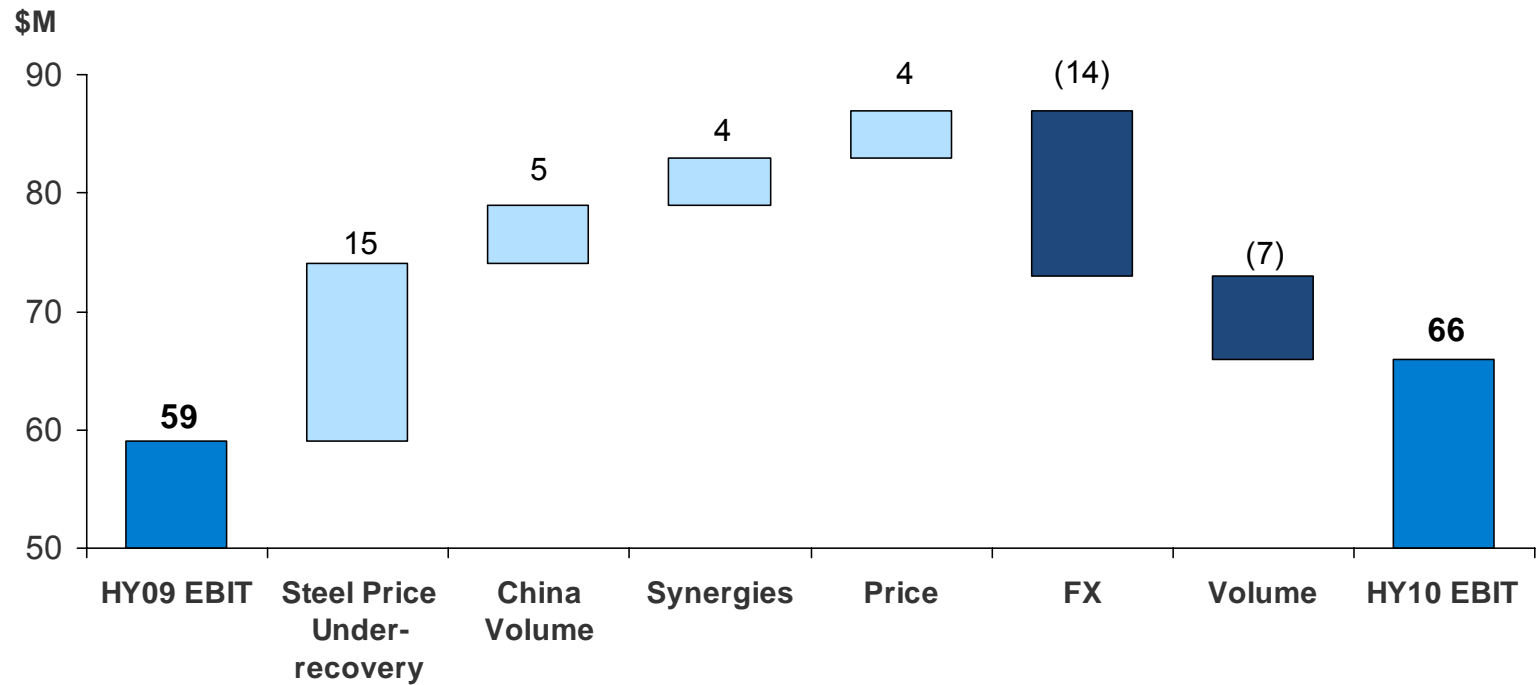


- ✓ Continued productivity improvements and the flow through of benefits from restructuring activity undertaken in the prior period
- ✓ Favourable price change (net of input cost movements)
- ↓ Unfavourable impact from foreign exchange movements
- ↓ Lower volumes impacted by softness in North American thermal coal markets and rain impacts in Australia and Indonesia
- ↓ Higher underlying fixed costs due to inflationary factors and higher depreciation
- ↓ Unfavourable lag impact of ammonia cost recovery

# Minova

Sales \$395M; EBIT \$66M; Average Operating Net Assets \$1,841M

**EBIT ↑ 13%**

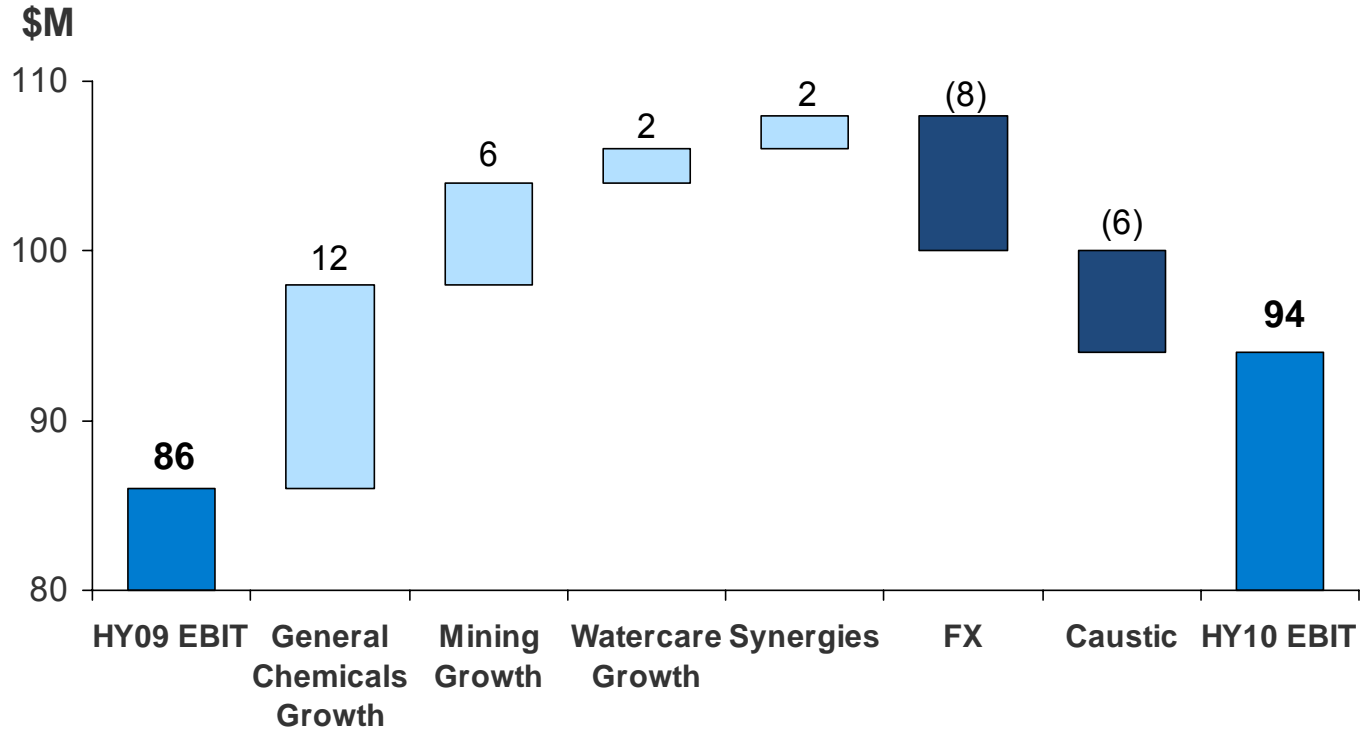


- ✓ Non-recurrence of prior period under-recovery of steel input prices
- ✓ Continued penetration of the Chinese market
- ✓ Continued delivery of synergy benefits
- ✓ Improved pricing in US steel business
- ↓ Unfavourable impact from foreign exchange
- ↓ Lower volumes due to subdued market conditions in Western and Central Europe, and continued softness in US coal markets

# Chemicals

**EBIT ↑ 8%**

Sales \$711M; EBIT \$94M; Average Operating Net Assets \$805M

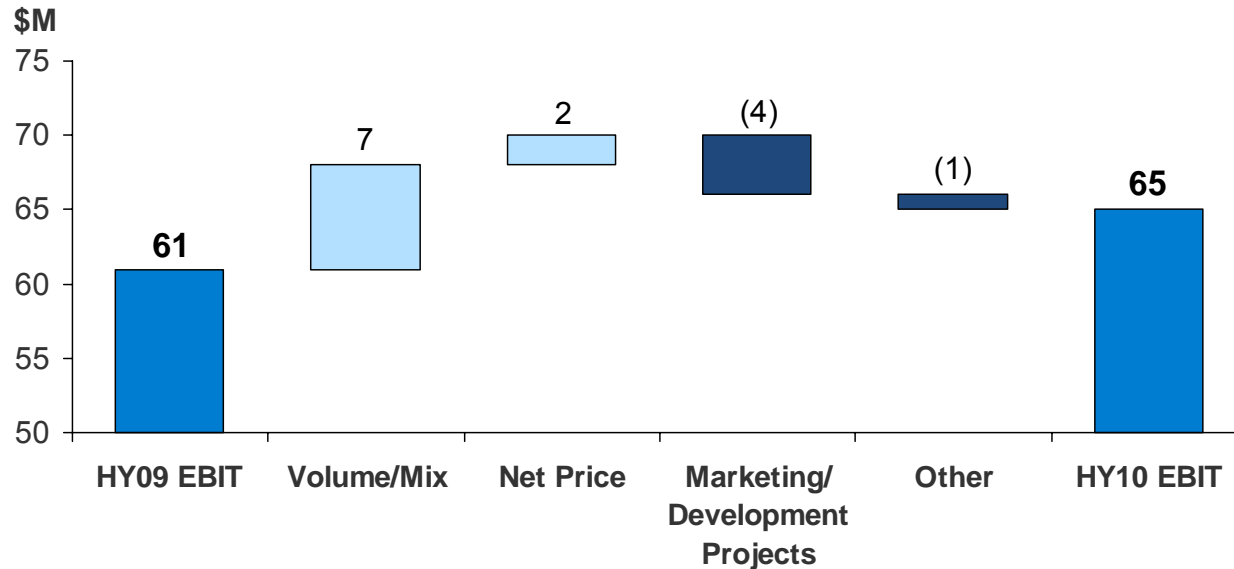


- ✓ Steady recovery in automotive, industrial and mining markets in Australia and improved performance in Latin America partly offset by difficult trading conditions in New Zealand
- ✓ Continued strong demand for sodium cyanide
- ✓ New business driving volume growth in Watercare
- ✓ Delivery of planned synergies from merger of Chemical Services and Chemnet
- ↓ Unfavourable impact from foreign exchange movements
- ↓ Lower average global caustic prices

# DuluxGroup

Sales \$486M; EBIT \$65M; Average Operating Net Assets \$299M

EBIT ↑ 6%



- ✓ Market share gains in decorative paints
- ✓ Revenue growth in Selleys
- ✓ Improved market conditions for Powder & Industrial Coatings
- ✓ Improved recovery of input cost changes

- ↓ Yates adversely impacted by soft market conditions
- ↓ Increased spend on marketing and innovation
- ↓ Higher depreciation

# Corporate centre and other support services

Half year ended 31 March (A\$M)	2010	2009	\$ ↑
Corporate centre costs	(23.9)	(23.0)	(0.9) ↓
Other support costs	(36.0)	(32.5)	(3.4) ↓
<b>Total costs</b>	<b>(59.9)</b>	<b>(55.5)</b>	<b>(4.3) ↓</b>

## Corporate Centre

↓ In line with the prior year

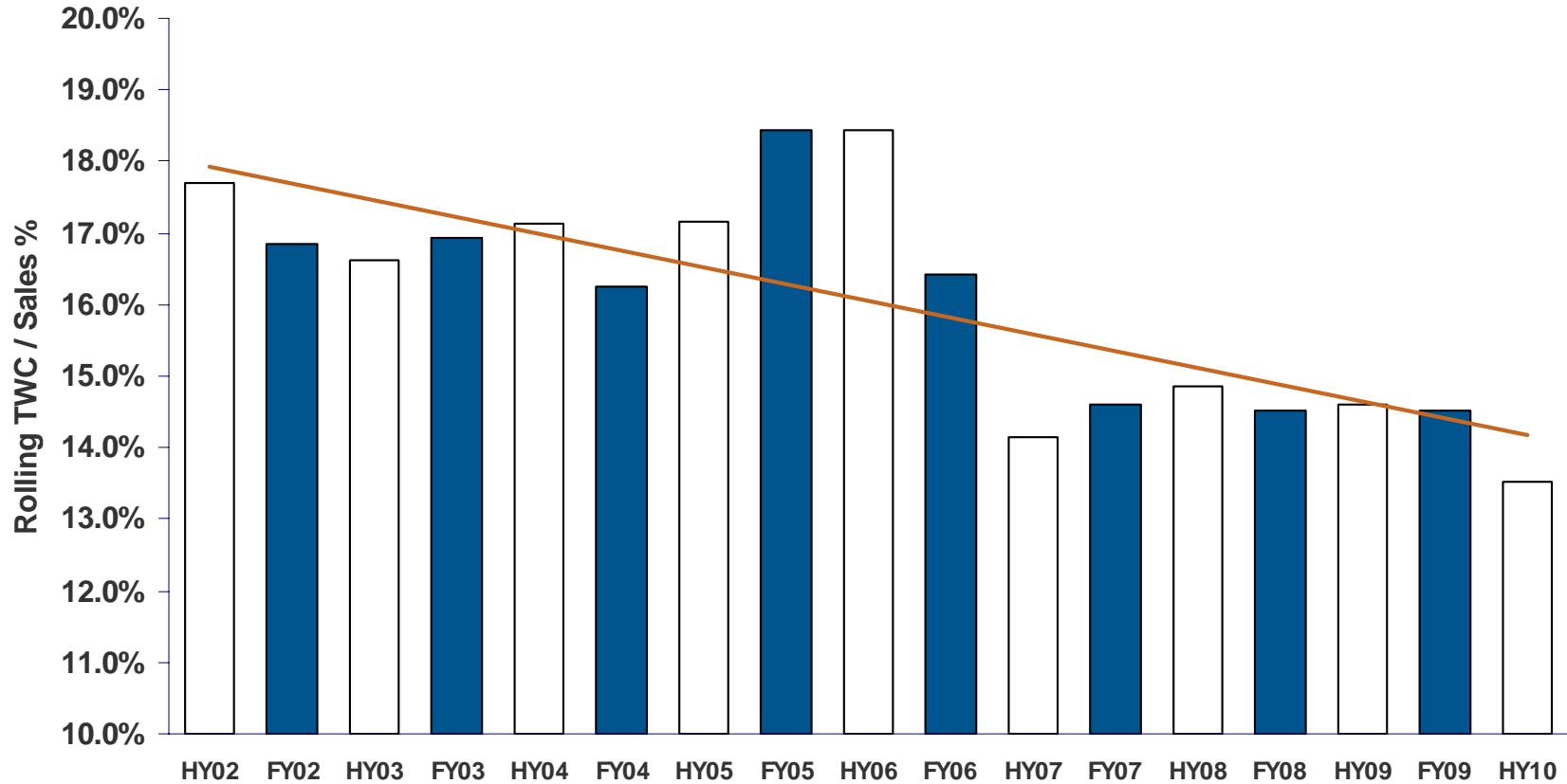
## Other support costs

- ✓ Prior year included mark-to-market loss on EBIT hedges - \$10.1M
- ↓ Botany Groundwater environmental provision - \$5.0M
- ↓ Additional insurance claims - \$8.6M

# Cashflow

Half year ended 31 March (A\$M)	2010	2009	\$ ↓
EBITDA	615.6	594.5	21.1 ↑
Net interest paid	(65.5)	(68.7)	3.2 ↑
Net tax paid	(114.5)	(125.4)	10.9 ↑
Trade working capital movement	(12.3)	(78.4)	66.1 ↑
Non trade working capital movement	(154.5)	(104.7)	(49.8) ↓
<b>Net operating cash flows</b>	<b>268.8</b>	<b>217.3</b>	<b>51.5 ↑</b>
Sustenance capital	(72.4)	(80.0)	7.6 ↑
Growth capital	(129.1)	(90.9)	(38.2) ↓
Acquisitions	(42.2)	(157.3)	115.1 ↑
Divestments	19.2	7.1	12.1 ↑
<b>Net investing cash flows</b>	<b>(224.5)</b>	<b>(321.1)</b>	<b>96.6 ↑</b>
Equity movements	7.0	(29.7)	36.7 ↑
Debt	126.3	363.8	(237.5) ↓
Dividends/distributions	(198.1)	(227.3)	29.2 ↑
<b>Net financing cash flows</b>	<b>(64.8)</b>	<b>106.8</b>	<b>(171.6) ↓</b>
<b>TOTAL</b>	<b>(20.5)</b>	<b>3.0</b>	<b>(23.5) ↓</b>

# Rolling TWC to Rolling Sales %



**Steady progress continues on management of TWC**

# Capital expenditure (excluding M&A)

2010 Capital Expenditure (A\$M)	ACT HY10	FCT 2010
Major expansion capital projects >A\$10M:		
▶ Mining Services		
Bontang	}	440
Nanling		
Kooragang Island ammonia plant uprate		
Hunter Valley emulsion plant		
▶ Chemicals		
Chemicals Australia – Chlorine capacity upgrade	}	40
Chemicals Australia – Hypo plant relocation/storage		
Mining Chemicals – PIBSA manufacturing		
Mining Chemicals – cyanide plant uprate – 95ktpa		
▶ DuluxGroup		
Protective Coatings plant	}	20
Upgrade to Decorative New Zealand manufacturing site		
Other expansion capital projects	22	100
<b>Total expansion capital expenditure</b>	<b>129</b>	<b>600</b>
<b>Total sustenance capital expenditure</b>	<b>72</b>	<b>230</b>

# Capital management – key measures

Half year ended 31 March	2010	2009
Net Debt (A\$M)	1,228.9	1,477.0
Net Interest Expense (A\$M)	70.6	71.5
Interest Cover (times)	7.0	6.6
Operating Cash (\$)	268.8	217.3
Cash Conversion <sup>1</sup> (%)	86.2	73.4
Rolling TWC to Rolling Sales (%)	13.5	14.6
Gearing (%)	24.9	25.7
Gearing Adjusted <sup>2</sup> (%)	29.9	30.0

<sup>1</sup> Cash conversion is calculated as EBITDA add/less movement in trade working capital less sustenance capital spend, as a percentage of EBITDA.

<sup>2</sup> Gearing recalculated with Hybrid shares notionally reclassified as 50% equity and 50% debt.

# Hedging for 2010 2<sup>nd</sup> Half

## Major EBIT currency hedges include:

Currency Exposures	% Hedged	Effective Hedge Rate
▶ AUD/USD	70%	0.8865
▶ AUD/CAD	69%	0.9465
▶ AUD/NZD	66%	1.2247
▶ AUD/SEK	70%	6.3052

EBIT currency hedging for the 2<sup>nd</sup> half of 2010 has been undertaken using options at a cost of \$9M.

**Approximately 60% of total Group foreign currency exposures have been hedged for the 2<sup>nd</sup> half of the 2010 financial year**

# Environmental provisions <sup>1</sup>

Environmental spend (A\$M)	ACT 2009	ACT HY10	FCT 2010	FCT 2011	FCT 2012
Major environmental spend:					
Botany Groundwater	12	8	12	13	10
HCB remediation	15	7	20	82	15
Botany mercury remediation	-	-	30	15	-
Other	12	4	30	41	7
<b>Total environmental spend</b>	<b>38</b>	<b>19</b>	<b>92</b>	<b>151</b>	<b>32</b>

## Key Provisions as at 31 March 2010 (A\$M)

Botany Groundwater remediation	45
HCB remediation	109
Botany mercury remediation	45
Other	84
<b>Total Provisions</b>	<b>283</b>

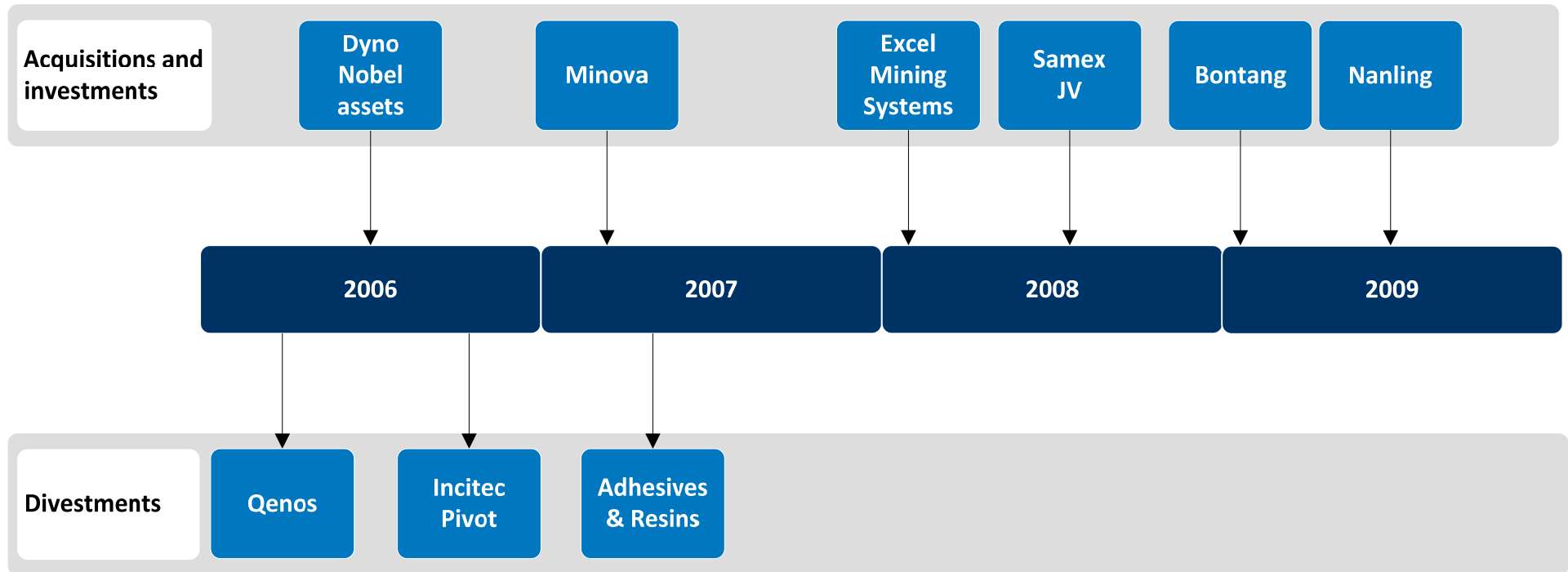
**Committed to dealing with environmental issues from the past**

<sup>1</sup> Forecast amounts are based on management's current estimates and are subject to change

# Strategic Growth Priorities

# Orica's business evolution

- ▶ Major acquisitions, investments and divestments of non-core assets have sharpened Orica's focus on the mining services sector

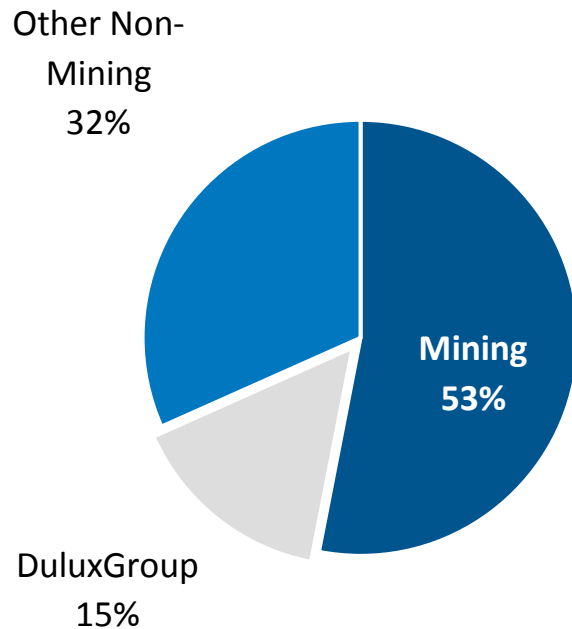


Note: Years refer to Orica's financial years (ending 30 September)

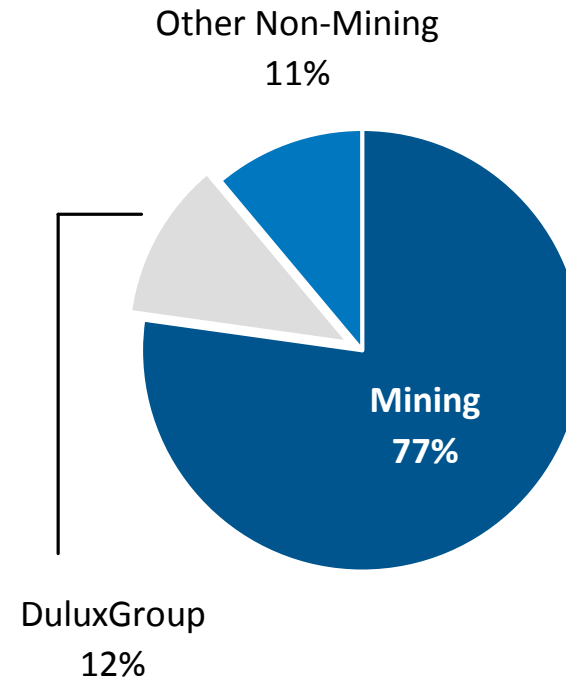
# Orica's earnings mix – a mining focus

- ▶ Orica's portfolio is now predominantly focused on mining services sectors

EBIT (2005)

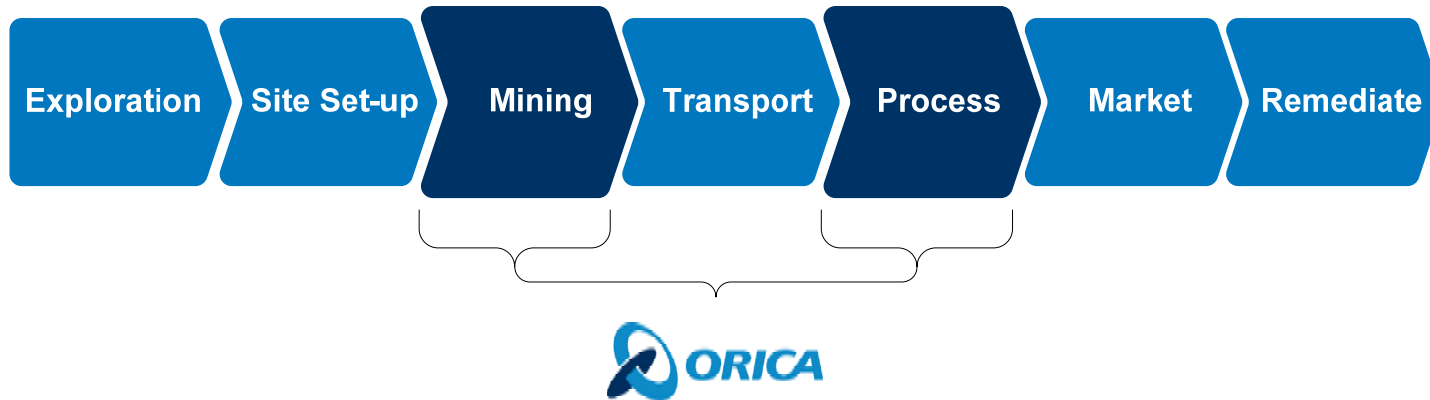


EBIT (2009)



# Orica's business strategy – remains unchanged

- ▶ Capitalise on and extend global leadership in the provision of high service, critical consumables to the mining and infrastructure markets
- ▶ Focussed on attractive segments of the mining value chain



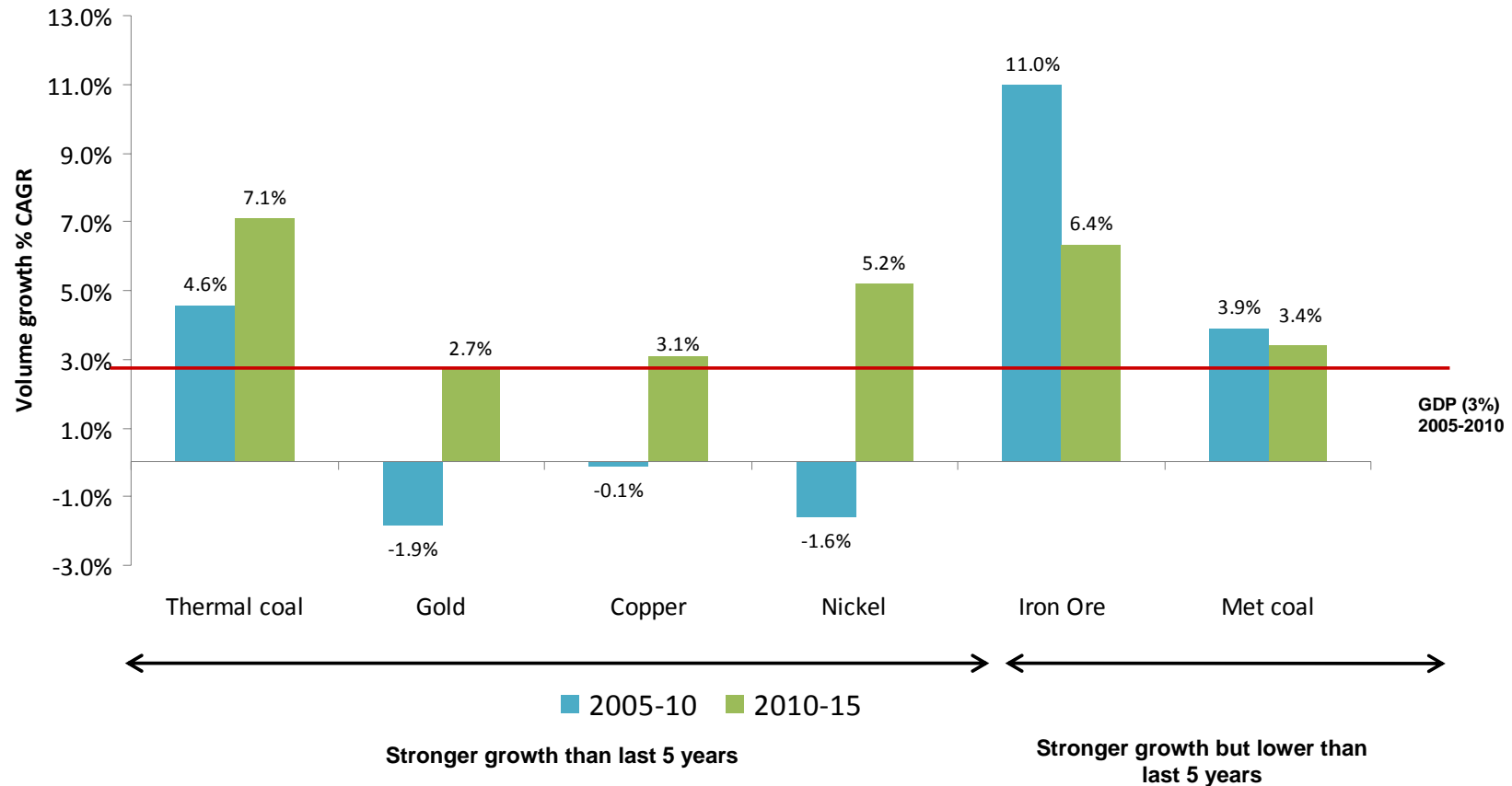
- ▶ Leveraged to increases in production and development volumes

# Strong long-term industry growth drivers

- ▶ Growth in commodity volumes
- ▶ Strong growth in Asian infrastructure
- ▶ Higher strip ratios
- ▶ Lower ore grades
- ▶ Stricter safety regulations
- ▶ Gradual move towards underground mining

Strong strategic position

# Strong long-term commodity outlook – Australia 2010-2015

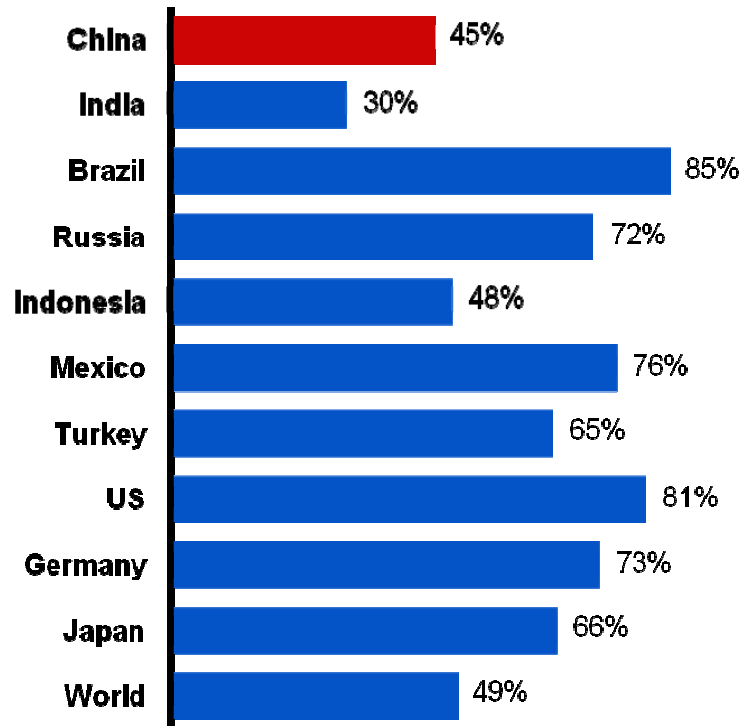


**Australian minerals production to grow by 25% over the next 5 years**

<sup>1</sup> Source:  
 -2010 and 2015 data: ABARE Australian Commodities, 2010, March quarter, vol 17 no 1.  
 -2005 data (excl. thermal and met coal): ABARE Australian Commodities, 2008, December quarter, vol 15 no 4.  
 -2005 data (thermal and met coal): ABARE Australian Commodities, 2006, December quarter, vol 13 no 4.

# Urbanisation in China a strong driver of commodity growth

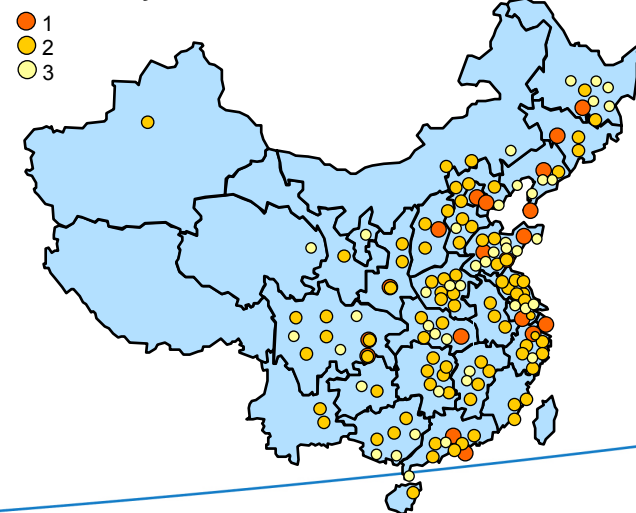
Urbanisation rate for selected countries  
Percent



Tiered city structure – 2005



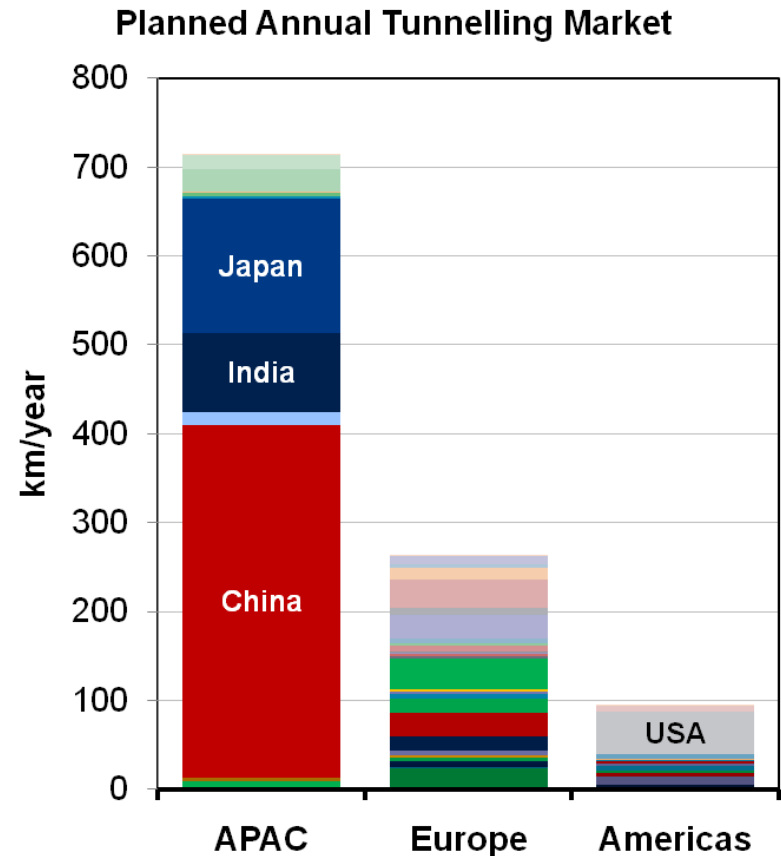
Tiered city structure – 2025



- Tier 1 city defined as registered population >4.5 m and GDP/capita >USD3,000,
- Tier 2 city defined as either registered population >4.5 m or GDP/capita >USD3,000
- Tier 3 city defined as registered population 1.5-4.5 m and GDP/capita USD1,500-3,000

# Tunnelling and infrastructure

- ▶ Of the ~1,070 km/year of planned global tunnels for the next 15 years ~37% will be constructed in China, which equates to ~6,000km of road and rail tunnels
- ▶ Other national projects require major tunnelling and underground construction, including West to East gas pipelines, South to North water diversion and National strategic oil reserves



High market growth in Asia tunnelling

# AN consumption impacted by strip ratios and ore grade

- ▶ Australian AN demand CAGR of approximately 8% over 30 years approximately double the rate of mine volume
- ▶ AN and explosives consumption impacted by volume of material moved not volume of commodity extracted - therefore strip ratios and ore grades impact consumption
- ▶ Average strip ratios have trended upwards
- ▶ Average ore grades have trended downwards

Higher strip ratios and lower ore grades driving increased AN consumption

# Well positioned to leverage industry growth

- ▶ Installed manufacturing capacity in key markets
- ▶ Secure AN supply positions through long-term supply arrangements
- ▶ Strong competitive position through leading technologies and continued investment in innovation
- ▶ Strong focus on efficiency and operational excellence
- ▶ Strong balance sheet with capacity to fund significant organic growth opportunities

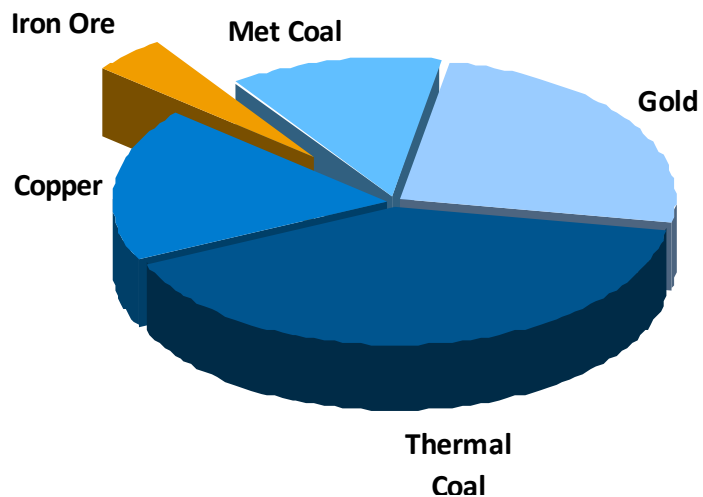
Orica is very well positioned for long-term sustainable growth

# Extend and consolidate strong market positions in existing markets

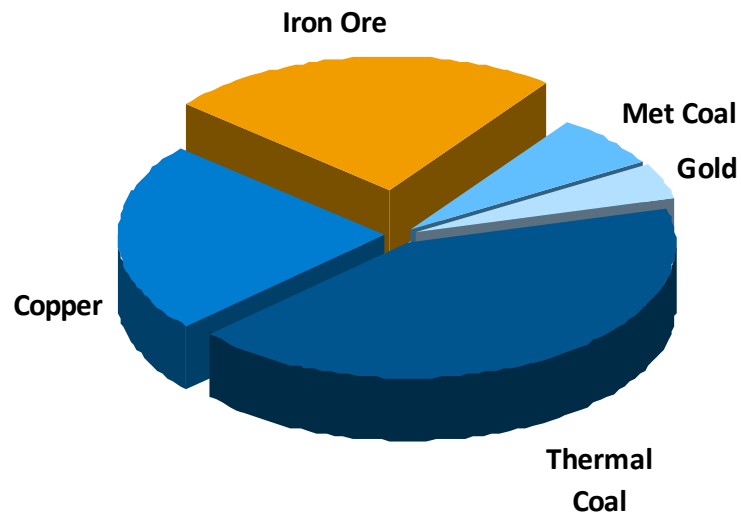
- ▶ AN manufacturing expansion opportunities – Indonesia, Kooragang Island, LATAM, Yarwun
- ▶ Sodium cyanide expansion at Yarwun
- ▶ Expansion of coal bolt facilities
- ▶ Continued growth in EBS and BBS
- ▶ Continued investment in innovation and growth in new technologies

# Increase exposure to high growth commodities

Orica Revenue Exposure to Key Commodities<sup>1</sup>



Total Material Moved of Key Commodities<sup>1</sup>

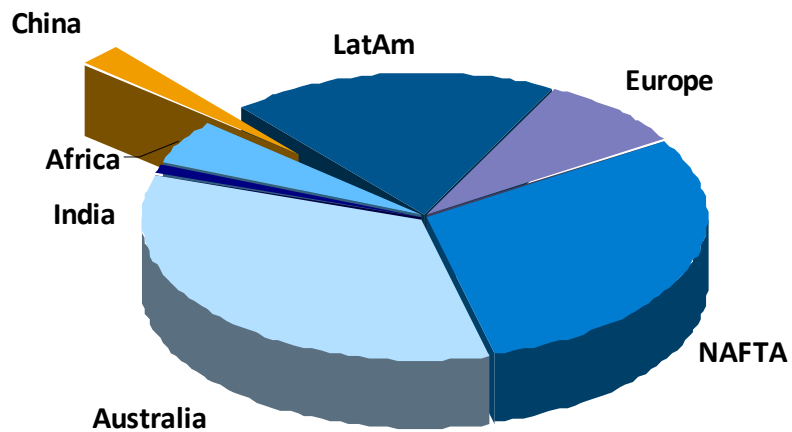


Significant opportunity to increase penetration of high growth iron ore markets

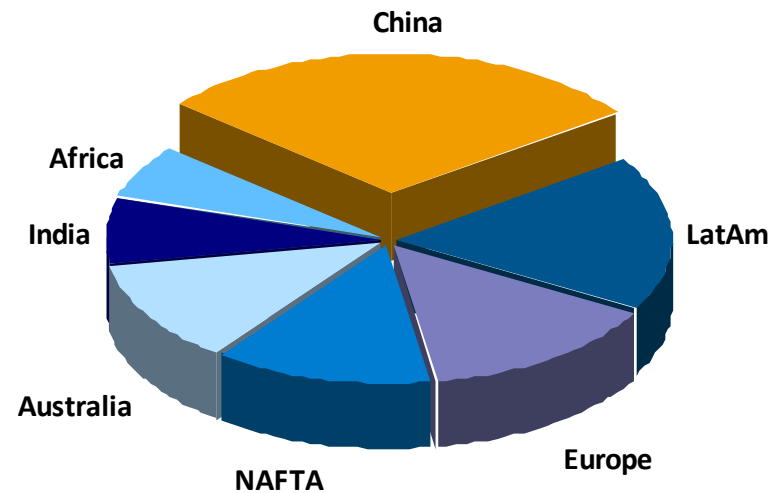
1. 2010F

# Increase exposure to new geographies

Orica Revenue Exposure <sup>1</sup>



Total Material Moved <sup>1</sup>



Opportunity to selectively increase penetration of China, Eastern Europe and Africa

1. 2010F

# Summary

- ▶ Strong result from disciplined cash and cost management
- ▶ Significant long-term growth opportunities, leveraged to:
  - ▶ Increasing volumes
  - ▶ Increasing strip-ratios
  - ▶ Falling ore grades
  - ▶ Increased exposure to high growth commodities
  - ▶ Increased penetration of new geographies
- ▶ Solid balance sheet to support growth

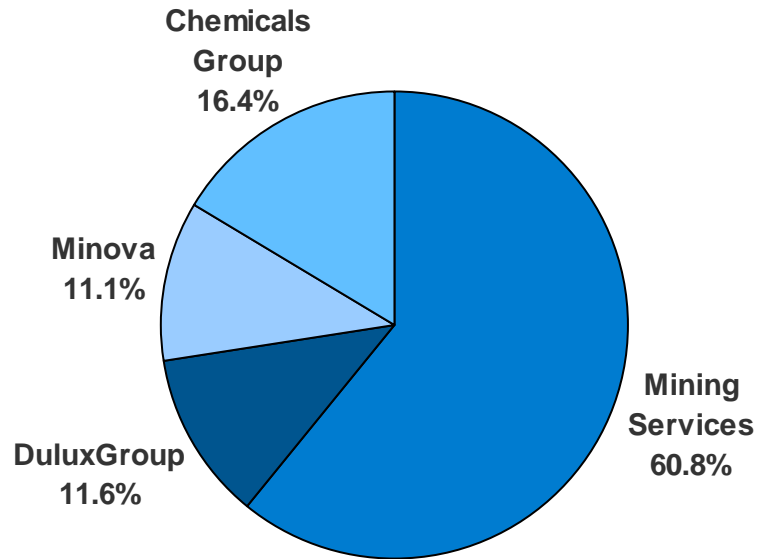
# Outlook

There are some early signs of recovery in demand in a number of the markets in which we operate and our businesses are performing well. We continue to expect Group net profit after tax (before individually material items) in 2010 to be higher than that reported in 2009, on a comparable basis.

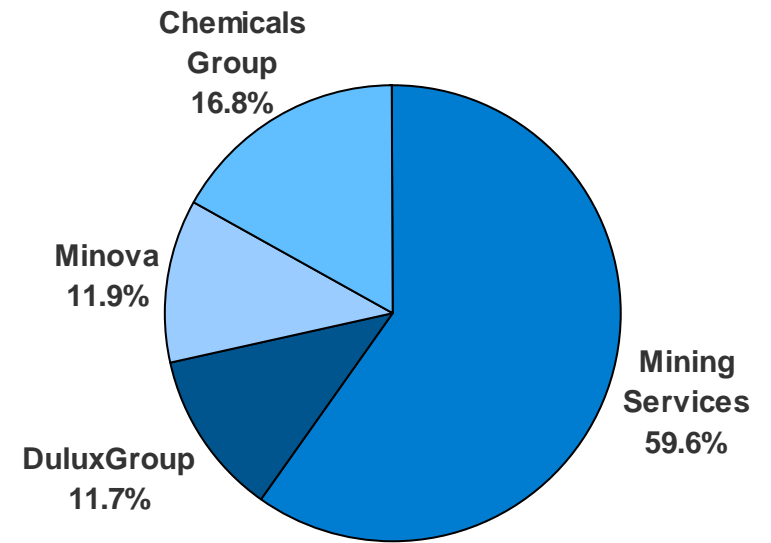
# Supplementary Information

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

March 2009



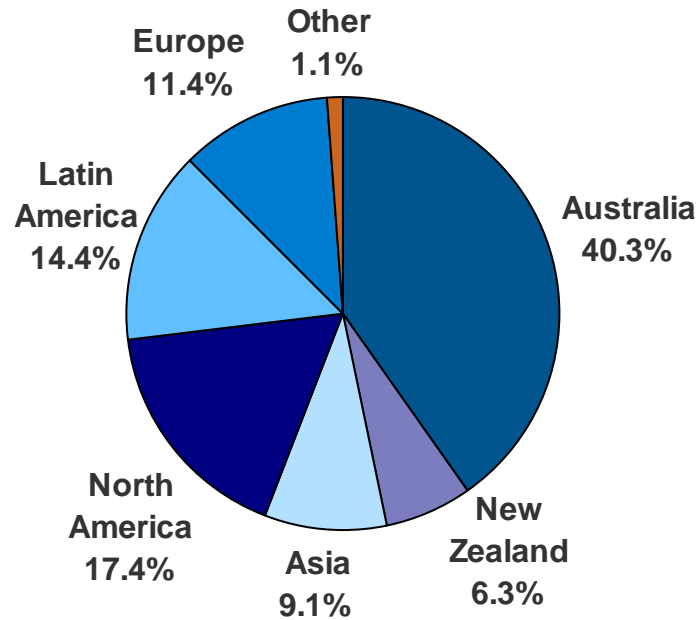
March 2010



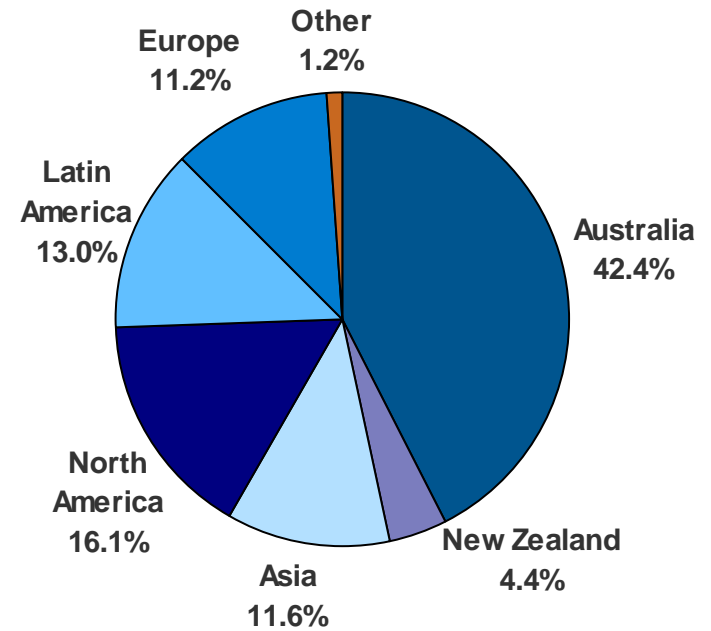
<sup>1</sup> Excludes corporate costs

# EBIT contribution by geography

March 2009

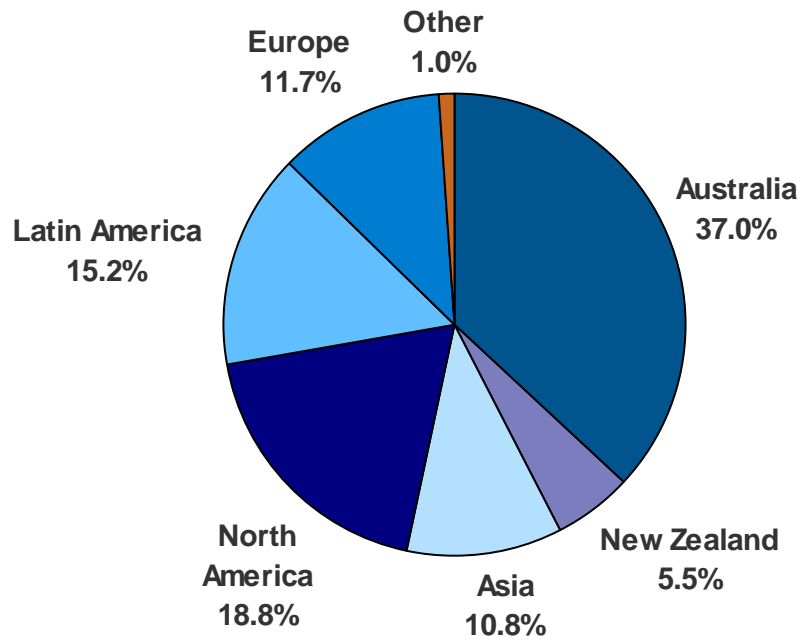


March 2010

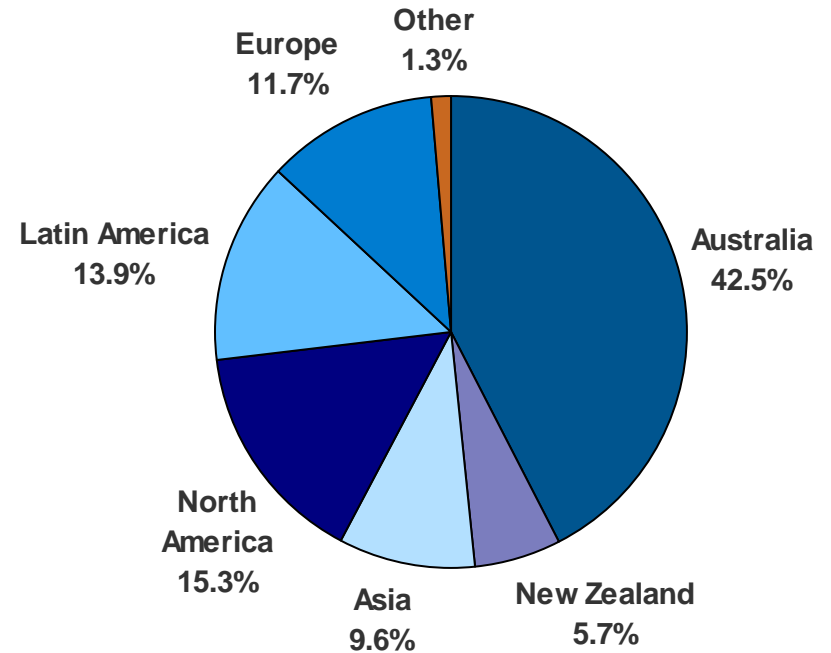


# Gross sales by geography

March 2009



March 2010

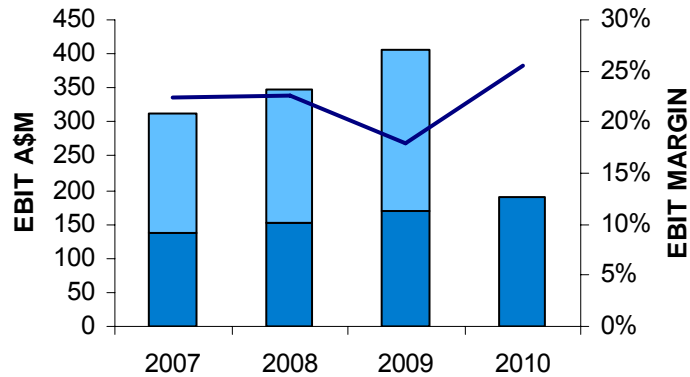


# Orica Mining Services

Half year ended 31 March (A\$M)	2010	2009	% $\updownarrow$
Sales	1,661.2	2,215.6	(25.0) $\downarrow$
EBITDA	404.4	395.8	2.2 $\uparrow$
<i>EBITDA margin (%)</i>	<b>24.3%</b>	17.9%	35.8 $\uparrow$
EBIT	331.2	319.0	3.8 $\uparrow$
<i>EBIT margin (%)</i>	<b>19.9%</b>	14.4%	38.2 $\uparrow$

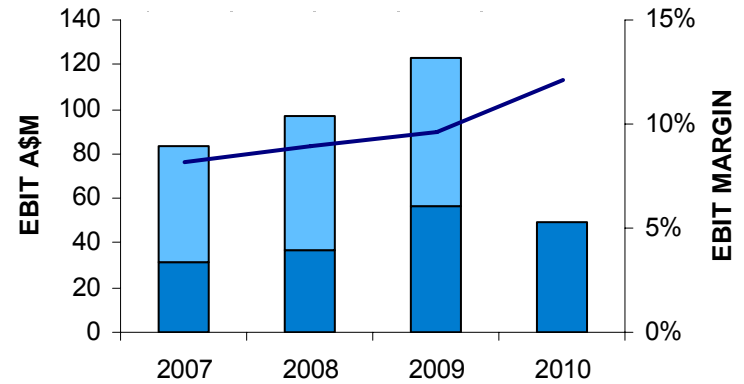
# Orica Mining Services by geography

## Australia/Asia



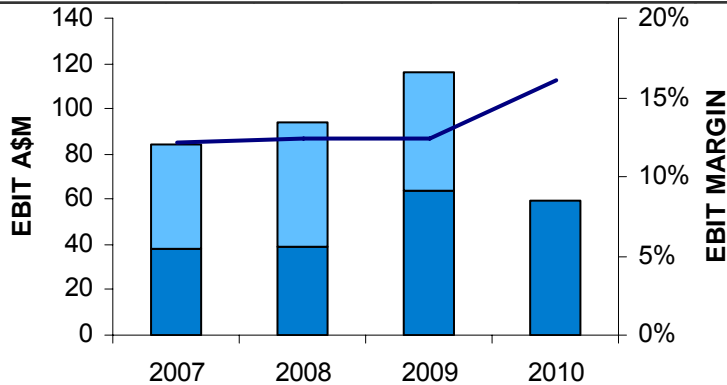
1st Half EBIT 2nd Half EBIT 1st Half EBIT Margin

## North America



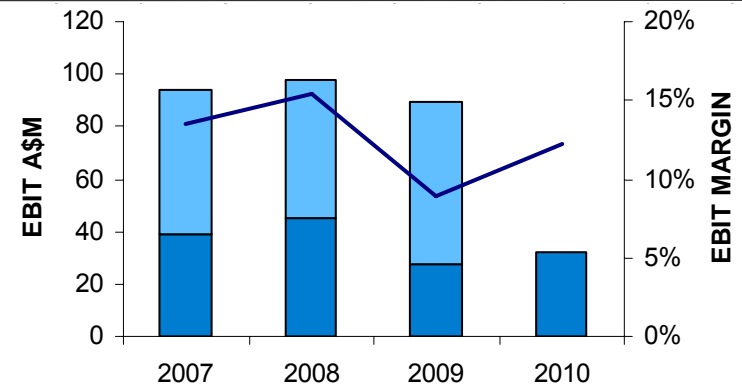
1st Half EBIT 2nd Half EBIT 1st Half EBIT Margin

## Latin America



1st Half EBIT 2nd Half EBIT 1st Half EBIT Margin

## EMEA



1st Half EBIT 2nd Half EBIT 1st Half EBIT Margin

# Minova

Half year ended 31 March (A\$M)	2010	2009	% $\updownarrow$
Sales	395.4	503.2	(21.4) $\downarrow$
EBITDA	81.4	77.6	4.9 $\uparrow$
<i>EBITDA margin (%)</i>	<b>20.6%</b>	15.4%	33.8 $\uparrow$
EBIT	66.1	58.5	13.0 $\uparrow$
<i>EBIT margin (%)</i>	<b>16.7%</b>	11.6%	44.0 $\uparrow$

# Acquired Minova business – integration

Integration cost category (A\$M)	2010 Actual	Cumulative Actual
Integration costs	0.1	4.6
Synergy implementation costs	2.1	12.4
Redundancies	0.1	2.8
Transitional salaries/other	1.3	5.6
<b>Total integration costs</b>	<b>3.6</b>	<b>25.4</b>
Project office costs	0.1	3.1
<b>Total individually material items (pre tax)<sup>1</sup></b>	<b>3.7</b>	<b>28.5</b>

Synergy Benefit <sup>2</sup> (A\$M)	2008	2009	2010	2011
Current View	11	26	37	45

**Integration is on track**

**Growth and productivity initiatives progressing to plan**

<sup>1</sup> Total integration and project office costs are forecast to be \$45M by project completion, compared to an initial estimate of \$59M.

<sup>2</sup> EBIT synergies only, excludes taxation synergies

# Chemicals

Half year ended 31 March (A\$M)	2010	2009	% ↓
Sales	<b>711.0</b>	810.8	(12.3) ↓
EBITDA	<b>111.6</b>	102.8	8.6 ↑
<i>EBITDA margin (%)</i>	<b>15.7%</b>	12.7%	23.6 ↑
EBIT	<b>93.6</b>	86.3	8.4 ↑
<i>EBIT margin (%)</i>	<b>13.2%</b>	10.6%	24.5 ↑

# DuluxGroup

Half year ended 31 March (A\$M)	2010	2009	% ↓
Sales	486.2	469.2	3.6 ↑
EBITDA	74.4	69.4	7.3 ↑
<i>EBITDA margin (%)</i>	<b>15.3%</b>	14.8%	3.4 ↑
EBIT	64.9	61.1	6.2 ↑
<i>EBIT margin (%)</i>	<b>13.3%</b>	13.0%	2.3 ↑

# Cash Conversion

Half year ended 31 March (A\$M)	2010	2009
EBITDA	615.6	594.5
TWC movement	(12.3)	(78.4)
Sustenance	(72.4)	(80.0)
Cash Conversion	530.9	436.1
<b>Cash Conversion %</b>	<b>86.2%</b>	<b>73.4%</b>

# Foreign Currency Exposure

## Transactional

- ▶ “Natural hedges” are identified and exposures are netted
- ▶ Residual transactional exposures may be hedged for the current year and up to 5 years ahead (on a sliding scale)
- ▶ Hedging is undertaken using bought options and forward exchange contracts
- ▶ Hedging for transactional exposures qualifies as an “effective hedge” for hedge accounting purposes

- ▶ Central management
- ▶ Portfolio benefits
- ▶ Netting of import and export exposures

## Translational

- ▶ Approx. 65% of 2010 Group EBIT is expected to be from offshore entities
- ▶ Hedging is generally undertaken using bought options
- ▶ Hedging for translational exposures is regarded as an “ineffective hedge” for hedge accounting purposes
- ▶ Hedging is only undertaken within the financial year to avoid the volatility “mark-to-market” adjustments could make to full year earnings

**Foreign currency exposures managed centrally**

**Objective: ‘Insurance approach’ to protect future AUD earnings**

# Net interest expense

Half year ended 31 March (A\$M)	2010	2009	\$	↑
Net interest expense	70.6	71.5	(0.9)	↓
Comprising:				
Interest on net debt	66.1	66.4	(0.3)	↓
Add: Unwinding of discount on provisions	3.7	4.1	(0.4)	↓
Add: Major external finance leases	0.8	1.0	(0.2)	↓

Interest on net debt calculated as:

Average net debt (throughout year)	1,718	2,005
Average interest rate (throughout year)	7.7%	6.6%
Interest on Net Debt	66	66

# Impact of Step-Up Preference Securities (SPS) – earnings per share <sup>1</sup>

	Reported per Accounts A\$M
Reported net profit	72.0
<i>Less:</i>	
Net profit attributable to minority interests	(16.9)
After tax distributions to SPS holders <sup>2</sup>	(7.1)
<b>Adjusted net profit</b>	<b>48.0</b>
Weighted average ordinary shares on issue	354.9
<b>Earnings per share – cents per share</b>	<b>13.5</b>

<sup>1</sup> Pre individually material items

<sup>2</sup> Distributions paid during the half year totalled \$11.5M. The tax adjustment is based on interest expense for the six months ended 31 March 2010.

# Impact of SPS – gearing (A\$M)

	Reported per Accounts	SPS Adjusted
Current borrowings	523.9	523.9
Non-current borrowings	978.6	978.6
SPS adjustment <sup>2</sup>	-	250.0
Less: Cash	(273.6)	(273.6)
<b>Net Debt</b>	<b>1,228.9</b>	<b>1,478.9</b>
Parent entity equity <sup>1</sup>	3,589.7	3,589.7
Minority interests	120.7	120.7
SPS adjustment <sup>2</sup>	-	(250.0)
<b>Net Equity</b>	<b>3,710.4</b>	<b>3,460.4</b>
<b>Gearing</b>	<b>24.9%</b>	<b>29.9%</b>

<sup>1</sup> Includes face value of SPS of \$500M as equity

<sup>2</sup> Adjustment is for 50% of the face value of SPS

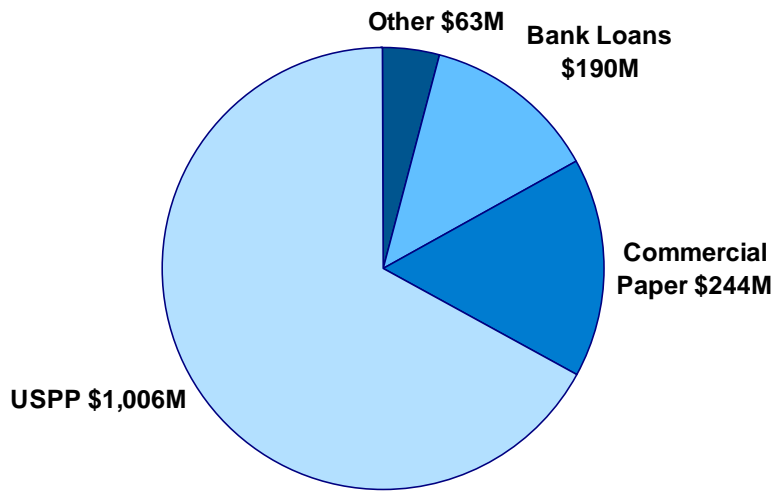
# Impact of SPS – interest cover (A\$M)

	Reported per Accounts	SPS Adjusted
Financial expense	89.3	89.3
Financial income	(18.7)	(18.7)
SPS distribution adjustment <sup>1</sup>	-	5.8
<b>Net borrowing costs</b>	<b>70.6</b>	<b>76.4</b>
EBIT	495.9	495.9
<b>Interest Cover (times)</b>	<b>7.0</b>	<b>6.5</b>

<sup>1</sup> Represents 50% of the SPS distribution for the period 1 October 2009 to 31 March 2010 calculated as follows: face value of SPS x (BBSW +1.35%) x number of days.

# Debt Profile

Drawn Debt



Debt Maturity Profile

A\$M	Drawn	Undrawn	Total
< 1 year	524	-	524
1 – 2 years	-	784	784
2 – 5 years	205	1,366	1,571
> 5 years	774	-	774
<b>Total</b>	<b>1,503</b>	<b>2,150</b>	<b>3,653</b>

**Average maturity on drawn debt is 3.8 years**  
**Investment grade rating BBB+**

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