



## Full Year Results Asian Roadshow November 2005

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CEO

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Finance

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Manager

# Year Ended 30 September

## FINANCIAL SUMMARY

		<u>2005</u>	<u>2004</u>	<u>% Change</u>
<b>Underlying Results:</b>				
Sales Revenue	A\$M	5,127	4,610	11
NPAT (excluding significant items)	A\$M	335	326	3
EBIT (excluding significant items)	A\$M	577	553	4

<b>Results including significant items:</b>				
Significant items after tax	A\$M	(99)	2	
NPAT including significant items	A\$M	236	328	(28)

<b>Coverage Ratios:</b>				
Gearing	%	40.2	37.4	
Interest cover	x	5.6	7.7	

**“A SOLID RESULT”**

# Year Ended 30 September

## SIGNIFICANT ITEMS (A\$M)

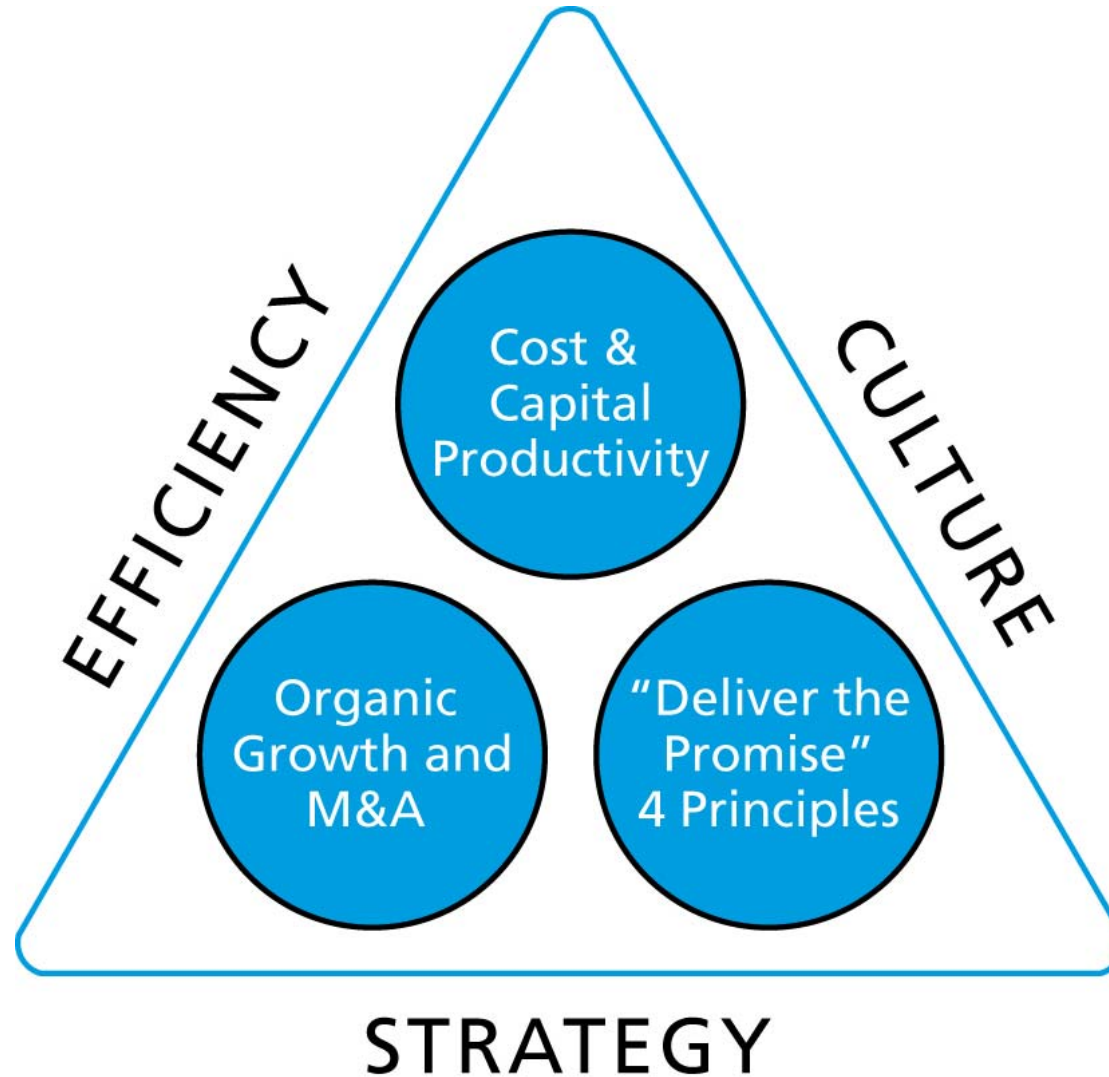
	<u>2005</u>	<u>2004</u>
<b>Qenos</b>		
Divestment related costs	<u>(34)</u>	<u>-</u>
<b>Legacy Issues</b>		
Botany groundwater provision	(19)	(46)
Surplus property sales	-	39
	<u>(19)</u>	<u>(7)</u>
<b>Restructuring and Rationalisation</b>		
Mining Services		-
-restructuring	-	(16)
-asset impairment	-	(12)
Fertilisers	(31)	-
Corporate	(11)	-
Chemical Services	(4)	-
	<u>(46)</u>	<u>(28)</u>
<b>Taxation</b>		
Sale and leaseback refund	<u>-</u>	<u>37</u>
<b>TOTAL</b>	<u><b>(99)</b></u>	<u><b>(2)</b></u>

# Year Ended 30 September

## FINANCIAL SUMMARY

		2005	2004	% Change
<b>Results (before significant items)</b>				
Earnings per share	cents	122.7	119.0	3
Return on shareholders' funds	%	23.2	23.1	
<b>Results (after significant items)</b>				
Earnings per share	cents	86.6	119.8	(28)
Return on shareholders' funds	%	16.4	23.3	(30)
<b>Returns to Shareholders</b>				
Interim dividend	cents	25	23	9
Final dividend	cents	46	45	2
Total dividend	cents	71	68	4
Payout ratio	%	58	57	1
Share buyback	A\$M	54	128	

# Orica's Approach – Value Drivers



# Orica's Strategy

- Principles
  - Market leadership
  - Earning the “Right to Grow”
  - Growing “Close to the Core”
- Progress to date
- Future direction

**ABOVE AVERAGE RETURN TO SHAREHOLDERS**

Year Ended 30 September

# COST PRODUCTIVITY

	<u>2005</u>	<u>2004</u>	<u>Increase</u>	
	\$M	\$M	\$M	%
<b>Sales revenue</b>	<b>5,127</b>	<b>4,611</b>	<b>516</b>	<b>11.2</b>
<b>Variable costs</b>	<b>3,151</b>	<b>2,717</b>	<b>434</b>	<b>16.0</b>
<b>Gross margin</b>	<b>1,976</b>	<b>1,894</b>	<b>82</b>	<b>4.3</b>
<i>Gross margin/sales</i>	<i>38.5%</i>	<i>41.1%</i>		
<b>Cash fixed costs</b>	<b>1,293</b>	<b>1,230</b>	<b>63</b>	<b>5.1</b>
<b>Depn and amortisation</b>	<b>176</b>	<b>171</b>	<b>5</b>	<b>2.9</b>
<b>Total Costs</b>	<b>4,620</b>	<b>4,118</b>	<b>502</b>	<b>12.2</b>
<i>Total Costs/sales</i>	<i>90.1%</i>	<i>89.3%</i>		

**MORE TO BE DONE ON PRODUCTIVITY**

Year Ended 30 September

# CAPITAL PRODUCTIVITY

	2005	2004	2003
<b>Disciplined Capital Management</b>			
TWC / Sales %	11.9%	16.6%	16.9%
Inventory Turns (times)	3.8x	3.6x	3.9x
Sustenance as % of Depreciation	104.6%	106.2%	55.0%
<b>Major Plant Capacity</b>			
Yarwun AN	295 ktpa	275 ktpa	240 ktpa
Yarwun Sodium Cyanide	60 ktpa	50 ktpa	44 ktpa
Kooragang Island	400 ktpa	290 ktpa	270 ktpa
<b>Expansion Capex</b>	\$212M	\$53M	\$36M
<b>Active Capital Management</b>			
Share Buy-Back	\$54M	\$128M	\$49M

# ORICA – Our Culture

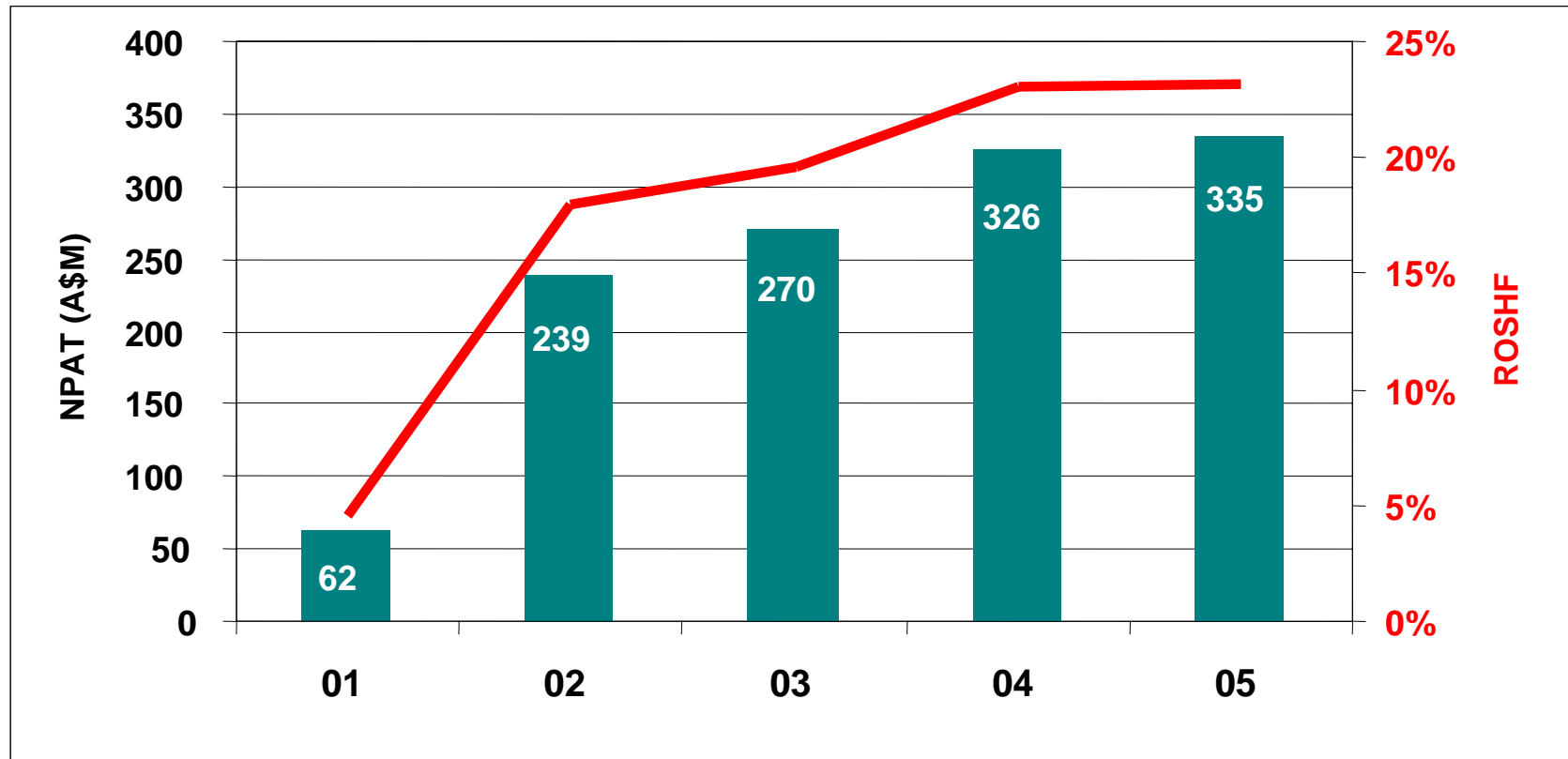
- SH&E
- Commercial Ownership
  - Group Procurement
  - Supply Chain Improvement
  - Manufacturing Efficiency
- Creative Customer Solutions
  - Customer Driven
  - Technology
- Working Together

**DELIVER THE PROMISE**

Year Ended 30 September

# FINANCIAL RESULTS - NPAT

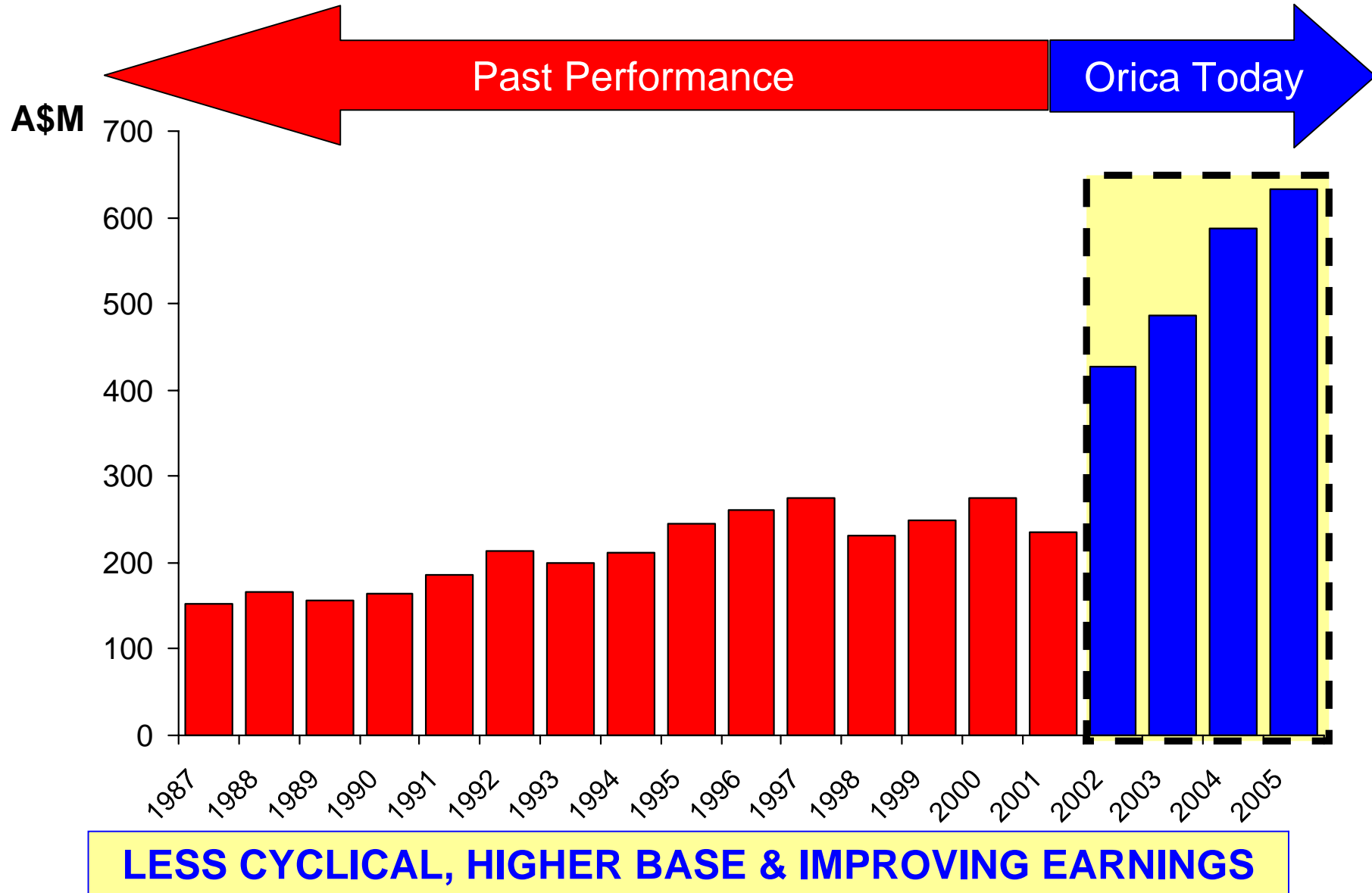
2005: Sales \$5.1B, NPAT\* \$335M



**CONTINUOUS IMPROVEMENT**

\* pre significant items/abnormals

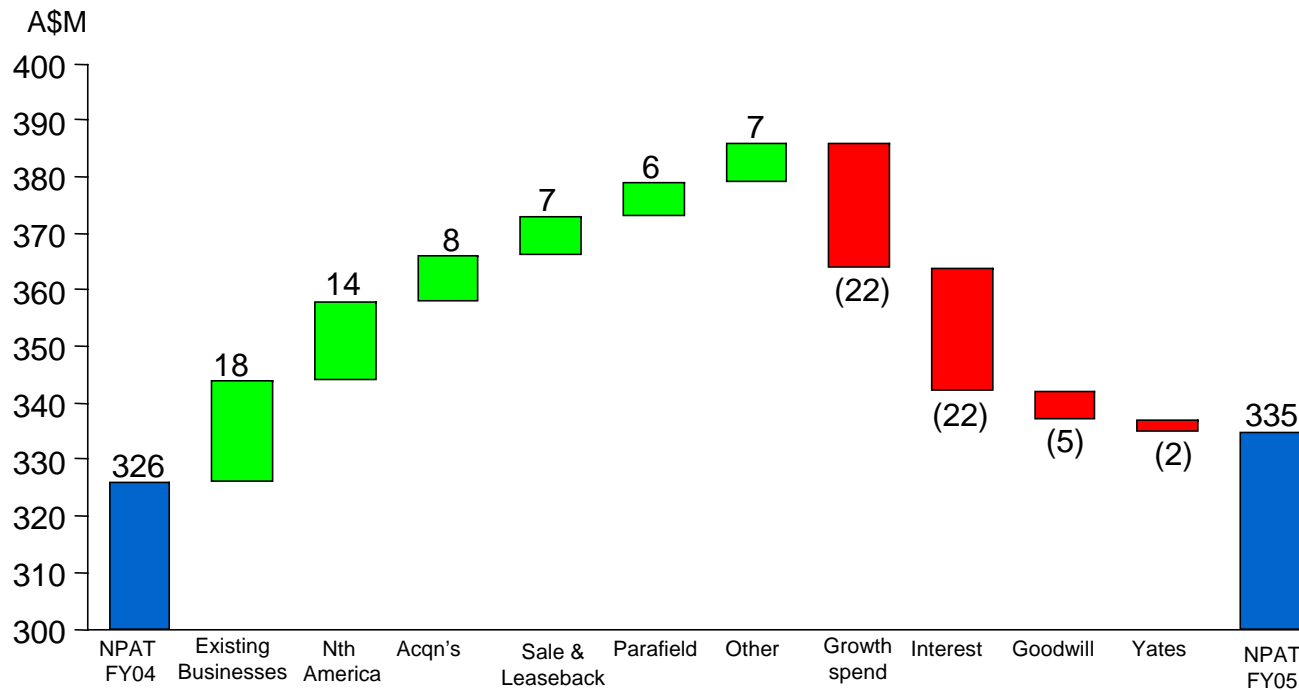
# EBIT\* Performance of Existing Businesses



\* excluding corporate costs

# Year Ended 30 September

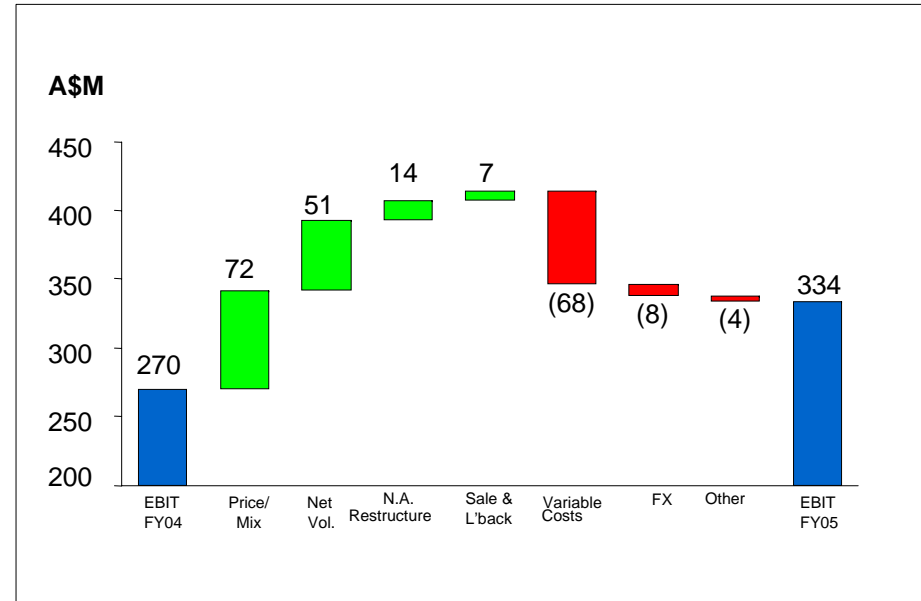
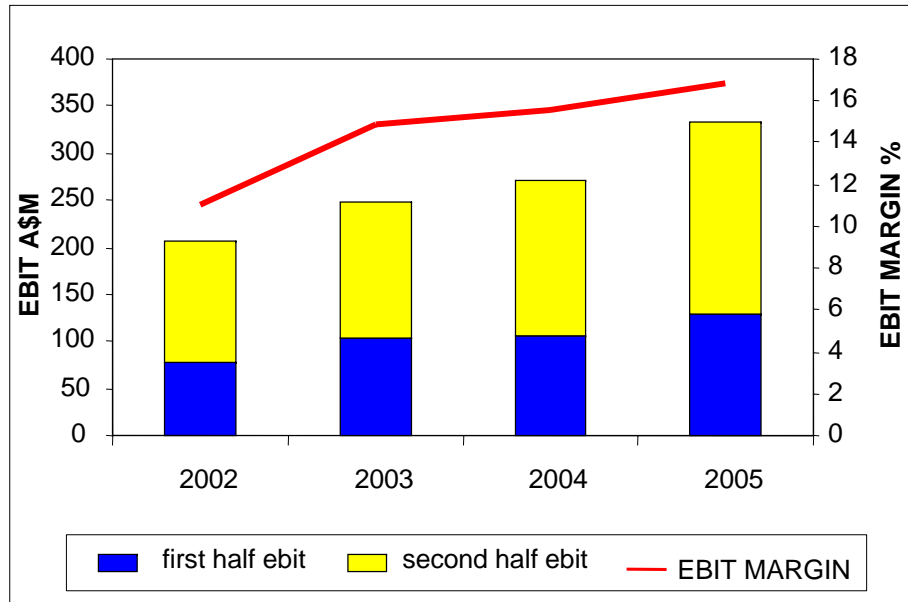
## NPAT ANALYSIS



- ✓ EBIT growth 4%
- ✓ Record results for Mining Services, Chemical Services, and Chemnet
- ✗ Fertiliser EBIT down significantly
- ✗ Consumer Products down slightly
- ✓ North American Restructuring
- ✓ Acquisitions contributing
- ✓ Sale and leaseback
- ✓ No recurrence of environmental provision for Parafield Gardens
- ✓ Other – QGC, Insurance, Depreciation
- ✗ Productivity and Growth spend
- ✗ Interest Expense – higher average debt levels, longer term debt and higher floating interest rates
- ✗ Goodwill charges higher
- ✗ Yates brand spend

# Mining Services

Sales \$1,987M; EBIT \$334M; Average Net Assets \$1,128M; RONA 30%

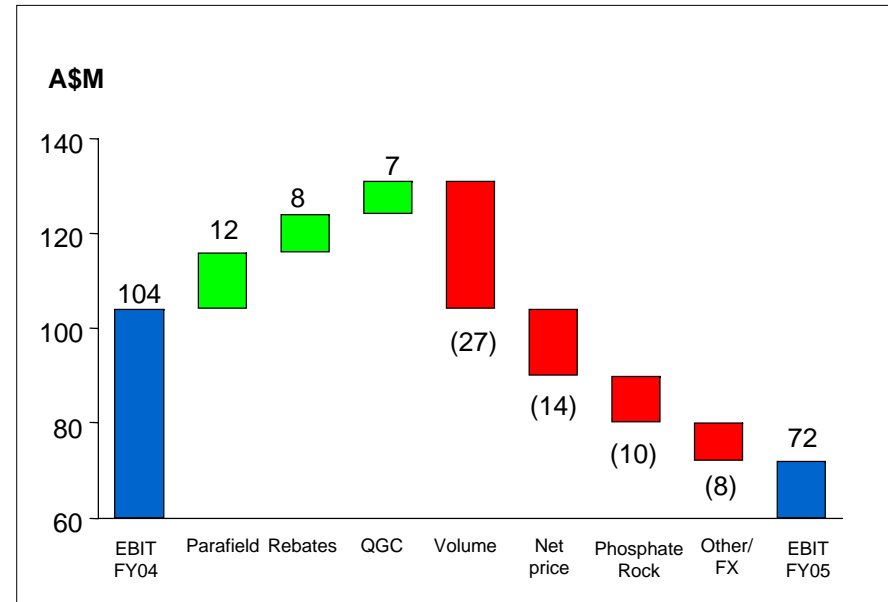
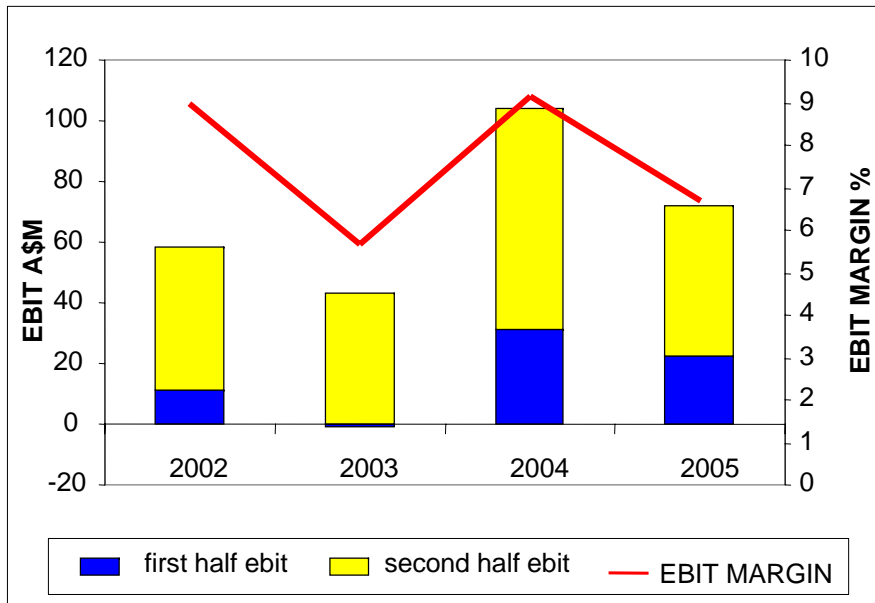


- ✓ Record result in Australia/Asia, North America and Europe
- ✓ Volume growth across all regions
- ✓ Improved margins in Australia/Asia in second half
- ✓ Full year restructuring benefits from North America

- ✓ Sale and leaseback
- ✗ Higher gas, ammonia, freight, fuel and imported AN
- ✗ Appreciation of Latin American currencies against the USD
- ✗ Earnings from JV

# Fertilisers

Sales \$1,074M; EBIT \$72M; Average Net Assets \$638M; RONA 11%

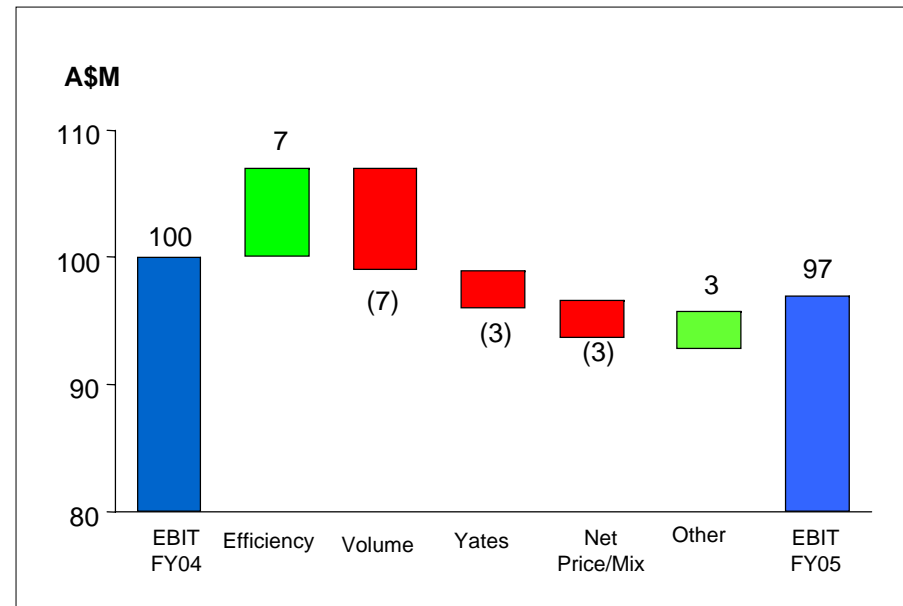
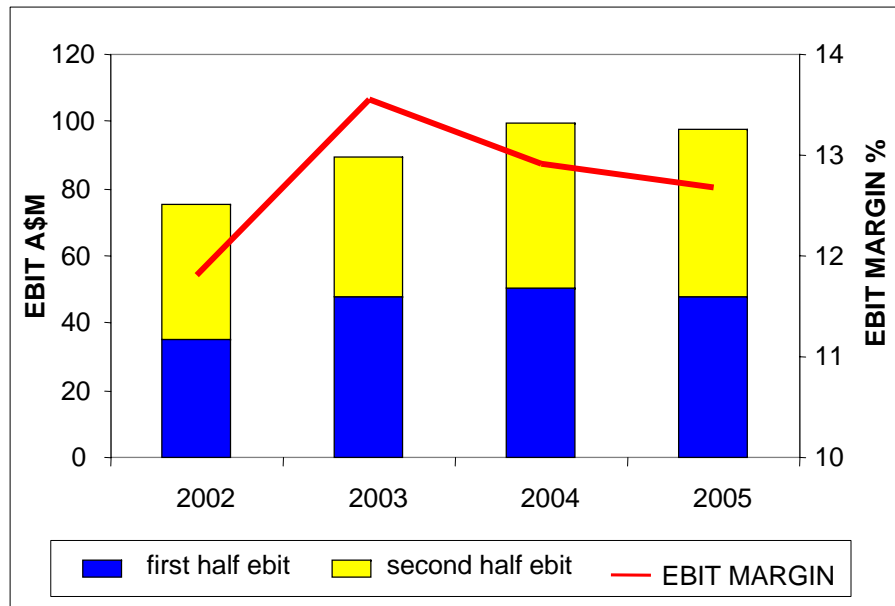


- ✓ 2004 impact of Parafield Gardens
- ✓ Reduction in rebates paid to Elders and Landmark
- ✓ QGC investment

- ✗ Lower volumes due to poor season and competition
- ✗ Decreased margin due to competition
- ✗ Increased phosphate rock costs
- ✗ Less favourable hedge position
- ✓ Lower depreciation charges

# Consumer Products

Sales \$769M; EBIT \$97M; Average Net Assets \$215M; RONA 45%

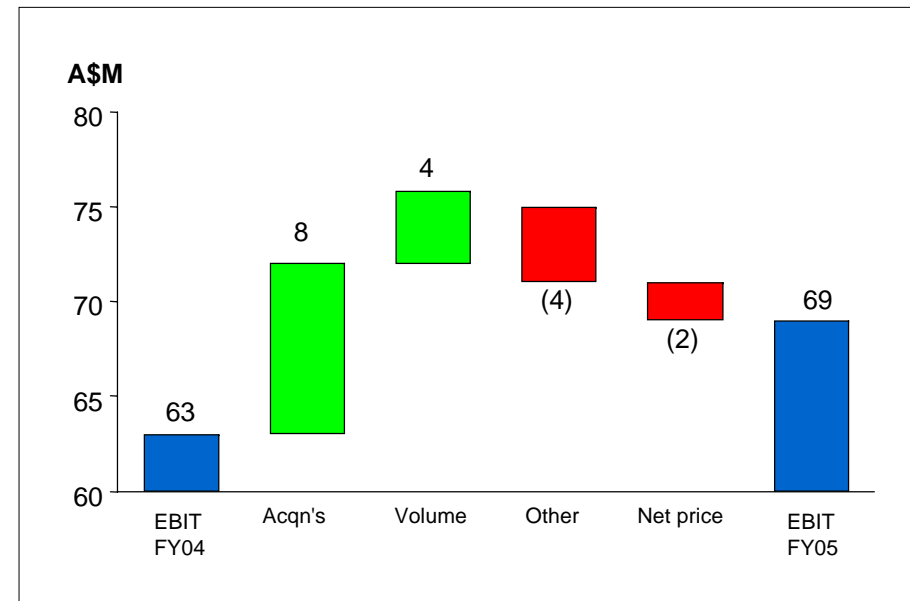
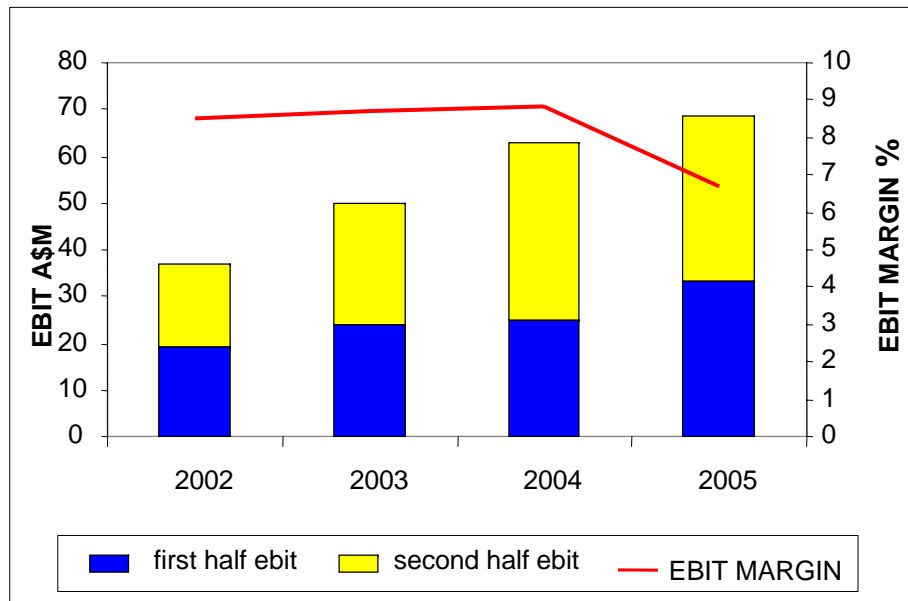


- ✓ Strong result despite softer market
- ✓ Excellent performance in New Zealand and Woodcare
- ✓ Strong commercial business
- ✓ New product launches support volumes and margins
- ✓ Sustainable gains from productivity initiatives

- ✗ Australian retail paint volumes down
- ✗ Yates Brand reinvestment
- ✗ Price/mix not fully offsetting raw materials cost increases
- ✓ Minor asset sales/FX

# Chemnet

Sales \$1,029M; EBIT \$69M; Average Net Assets \$389M; RONA 18%

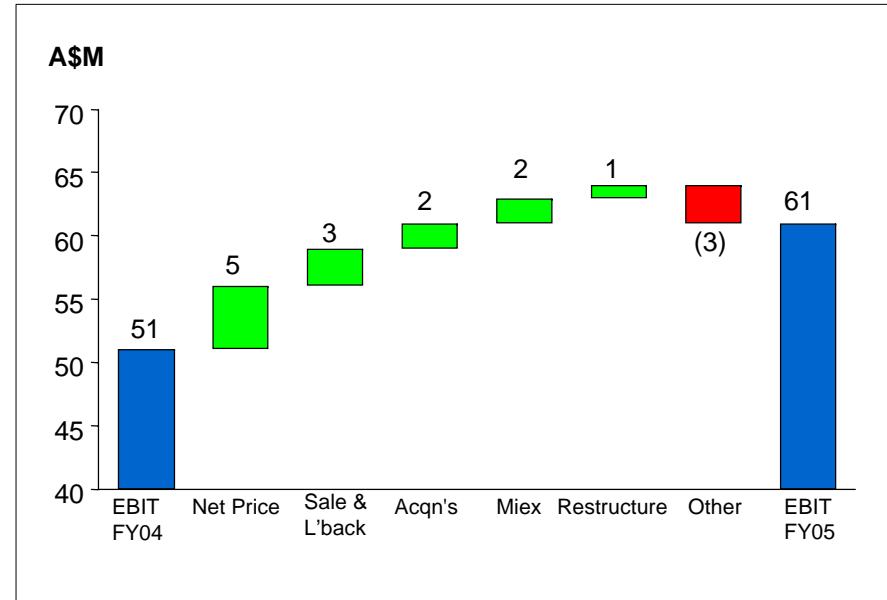
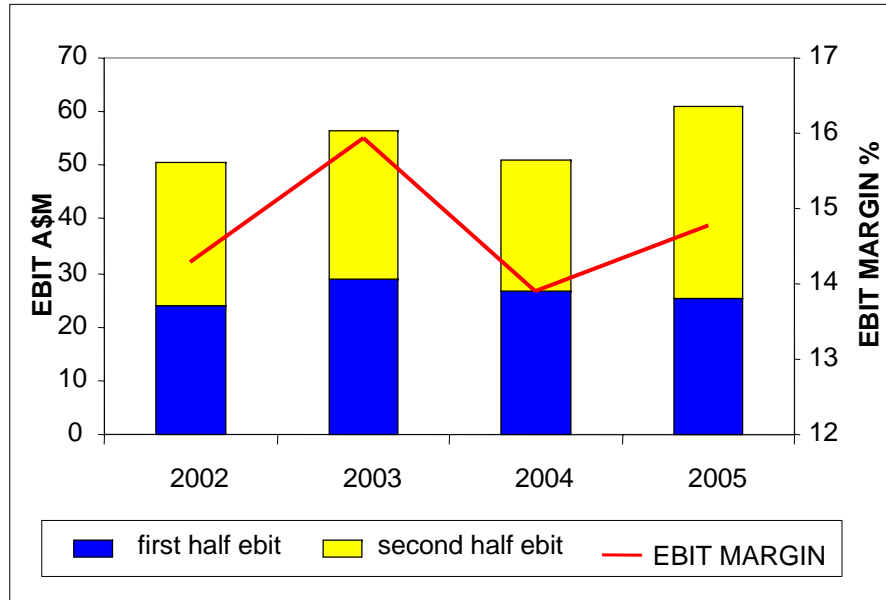


- ✓ Record full year profit and sales revenue
- ✓ Strong performance from NZ business
- ✓ Contribution from acquisitions
- ✓ Volumes solid

- ✗ Integration costs and restructuring
- ✗ Stock write offs
- ✗ Some net price slippage
  - Petrochemical products, sulphuric acid, ammonia

# Chemical Services

Sales \$412M; EBIT \$61M; Average Net Assets \$381M; RONA 18%\*



- ✓ Record full year profit and sales
- ✓ Higher world alumina caustic price and improved sodium cyanide prices in second half
- ✓ Sale & leaseback
- ✓ Good contribution from Aluminates acquisition
- ✓ Miex<sup>®</sup> – lower costs

\* excluding Miex<sup>®</sup>

- ✓ Adhesives & Resins restructure implemented
- ✗ Hydrochloric acid (ChlorAlkali) and Adhesives & Resins volumes down, partly offset by improved volumes in Mining Chemicals
- ✗ Higher freight costs
- ✗ Diesel fuel rebate

# Corporate Centre and Other Support Services (A\$M)

	<u>2005</u>	<u>2004</u>	<u>\$ Change</u>
<b>Corporate Centre</b>	(28.4)	(26.8)	(1.6)
<b>Other Support Costs</b>	<u>(27.0)</u>	<u>(7.3)</u>	<u>(19.7)</u>
	<b><u>(55.4)</u></b>	<b><u>(34.1)</u></b>	<b><u>(21.3)</u></b>

## Corporate Centre

✘ Increased salary costs

## Other Support Services

✘ Growth and business improvement initiatives

✓ Lower net insurance costs

<b>Growth &amp; Productivity Costs</b>	<u>\$M</u>
Supply Chain	9
Customer Focus	5
Global Procurement/Sourcing	7
Manufacturing Efficiencies	4
Six Sigma/Project Management	4
Enzyme Bioremediation	<u>4</u>
<b>Total</b>	<b><u>33</u></b>

# Year Ended 30 September

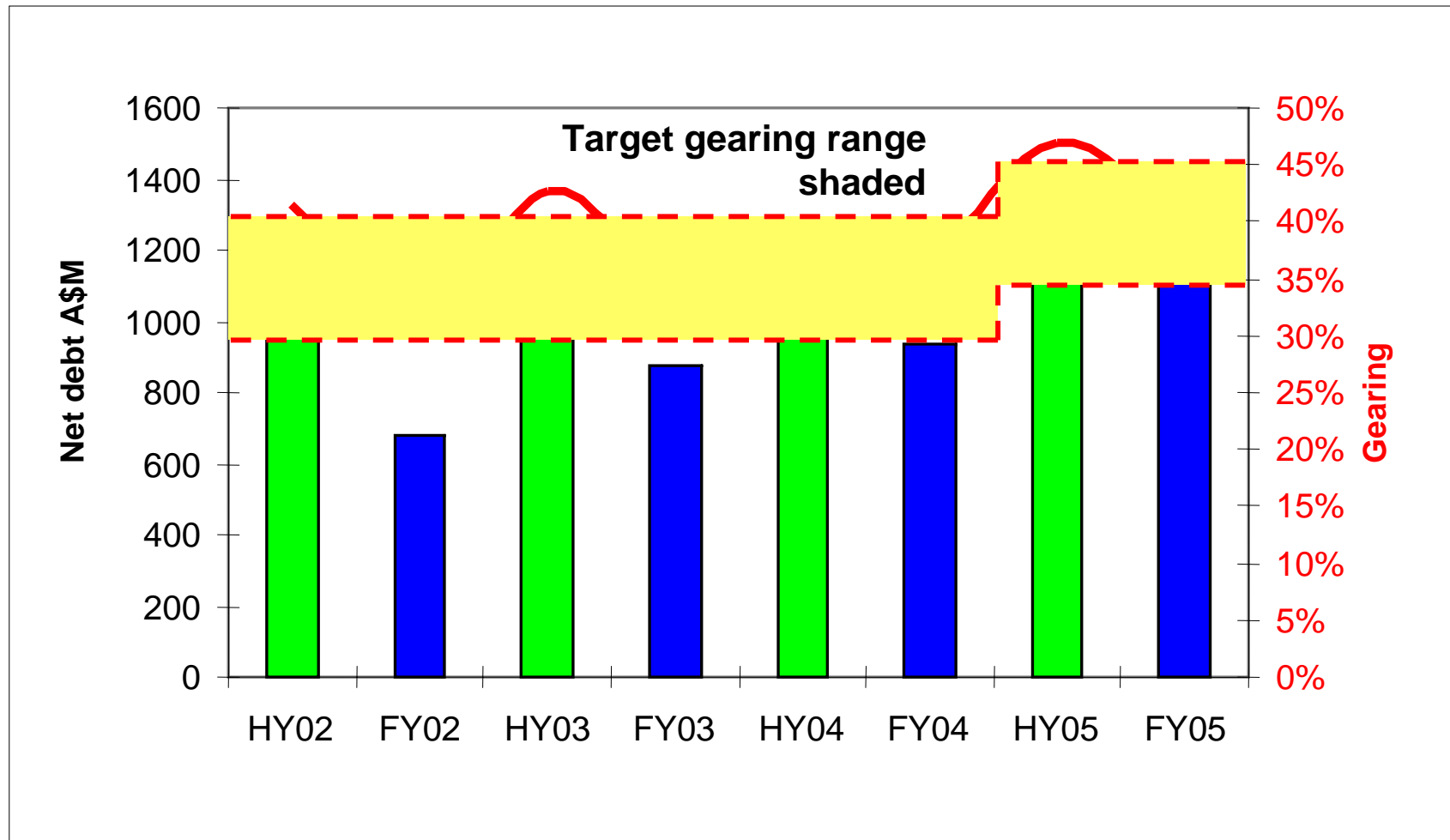
## CASHFLOW A\$M

	<u>2005</u>	<u>2004</u>	<u>Change</u>
<b>EBITDA</b>	753	724	29
Net interest paid	(82)	(58)	(24)
Net tax paid	(209)	(45)	(164)
Trade working capital	167	(15)	182
Non-trade working capital	(253)	(18)	(235)
<b>Net operating cash flows</b>	<u>376</u>	<u>588</u>	<u>(212)</u>
<b>Net investing cash flows</b>	(301)	(381)	80
<b>Net financing cash flows</b>	<u>(8)</u>	<u>(144)</u>	<u>136</u>
<b>Total Cash Flows</b>	67	63	4

# BALANCE SHEET (A\$M)

	Sept 2005	March 2005	Sept 2004
Trade working capital	613	949	767
Net property, plant & equipment	1,651	1,567	1,518
Net other assets	501	557	330
Net debt	(1,112)	(1,441)	(977)
<b>Net Assets</b>	<b>1,653</b>	<b>1,632</b>	<b>1,638</b>
Orica shareholders' equity	1,460	1,434	1,429
Outside equity interests	193	198	209
<b>Equity</b>	<b>1,653</b>	<b>1,632</b>	<b>1,638</b>

# Net Debt, Gearing and Interest Cover



- Gearing 40.2%
- Interest cover 5.6 times. Target > 5x

# Conclusion

- Profit improvement
- Net Debt and Working Capital improvement on 2005 half year
- Progress dealing with legacy issues
  - Qenos
  - Botany Groundwater Remediation

# A-IFRS Impact

- A-IFRS adoption from 1 October 2005
- Key changes and impact identified and reported
  - Reduction in shareholder's equity 30 September 2005 of \$121.5M
  - Key impact on net profit; no goodwill amortisation offset by recognition of employee share based payments.
- A-IFRS is likely to result in greater volatility in reported earnings and balance sheet values.
- A-IFRS will not have a significant impact Orica's borrowing or dividend paying capacity.

# Rights Issue: ~ \$512M renounceable

- 1 right offered for every 8 shares held at 7.00 pm (AEDT) on Tuesday 29 November 2005
- Issue Price of \$15 per share
  - 25% discount to Theoretical Ex-Rights Price
  - 27% discount to adjusted closing price on Friday 18 November 2005 (excludes the value of the final dividend of 46 cents)
- Issue of approximately 34.2 million shares to raise approx. \$512M
- Pro-rata rights issue – shareholders have equal ability to participate
- Rights trading from 23 November to 7 December 2005
- Offer closes at 5.00 pm (AEDT) on 14 December 2005
- Bookbuild on unexercised rights to occur on 19 December 2005
- Fully underwritten by UBS and Macquarie Equity Capital Markets
- New shares will not participate in FY05 final dividend

# Summary

- Net profit after tax up 3%
  - Strong revenue growth
  - Significant investment in growth and productivity initiatives
  - Increased dividends for shareholders
- Ability to recover input costs
- Results demonstrates resilience of earnings

# Outlook - 2006

Earnings should continue to grow, subject to seasonal conditions in the agricultural sector and the global economic environment.

# Supplementary Information

# Orica – What We Do



## Mining Services

- Commercial explosives plus blast management



## Chemicals

- Niche chemical distribution, value add and niche manufacturing



## Consumer Products

- Paint, paint preparation, handyman and premium consumer garden care products



## Incitec Pivot

- Fertilisers

Businesses  
united by  
chemical  
sciences

Market  
Leadership

Leading  
Brands

Privileged  
Assets

Capable  
People

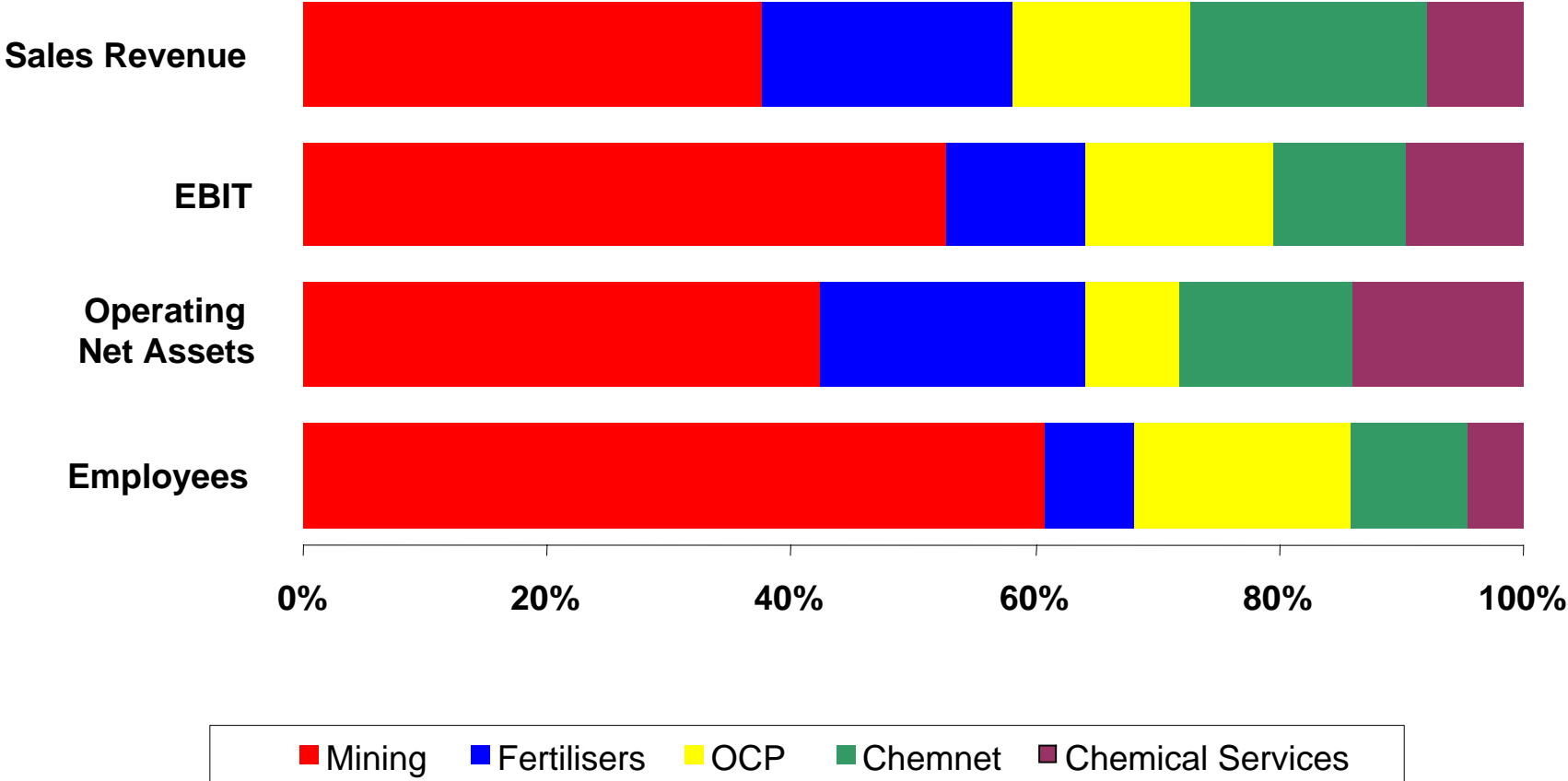
Technology

Strong &  
Disciplined Culture

**SATISFACTION OF BASIC HUMAN NEEDS BY  
“TURNING SCIENCE INTO SOLUTIONS”**

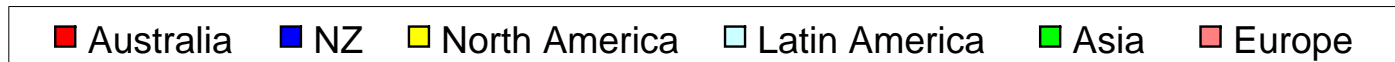
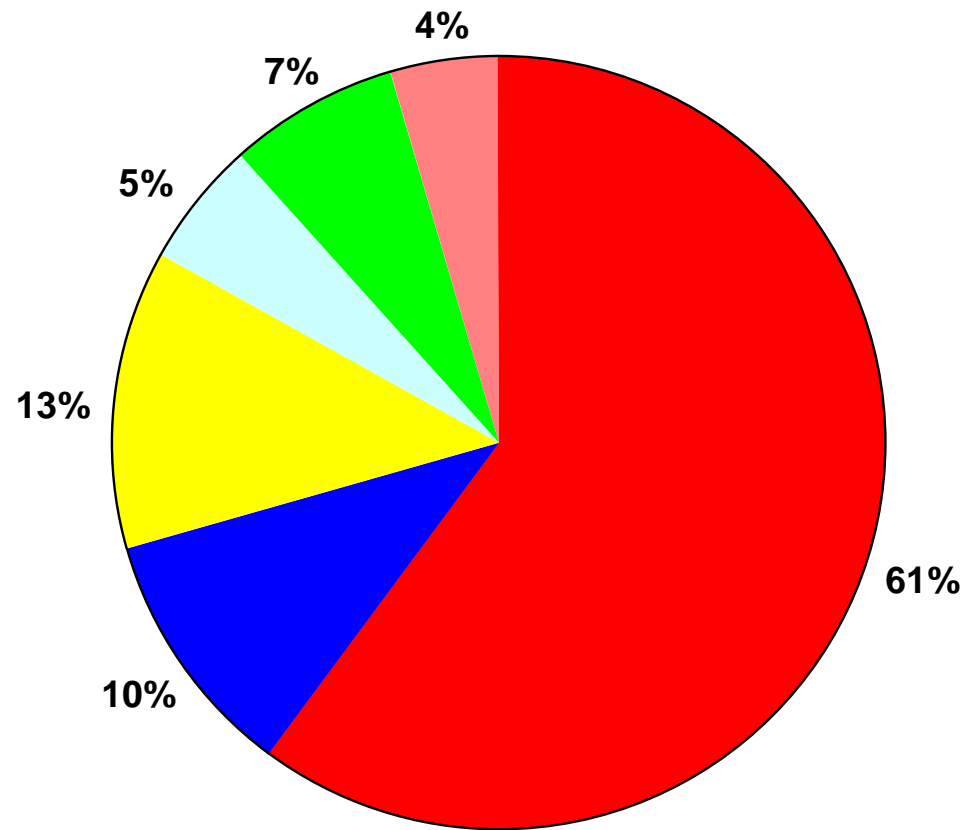
Twelve Months Ended 30 September, 2005

# ORICA - BUSINESS DIMENSIONS

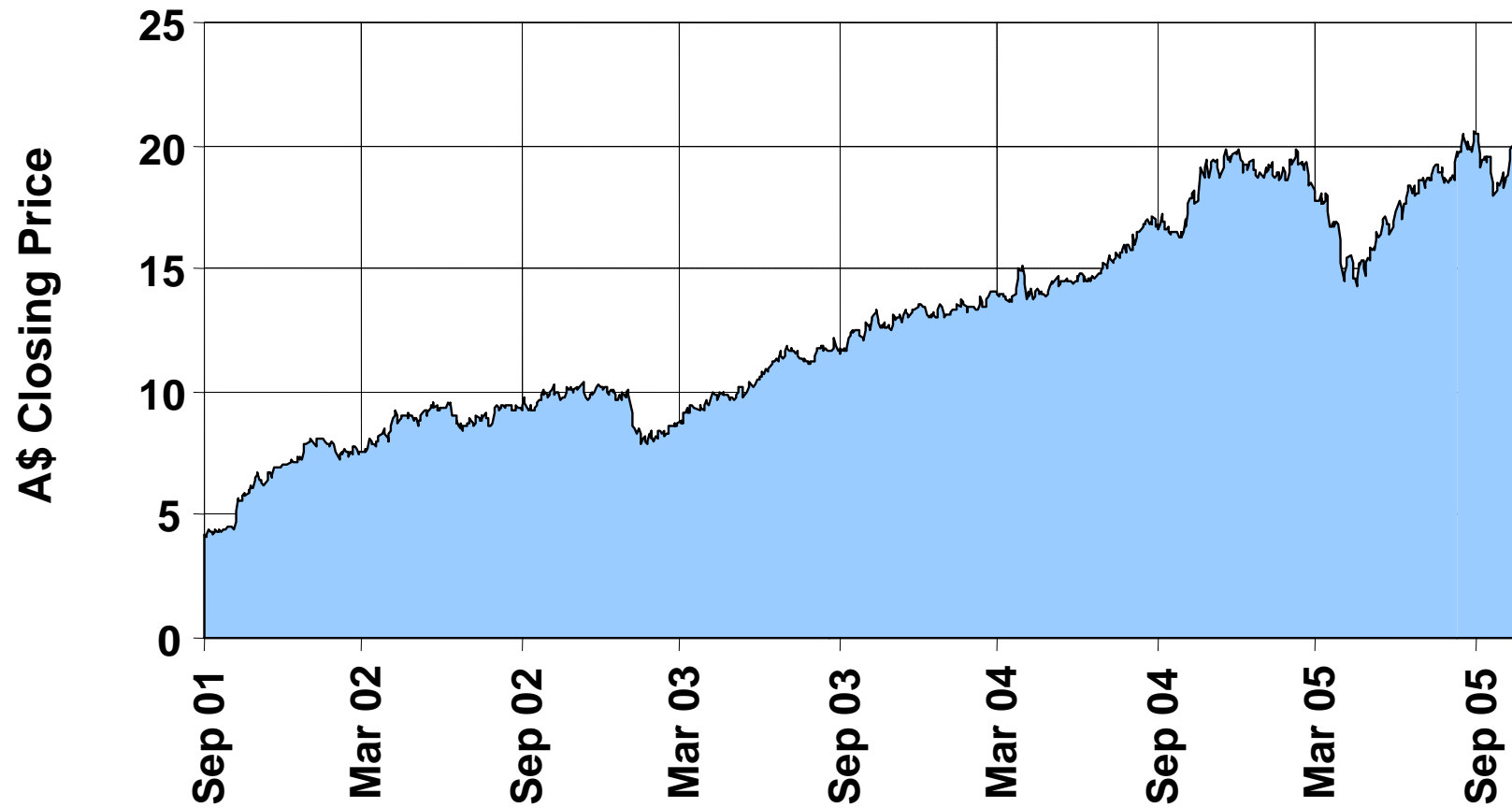


Twelve Months Ended 30 September, 2005

# ORICA - SALES BY REGION



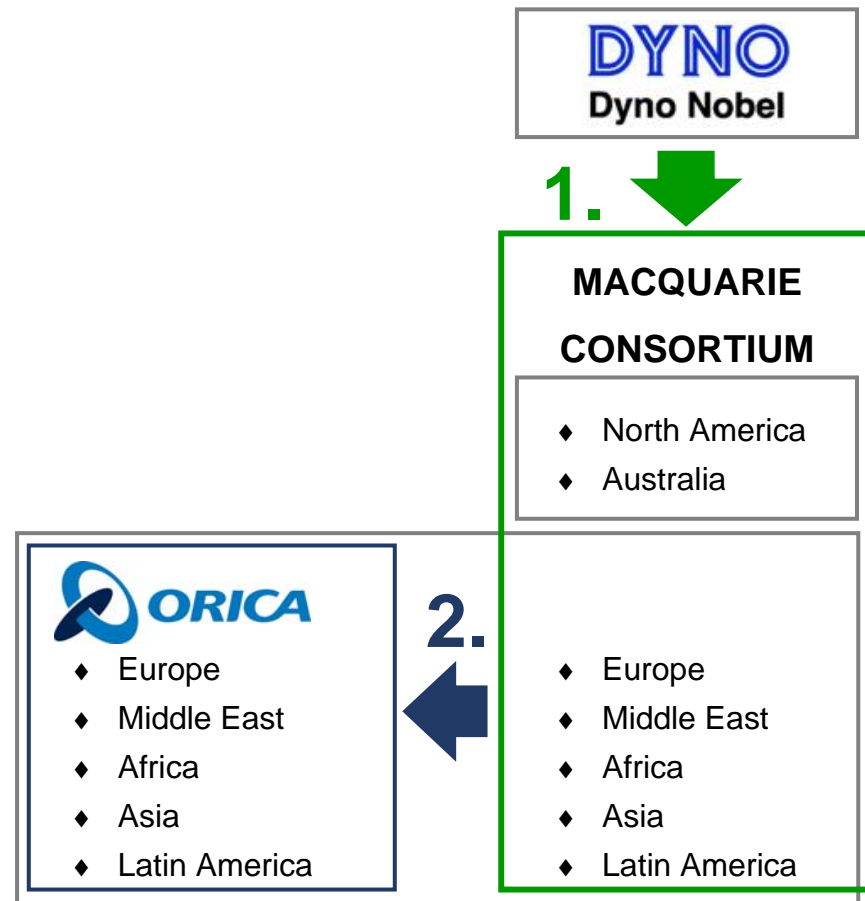
# Orica - creating value for shareholders



# Transaction structure

Creative structure used to secure key growth assets

1. Macquarie consortium acquires 100% of Dyno Nobel in the first instance
2. Macquarie consortium on-sells European, Middle Eastern, African, Asian and Latin American businesses to Orica
  - Macquarie consortium retains North American and Australian businesses, Mexican IS plant and DetNet JV



# Strategic & Financial Rationale

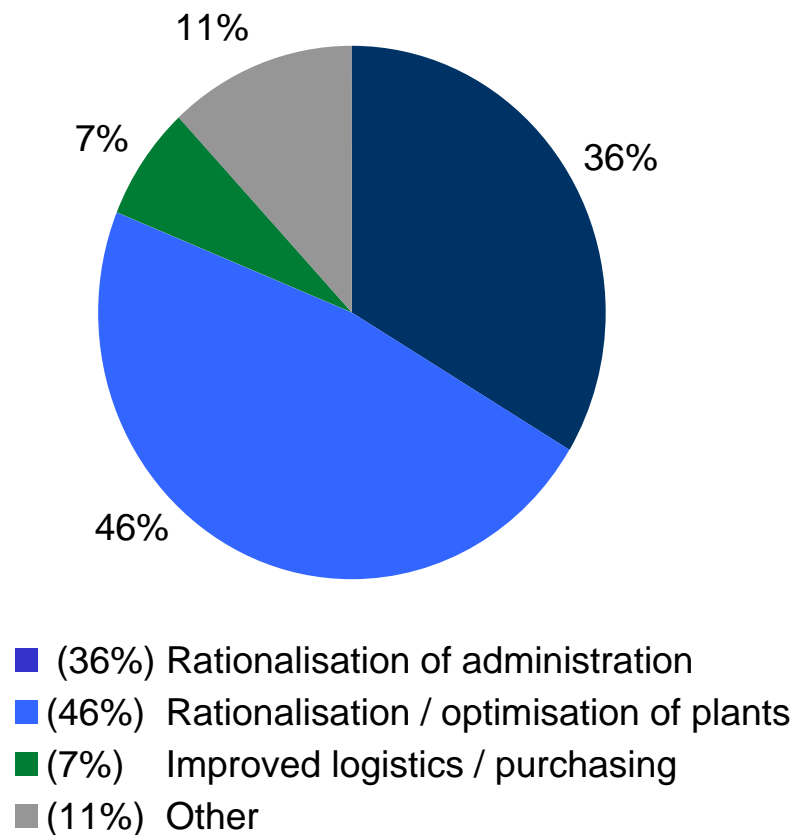
**A clear and unique strategic fit for Orica Mining Services and a financially compelling case**

- Increased exposure to the resources & infrastructure sectors
- Expansion of global footprint
- OMS transforming acquisition with manageable risk
- Earnings diversification for Orica Mining Services
- Scale benefits for research and development / sales and marketing
- Increased capability to service customers, global and local
- Satisfies our strategic principles:
  - Market leadership
  - Grow only value adding business who have “earned the right to grow”
  - Related growth - build on our best businesses
- Achieves an 18% RONA in third full year of acquisition (FY2009)
- EPS accretive (before significant items) in first full year (FY2007)

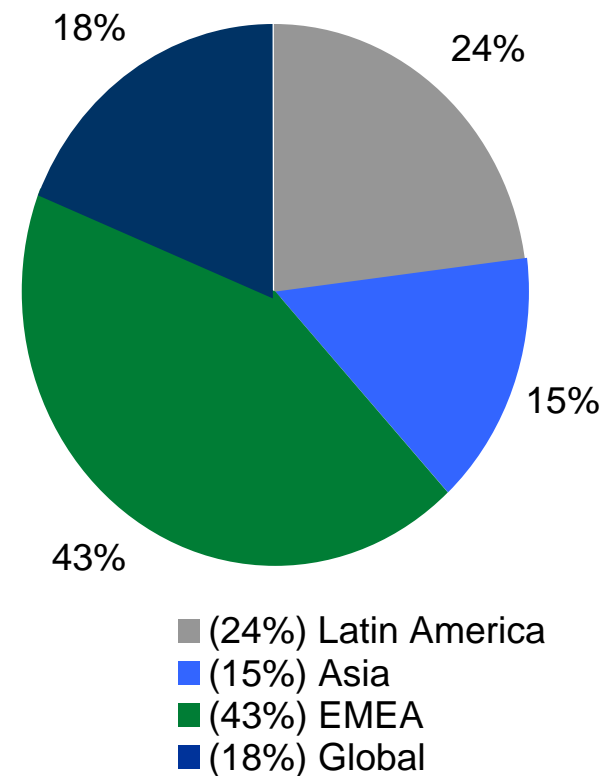
# Significant Cost Savings

To be achieved from...

EBIT cost savings by type



EBIT cost savings by geography



Detailed internal analysis of sources and timing of cost savings

# Rights Issue - INDICATIVE TIMETABLE

1. Lodgement of prospectus with ASIC	1. Monday 21 November 2005
2. Rights trading commences	2. Wednesday 23 November 2005
3. Final Dividend and Rights Ex Date	3. Wednesday 23 November 2005
4. Record date for rights entitlements	4. Tuesday 29 November 2005
5. Prospectus sent to shareholders	5. Wednesday 30 November 2005
6. Rights trading ends	6. Wednesday 7 December 2005
7. Closing for acceptances and payment	7. 5.00 pm AEDST, Wednesday 14 December
8. Bookbuild of under subscriptions	8. Monday 19 December 2005
9. Allotment of shares	9. Friday 23 December 2005
10. Dispatch of holding statements and payment for renounced entitlements	10. Wednesday 28 December 2005
11. Normal trading for new shares on ASX	11. Thursday 29 December 2005

# A-IFRS: Impact on Net Profit

2005 A\$M

Normal Significant  
Items

<b>AGAAP Net profit after tax</b>	<b>334.9</b>	<b>(98.6)</b>
Discontinuation of amortisation of goodwill	36.2	
Recognition of employee based share based payments	(11.6)	
Minority interests adjustment	(0.8)	
Taxation	(16.0)	
Adjustment for impairment losses	-	(25.3)
Derecognition of acquisition restructuring provisions	-	(6.8)
<b>A-IFRS Net profit after tax</b>	<b>342.7</b>	<b>(130.7)</b>
Net Change	7.8	(32.1)

# A-IFRS: Impact on Shareholders' Equity

	2005 (A\$M)
<b>AGAAP Shareholder's Equity</b>	<b>1653.1</b>
Defined Benefit Plan (net of tax)	(50.9)
Recognition of employee share based payments	(45.1)
Write Back of goodwill amortisation	36.2
Impairment of assets including goodwill (net of tax)	(53.3)
Derecognition of Acquisition Restructuring provisions	(6.8)
Recognition of provisions associated with long lived assets	(23.7)
Tax Impact of transition to A-IFRS	22.1
<b>A-IFRS Shareholders' Equity</b>	<b><u>1531.6</u></b>
Net Change	(121.5)

# FOREIGN CURRENCY- Snapshot

**A\$ Call Options: Hedging of USD Exposure  
(as at 30 September 2005)**

Year	Offshore Business Sales		Manufactured Nitrogen Product		Hedge Premium expense A\$M
	Cover A\$M	Strike Rate	Cover A\$M	Strike Rate	
2006	54	67 cents	73	68 cents	5
2007	35	68 cents	44	68 cents	3
2008	16	63 cents	22	68 cents	1

# FOREIGN CURRENCY- Sensitivity

Every one cent movement in the exchange rate will impact EBIT:

2006	+/- \$1M to \$1.5M
2007	+/- \$1.5M to \$2.0M
2008	+/- \$2.0M to \$2.5M

**ACTIVE RISK MANAGEMENT**

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