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Greg Slade: Thanks Ross. Good morning, ladies and gentlemen, and welcome to this conference call to discuss Orica's acquisition of Minova which was announced to the ASX this morning. My name is Greg Slade, and I'm Orica's Investor Relations Manager. With me I have Graeme Liebelt, Orica's Chief Executive officer, Noel Meehan, Executive Director Finance, [Andrew Lark] Orica's General manager, Mergers and Acquisitions, and Sandy Arbuthnot, Chief Executive Officer, Minova.

By now you should all have a copy of our ASX release and accompanying slide pack, and the gentlemen here with me will take you through it shortly. At the conclusion of the briefing, you will have the opportunity to ask questions as per the instructions on the email invitation that was sent out this morning. Please note: we are here today to specifically discuss the acquisition of Minova; we can't comment on the trading performance of the rest of the Orica group, given our results will be out on 13 November. Now, without any further ado, I'd like to hand over to Graeme Liebelt to start proceedings.

Graeme Liebelt: Thanks Greg, and good morning everybody. I think I'll be known to most of those on the telephones, so let me add my welcome to that of Greg and thanks for being with us this morning. I'd particularly like to acknowledge the presence of Sandy Arbuthnot, the CEO of Minova with us this morning. Sandy's travelled a long way to be part of this conversation and various other activities over the next couple of days, and it's a great pleasure for me to have Sandy with us. Also let me acknowledge Andrew Lark who's our General Manager of Strategy and M&A, and it's really Andrew and Sandy who have been at the forefront of negotiation in relation to this transaction, and we're very pleased, of course, to have it in place.

Now, the format this morning will be that I'll give a brief overview; I'm then going to hand over to Sandy to talk a little bit about the Minova business itself. Noel Meehan will then talk about the financial impact on Orica, and then I'll come back with some discussion about the strategic rationale, a bit of a summary, before handing over to your questions after that.

So let me just start with an overview of the transaction. While Orica's agreed to acquire the mining services company Minova for a total including transaction

costs of A\$870 million, that purchase price represents 8.9 times the calendar year forecast 2006 EBITDA for the business.

We're pleased to report that, even after the transaction costs, this transaction will be EPS accretive for Orica immediately; that is, in its first year of acquisition. Minova is an excellent business built up by Sandy and his team, and it's highly cash flow generative. It's a business which has relatively low working capital requirements and relatively low capital expenditure requirements, and so there's a high degree of translation of EBIT into cash. Because we've got the integration of the Dyno Nobel businesses going on at the same time inside our mining services group, we intend to hold this business as a standalone business for two years before we start a full integration into the balance of the Orica businesses. So Sandy will report directly to me for approximately that first two years.

Sandy and his senior team, who have been shareholders of the business, will continue to maintain a share of the business, and there is an earn-out agreement which incentivises them to continue to grow the EBITDA of the business over a two-year period. As you know, our traditional rates of return in Orica are that we require an 18% RONA to be achieved in the third full year of acquisition typically and we require a 15% internal rate of return to be achieved. This business does achieve an internal rate of return of greater than 15%, and because we are delaying the integration process for a period of time, it will achieve an 18% return on net assets three years post-integration, but it will be longer than that in terms of post-acquisition period.

We've got a few approvals to go through before the proposal can be completed. These are routine regulatory approvals in a number of countries, and we expect those to go through without any trouble, but they will take some time, and so the completion of the deal is most likely before the end of this calendar year 2006.

So that's an overview of the transaction. What I'll do now is to hand across to Sandy, and he'll take us through a few slides describing the Minova business.

Sandy Arbuthnot: Thank you very much, Graeme. Good morning ladies and gentlemen. As you've heard, my name is Sandy Arbuthnot; I'm the Chief Executive of Minova company, and I'll just walk you through some of the slides you have in front of you and try and introduce our business to you.

I'd first like to say it's a highly niche business. While it's been often called a speciality chemical company, and that's what we're calling it here, we're in the business of blending and marketing chemical products along with provision of services and various specialised pieces of equipment. So we're a heavily marketing-led organisation.

Our end markets are the underground mining markets and the underground civil engineering market, in particular, tunnelling. So we do know, while we're exposed heavily to the coal mining market, it's all underground, and I should just make that point up front.

We believe we have quite a wide range of products. They're all highly specialised, niche products. One of the key ones, resin capsules, which I'll discuss a little later, is absolutely key to modern underground coal mining. We currently have sales in over 50 countries around the world, and we have operating businesses in a number, and virtually all the major mining markets of the world.

As you can see on your list, we have a strong presence in Western Europe, Poland, Russia, North America, South Africa, here in Australia, and most recently in China. We employ approximately 1,200 employees around the world. We believe we've got a very committed and successful management team which has grown the business.

You can see on the right hand side of the sheet, there are sales growth records in the last three to four years, since 2003—top line compound growth of 18%, and in fact we've grown it considerably since I took over the business for sales in British pounds for about 30 million pounds. So we have a good record of growing this business, and we see excellent opportunities to push that growth forward under Orica's ownership. As Graeme has pointed out, we have a very strong cash flow generation and good profitability ratio.

Turning the page, a few pie charts, and I'll make a couple of points. I've already made the point that our major end market is underground coal mining. That comes from our history where we were exclusively a coal mining company originally. Over the recent years, we've increased our presence in tunnelling and metal mining, but at the same time we've continued to grow the coal mining. So those percentages have remained roughly the same over the last few years.

There is a good geo-technical reason why we are heavily oriented towards coal mining. As many of you will know, the rock strata tends to be weaker and our products are associated with reinforcement of poor ground conditions.

Moving to the centre pie chart, you will see the distribution of sales around the world. This has always been a nice natural hedge for us, a nice even distribution of the business, with increasing sales exposure to high growth markets moving away from the more mature European-US-Australian markets.

Finally, on the right hand side, you will see some of the products we sell. I'll just highlight a couple of them. The traditional core product was the resin capsule. This is a chemical glue that holds the steel anchor into the roof of a mine. It's absolutely vital for any modern underground coal mining anywhere in the world, and we're the world's market leader in this product.

We also feel we're the world market leader in organic injection chemicals, which you can see represents a further 27%, and the product we invented that is now slipping down in importance to us, is the cementitious powders. These are not OPC-based; they are a very specialised high luminous cement-based powdered product, foaming cement typically.

Turning over the page, you will see a map of the world which has our manufacturing locations on it. I won't walk through them all, but you'll see that we do have quite a large number of factories. One of the reasons is that we need to be close to the customer. A lot of these products, while sometimes or routinely used on a day-to-day basis are also used in emergency situations; for instance, underground fires in coal mines, and obviously speed of response to the customer is absolutely vital, so you have to be on or very close to the customer's location.

The most recent of those, right in the middle of the map there, is our recently-established business in Kazakhstan. But from those locations, we also export to the remaining 40-odd countries in which we don't have a manufacturing services.

Turning the page again, Minova as we've said has had an excellent growth record over the last eight or nine years, but we see absolutely no reason why that shouldn't continue going forward. There are a number of fundamentals driving that. The coal industry continues to be a fundamental source of electricity

generation around the world, with a long stretch of coal reserves, at least 150 years going forward.

The second point on my list there is that our products are increasing their penetration in more developing markets. The use of a Minova product per tonne of coal mined is increasing in countries like Russia, China, India and the Ukraine, and that will continue for quite a long time until they reach the full penetration that was received here in Australia. So that's a fundamental driver of the business going forward. It refers not only to coal but also to further penetration of our products into both underground metal mining and, in particular, the civil engineering market.

We believe we have a proven ability to grow the business in new geographic territories. Our very successful and quite substantial Polish business was a greenfields start-up more than 10 years ago. We've done it in Russia very successfully. You can see we have a substantial Russian business, and we believe we know the secret ingredients of growing in these exotic locations.

Finally on there, I just highlight that, while we're only in the underground mining market, particularly in coal but also in metal mining, we see our fundamentals being particularly strong as mining inevitably moves underground from open cut mining as the depths of those reserves get deeper.

Finally turning to our management structure, I won't walk you through this in any detail, but as Graeme has pointed out to you, it is intended that I report directly to him, and the Minova group forms an independent division within the Orica structure. There are three of us who are board members of the Minova group at the present: my Finance Director, Mark Piper, and Peter Bell, both based with me in England, and then you see five Regional Chief Executives around the world—in the US, Australia, South Africa, Poland and MCT is our German company (it stands for Minova Carbo Tek). It was originally a joint venture, and we've left the dual branding there. Michael Reich, as you can see there, not only has a number of European subsidiaries, but the now substantial Russian business reports directly into him, and we have considerable numbers of Russian-speaking engineers working out of Germany.

The only other thing I'd point out on that chart is that you can see my colleague, Peter Bell, looks after the developing markets, and he's particularly been responsible over the last couple of years for our Chinese start up, which is now

growing momentum by the day. So thank you for listening. That's all I was going to say by introduction to the Minova business.

Noel Meehan: Thanks Sandy; Noel Meehan here. Let me just add my welcome to everybody here, and also in particular to Sandy and his team. We're delighted to have such a quality business come into the Orica portfolio.

What I'll go through over the next few minutes is essentially the accounting impact of the acquisition, some of the underlying assumptions behind the acquisition and how we're going to get our 18% return, the balance sheet impact and the funding impact. But before I do that, I guess post the IPL sale, obviously we've had an under-gear'd balance sheet. We've been looking actively for a long time around the world across all of our businesses, particularly mining, consumer products and also chemical services, for acquisition opportunities. Since selling IPL, we've had a look at a number of acquisition opportunities, but at the same time we've remained financially disciplined and haven't wanted to spend the proceeds obviously on IPL without a substantial benefit.

The acquisition of Minova fits that category, and Graeme will go through obviously some of the strategic rationale behind it. But as we said earlier, the acquisition price of A\$857 million, Australian dollars, coincidentally is the same amount to the dollar of the IPL proceeds, and we will have \$13 million of transaction costs. The \$13 million, or 5 million pounds, of transaction costs are really related to advisers across all areas—accounting, legal, tax, environmental, as well as some stamp duty on the transaction, so that's the way the 5 million pound will be spent.

The multiple we've talked about, the 8.9 coming off the calendar year EBITDA, 39 million pounds, EPS accretion immediately—and let me just clarify that: that is after transaction costs and after the costs associated with financing, where we're using some of our cash on deposit. The table in the middle, just for clarity, really just explains how the acquisition will be accounted for. The purchase price and the transaction costs will both be capitalised, so the \$348 million will go into the Orica balance sheet.

There will be some integration costs of 9 million pounds associated with attracting the synergies after the first two years, once we start the integration process. Essentially they will be largely expensed: two-thirds of that 9 million pounds will relate to systems implementation in the Minova group as we bring it into the Orica

portfolio on things like safety, health and environment systems, financial reporting and consolidation systems and SAP IT system.

The other third, roughly, of that 9 million pounds is dedicated essentially to the formation of another integration team after two years, similar to what we've gone with the Dyno acquisition. So that is sort of where the 9 million pounds will be spent.

Flicking over to page 9, really what this slide attempts to do is to give you some clarity around some of the underlying assumptions behind the acquisition. The forecast sales growth that we've adopted in looking at the acquisition runs at round about 8% per annum from calendar '06 through to 2011, and as Sandy did point out earlier, historic performance has been higher than that.

Graeme did mention that we don't want to take the focus off on the integration of Dyno, and for that reason the Minova group will be left as a standalone business up to the first two years.

The synergies, unlike Dyno, it's not an acquisition that's chasing synergies. There's five million pounds of synergies there really in three main areas: 85% of them are cost-based synergies, going across things like global procurement opportunities across the two groups; IT insurance and audit savings; and a small amount of growth opportunity in Latin America that we've factored into the business.

The 9 million pounds, I did say on this previous slide, we'll expense that. That will be expenses in individually significant items. For the purposes, our assumptions were assuming that the majority of that will be spent at the end of year 2 and going into year 3 as we start the integration. That 9 million pounds is all cash; there is no non-cash integration cost.

The 18% RONA, as Graeme highlighted, we're going to achieve that three years after we start the integration. But really just to give you some clarity around the assumptions underlying that, that is based off the 8% revenue growth, the delivery of the 5 million pounds of synergies, and earnings growth of around 11% per annum. There are some additional tax benefits that don't go into the RONA calculation which are related to the way that will finance the transaction through some structuring offshore. That will generate round about 2 million pounds of additional tax benefit that is not in the RONA calculation, and that obviously goes

to the delivery of the internal rate of return greater than 15% on an after-tax cash flow basis.

Just flicking onto slide 10, Minova is a low capital intensity business. Obviously a specialised business, high cash generation. Net tangible assets that we will be acquiring will be £32 million split across those three areas: trade working capital runs at about 14% of sales; a small amount of £14 million on fixed assets; and then some other non-trade working capital, things like provisions. That leaves the balance of the transaction which will be split between goodwill and identifiable intangible assets, which will be part of our acquisition accounting under the new international accounting standards. There will be more work to do on identifying goodwill versus intangible assets, and that will take up to probably 12 months for the accounting standard to do. But for the sake of your modelling, we have given clear guidance there in what we've done with depreciation and AIFRS amortisation, and we are looking for depreciation and amortisation to be around £6 million per annum.

Moving then to how the acquisition will be funded, 75% of the acquisition costs, £260 million, will come out of our cash proceeds; cash on deposit that we've got currently, and then we'll utilise the remaining 25% through our existing debt facilities on some commercial paper. Once that goes through, the gearing target range of 35 to 45, we'll actually really still be slightly below that range. Our interest cover will be well above our stated targets, and obviously we will be well within our debt covenants.

The funding package that we've put there, with cash and debt, again has been similar to the Dyno acquisition, designed to support our BBB+ rating. We've been below our target range. I guess the message there is we've obviously still got some room for further growth across the businesses, and as people that have followed Orica, there has been a lot of work done on improving our cash generation in businesses, and the Minova business, given the quality of its cash generation, will help that. So now I will hand back to Graeme.

Graeme Liebelt: Thanks, Noel. Let me just for a moment talk about the strategic rationale for this acquisition, and it will come as no surprise to I think anyone on this call that we have these three strategic rules shown on page 12 of the presentation: that is, that we seek to establish market leadership in those sectors in which we participate; secondly, that we seek to grow close to the core of our main

platforms; and thirdly, that we grow businesses which have earned the right to grow, and the criteria we apply there, of course, are 18% return on net assets and a 15% internal rate of return, and the acquisition itself has to achieve those results.

So, moving on to the next page, we have summarised the key strategic points. First of all, I would observe that there's a very strong link here between our mining services business particularly, but also a substantial part of our chemicals business. With respect to the customer base that we're addressing, even some of the chemical processes which are used by Sandy's business are familiar to us in Orica—some of that chemistry is very familiar to us, and of course there's a strong geographical overlap. I think it's fair to say actually that, in the way in which this business goes to market, there are some strong similarities in the business model of Minova and the business model of mining services generally.

This is a clear global leader and it has critical mass in major markets with the exception of South America. So there's an opportunity to build both ways here. We think the mining services business can help the penetration of Minova's businesses in certain parts of the world, and we think Minova's penetration can help with mining services in certain parts of the world.

I've made the point a couple of times, but it's very important, that this is a business which has very strong cash flow generation. As it grows, its demands on capital and working capital are relatively modest, and so there's a very high translation of earnings into cash, and that's very important for us as we go forward.

Noel covered the synergy opportunities, so I won't say much more about that. I would like to emphasise that this is a business which, as Sandy says, in their minds has at least largely cracked the code for penetration into new and emerging markets so they know how to do that. They've had good success in China, Russia and recently concluded a joint venture in Kazakhstan, so that will be helpful in its own right with respect to the Minova business, but I think there's probably some learning there for our mining services business as well.

Finally, the point about earnings diversification. Noel mentioned the transition that's happening in Orica here between having sold the Incitec Pivot holding, and now having acquired Minova for about the same amount of money—and I would acknowledge that they were independent transactions, but if you view that

transition as a whole, as Noel said, about the same amount of money, however, I think the transition in earnings from relatively high volatility to relatively low volatility, about the same amount of earnings by the way, depending on how well Incitec Pivot has done during the course of 2006. So about the same amount of earnings, but less volatility. I think we've exposed ourselves also to a higher growth rate of earnings going forward, being exposed to the mining and civil engineering markets. We've also acquired a business that has a much stronger cash generation. So I think that transition in terms of Orica's overall portfolio is to our great advantage.

So, in summary, and moving to the next slide before just handing over to your questions, let me emphasise the key points: I think strategically and financially it's a very compelling acquisition for Orica, and I'm very excited that this transaction is being completed. Purchase price, \$870 million, including transaction costs, and that is 8.9 times '06 calendar year EBITDA. It is immediately EPS accretive, even after the costs of the transaction.

It achieves our 18% RONA target in the third full year post integration, and it achieves in excess of our 15% internal rate of return target. We're funding it from cash and debt, and at the end of that process we still remain below the board's targeted gearing range. We will manage it separately alongside mining services with Sandy and his team reporting directly to me for a period of time, probably around two years. I think it enhances our position in the mining services business generally. It's highly cash generative, and I think exposes us to great opportunities for further growth in the Orica business and in the shareholder value that goes with that.

So, with that overview and presentation, I think we're in a position now to hand over to your questions.

Speaker: Thanks, Graeme. I'd like to open up the floor to questions. Can I ask that you keep it to one question at a time, please, so that we give everyone a fair go at asking questions? You're most welcome to go to the back of the queue if you wish to ask another question. I'll hand back to Ross, the conference call coordinator now, who will introduce the questions.

Q: (Rowan Gallagher of Credit Suisse). Good morning, guys, good morning everybody. Financial question; Noel, could you just clarify the timing for the implementation cost and the synergy, and if I'm correct, could you just clarify that

you're 18%RONA post integration after three years, is that effectively five years post acquisition?

Noel Meehan: Good morning, Rowan. In terms of the timing, the transaction costs will obviously be incurred immediately. The implementation costs at the end of year two, going into the beginning of year three, synergies flowing from year three through to year five, and if you go from 2006 as your start point, two years post the integration activities gives 18% in 2011. But the additional part, Rowan, is the £2 million of tax benefits flow in from 2008 onwards below the RONA number.

Q: (Andrew Johnston of City Group). Good morning gentlemen. Just a question on regulatory requirements and on patent protection, could you just outline what sort of regulatory issues need to be resolved prior to completion, and also what sort of patent protection is there over the assets and products of Minova?

Graeme Liebelt: Andrew, hi, it's Graeme, I'll answer the bit about regulatory requirements, and then perhaps hand over to Sandy to talk about patent protection. The regulatory requirements are really competition law approvals in, I think, five or six countries. They are the US, Russia, Germany, Spain, Norway—is that all, I think that might be it. Let me hand over to Sandy on the patent question.

Sandy Arbuthnot: Hi. Only a limited part of our sales is actually governed by patents. We've taken the view often in the past not to patent because obviously the patenting process puts your idea very much in the public domain. So, it would be completely wrong to get the idea that there's something clever here that has a limited shelf life. We're constantly evolving the products and the offering, and the defensible market position and defensible profitability comes from quite a complex and subtle combination of clever chemistry, good marketing and particularly the linkage with good equipment in the field. So I don't know if that really answers your questions, but patents are not a material part of this transaction.

A: (Andrew Johnston) That answers the question; thanks very much.

Q: (Richard Johnson of ABM-Amro). Thanks very much; good morning. I've got a question for Sandy. I was just wondering if he could briefly run through the recent history of the business, particularly since it's been under private equity ownership, and to that, what proportion of the sales growth in that slide you showed was related to bolting different businesses together? As an adjunct to all of that, I was just wondering how the business will actually operate? Do you sell

on long-term contracts, short-term—I wonder if you could give us some information on that?

Sandy Arbuthnot: Let me take the last bit first so I don't forget. Only a small or relatively small part of our business is locked into long-term contracts. Most of it is done on a sort of permissive contract. You agree a price with your customer and then he calls off day by day the amount he wishes to take. The major exception to that is our contract with the German coal industry, [Deutsche Stein Coal] where we are nine months into a 5 year exclusive contract on a couple of key products. But other contracts are done on a much more informal basis, and we believe that's to our advantage in the sense that we can often get price rises as costs change.

In terms of how the business has developed under private equity ownership in the last 3½, almost 4 years, the growth was defined by two deals, I think, plus considerable organic growth. But the two principal deals were the purchase of the Sandvik chemical anchors business in the States in 2003; that was a relatively small deal but it brought considerable benefits to us in that we were able to put the whole of their market volume through our existing facilities. Obviously the profits dropped straight through to the bottom line.

The second and probably most important deal was the buy-out of our German joint venture in 2004, and this was combined with buying the partner's businesses around the world. He was getting out of this area, so we bought one of our Russian businesses from the Carbotek group and also a couple of businesses here in Australia. So, the purchase of those, the joint venture was always fully consolidated, so it made no difference to our headline numbers, but we did buy in extra business and particular having full control of those businesses allowed us to greatly improve their profitability going forward.

Now, there's been a number of other much smaller additions to the business, and probably the most significant of those was the foundation of our Spanish business in 2003 which has been extremely successful since then on the back of mainly the infrastructure developments in Spain.

Q: (Andrew Scott of JP Morgan.) Hi guys; a question for Graeme, if I could. We've seen the mining services portion of Orica overall becoming increasingly important. Can you sort of strategically give us a sense what that means for the three smaller portions of the business now going forward?

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- Graeme Liebelt: Yes, Andrew. The mining services business is a very attractive platform, of course, and so we're pleased to be able to add to it. I think as I've said previously, we don't have a preordained view as to what the balance of our portfolio should be as between, say, mining services and chemicals, or mining services and consumer products. We remain in a position where our balance sheet is under-g geared. We see attractive opportunities still across all of the businesses that we're involved with. The Chemnet business of course just needs to stabilise its base before we're going to spend more money in that platform, but the bottom line is that there's a sort of healthy competition for growth opportunities between the platforms within Orica, and as we see attractive opportunities, we will support them from whichever platform they arrive.
- Q: (Chris Drew of UBS). Thanks, good morning, guys. Just a question for Sandy. Looking at the global platform of the group, obviously it's fairly comprehensive with that clear exception of Latin America in terms of Orica's current exposure. Any particular reason why the business hasn't gone into Latin America? Anything we should be thinking about there in terms of the potential for Orica to take the business with it into Latin America?
- Sandy Arbuthnot: Yes, indeed. We've normally taken the view that to have critical mass for our niche products, we need a substantial underground coal mining market in that region. Obviously, as you probably know, South America doesn't have a substantial underground coal mining market. It has, I think, about 12 million tonnes of underground coal in Brazil, and some in Mexico, but the vast majority of South American coal is open pit mined. We did have a small business based in Sao Paolo up to four years ago, and I think on the back of Orica we could certainly go back in, and we actually have a more diverse by-product range now than we had then as an offering for the metal mining market. So, obviously, South America is basically a metal mining market. I think with Orica's help, there are significant opportunities for us there now.
- Q: (Mark Wilson of Deutsche) Thanks; good morning, Sandy. Just looking at the EBITDA growth over that period from 2003, compared to the compound annual growth rate in sales of 18%, and also just who are your major competitors in the States, and the greatest risks to the business?
- Sandy Arbuthnot: Sorry, could you just clarify what the question is?

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- Mark Wilson: Certainly. Looking at the EBITDA growth over the period, where you've highlighted that growth in sales was 18% since 2003; also, who are your major competitors, and looking at the greatest risks for your business?
- Sandy Arbuthnot: Okay. The EBITDA growth has exceeded the top line growth for a number of reasons, but not least through operational leverage, just putting more volume through existing facilities. We do tend to have surplus capacity at any one moment, so any extra business does drop through very easily. In terms of competitors, they tend to be very fragmented. There's absolutely nobody who looks like Minova on the global stage. The only possible exception is a small French company called Weber which does have a presence in Australia, China and to a very limited extent, East Asia and Europe. Probably the single largest competitor is the other player in the resin anchor market in the States; it's a company called Southlock. So really we're competing on a country-by-country basis and nobody has the same sort of global footprint.
- Mark Wilson: And risks to the business going forward?
- Sandy Arbuthnot: Well, look, we really don't see huge risks outside the macro environment. Obviously any change in the commodities cycle would affect us as it would a huge number of other businesses globally, but we believe we're extremely well positioned competitively and it's really a question of how much upside we can get going forward.
- Q: (Lachlan Cooper of ABN-Amro) Good morning everybody. Mine is just a bit of a financial housekeeping question, probably for Noel. I just wanted you to confirm how the hybrid is classified when you make reference to your gearing of 35 to 45%?
- Noel Meehan: The 35 to 45%, Lachlan, is basically on a net debt accounting basis. The hybrid adds round about seven percentage points against our accounting gearing, so if you add in the hybrid, we're still marginally under that 35 to 45.
- Q: (Luke Cabarelli of Black Rock) Hi guys. My question is a fairly basic one. You're saying through the presentation that the EBITDA of £39 million is after minorities. I don't know if it's been answered in the presentation, but what is the minority stakes? What proportion of the business has been bought by Orica?

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- Graeme Liebelt: Luke, the minorities actually refer to the minorities of joint ventures currently held by Minova, and backing those out, and I think as against that £39 million, the minorities amount to about £2 million.
- Luke Cabarelli: Okay, so when you say minorities, basically it is just equity accounted joint ventures. You're only including –
- Graeme Liebelt: Yes, so for example, Minova owns I think 87.5% of the Russian operation. The minorities we're talking about represent that 12.5% not owned, together with other joint ventures around the world.
- Q: (Justin Edgar of Brook Asset Managements) Hi guys. Two quick questions: one, just on the forecast depreciation, is that consistent with maintenance capex for the business? Secondly, are there any inherited contingent liabilities at any of the manufacturing sites?
- Noel Meehan: Good day, Justin. On that £6 million that we put on the slide, roughly £2 million of that is depreciation under Orica, and £4 million amortisation. Sustenance capex is very small for this business. Then, in terms of the contingent liabilities, we've obviously bought the company. There are various protections on indemnities and warranties on the way through. But we have not, through our due diligence, seen any major contingent liabilities.
- Q: (John Purtell of Macquarie) Good morning, guys. Sandy, can you just talk about Minova's sort of basic value proposition? What are its main competing products? Secondly, what sort of pricing power does Minova have? Are you able to recover raw material costs, and is there pricing power above and beyond that?
- Sandy Arbuthnot: Okay. On the first, there's such a wide range of products, I won't go into them all, but just talking about the resin anchor which is intimately associated with what's called primary roof bolting in coal mining, the alternative traditionally was some form of timber croft or some steel arch or something like that. Neither of those are remotely economic under the sort of fast long-wall mining or even continuous mining methods that are used today. So, it's a question of how fast you can drive roadways in modern coal mines. There's no other methodology that will come close to using the resin anchor. So that's a very compelling argument for that technology.
- Another example is we make a product, a foam cement product which is used for ventilation seals. As you know, ventilation seals are a key safety tool in

coalmining in particular. Now ours are quite exotic, high value, high cost seals but they have huge benefits over most of the traditional methods. For instance, when the roof closes under certain stress conditions, traditional seals will often crack and break up; ours are allowed to yield gently up to 50%. So there are those sorts of very techy advantages. Your second point – pricing. In the vast majority of jurisdictions, we've been successfully able to pass on the raw material cost rises over the last two to three years, albeit with a bit of a time lag, but probably the only country where we find prices a little bit sticky is South Africa. But everywhere else we've been able to recoup raw materials cost rises.

Q: (Michael Murray of AMP Capital) Thankyou. Can you just clarify exactly what the number was or roughly for maintenance capex going forward? I'd also be interested in the outlook for margins?

Noel Meehan: Michael, the maintenance capex go forward between two and £3 million a year. On the second part of your question, the guidance that we're given is obviously we're looking for 8% sales growth, 11% EBIT growth, with the synergies; EBITDA margins roughly round about the same.

Q: (Chris Haines of Concorde) Good day. I was interested in the cost structure of the business? Maybe if you could tell us a bit about that—raw materials and what that makes up, please?

Noel Meehan: Very, very roughly—and you can see the sort of EBITDA margin a bit north of 20% we're generating, and we generate just over 50% margin on raw materials. So I guess the rest is more or less fixed between that raw material margin and the EBITDA margin, making up perhaps 15% fixed factory costs and about 20% typically in what we call expenses, which is overheads—selling, administration costs.

Chris Haines: Could you tell me what are the main raw materials in the business?

Noel Meehan: Well, the two largest raw materials are polyester resin for the resin anchor and MDI for the polyurethane based injection grout. So they're substantially larger than the other raw materials. There's a long tail of exotic smaller chemical raw materials.

Q: (Richard Johnson of ABN-Amro) Graeme, you've paid a bit more for the business than the sort of 300 million sterling number that has been bandied around in the

press. I was just wondering if that was reflective of the competitive environment of the business?

Graeme Liebelt: You mean the competitive environment in the transaction itself?

Richard Johnson: Correct.

Graeme Liebelt: Well, I guess it is. I mean, you pay what you feel you need to pay to win the transaction, Richard. I don't know what others were prepared to pay in relation to this transaction, and probably will never know, but all I can say is that strategically speaking this is a very attractive acquisition for us and in the way that we've described meets our criteria and will definitely add a significant amount of shareholder value for Orica.

Richard Johnson: Fantastic; thanks.

Q: (Michael Ward of Morgan Stanley) Hi, guys. Noel, can you just quickly explain how the two-year earn-out agreement works?

Noel Meeham: Good day, Michael. Essentially, a proportion of the purchase price in relation to the management share ownership of Minova—so not the private equity portion—a percentage of that will be held back and then, on the same EBITDA multiple that we've done the initial transaction, after two years we will then pay out that same multiple based on a two-year EBITDA, in two years' time, if that makes sense.

Michael Ward: Can you just confirm how much management own and how much private equity owns? It sounds like there will be a payment over and above the \$870 million after two years, is that right?

Noel Meeham: No, the payment's built in there, Michael. Management own 30%, and private equity 70%.

Michael Ward: So there could be a little bit of flexibility around the size of that payment, though, depending on your earnings, obviously?

Noel Meeham: Obviously the essential structure is obviously if EBITDA is higher, then the payout will obviously be more.

Graham Liebelt: And we'll be delighted to pay it.

Michael Ward: I'm sure you will. Thanks, guys.

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- Q: (Andrew McGahon of Balanced Equity Management) Thanks; a question of Noel. I was just trying to reconcile the EBITDA growth number of 11% to the RONA target. Can you tell me if this map is right? We start with 98 million EBITDA; we take off 16 for the depreciation authorisation, so that gives us 82; we compound that forward for the five years at, I think you said, 11% EBIT growth; that gives us to about \$138 million EBIT forecast in 2011. If I capitalise that at the 18%, that gets me to \$767 million capital base for the RONA base. Is that the right map, and why is that different to the 870?
- Noel Meeham: No, the simple maths, Andrew, is in A dollars, if you take 18% of your total purchase price, you need an EBIT in 2011 of A\$157 million. I think the bit of maths that you're missing is you're not bringing in the synergies. If you bring them in, you'll get to 18%.
- Andrew McGahon: So I need to bring in the synergies after two years?
- Noel Meeham: After two years, and then you'll get 18%. There's obviously a little bit of rounding around those numbers that are in the chart, but the 8%, 11% aren't exact, but that will get you to your 18%.
- Andrew McGahon: Okay, thanks Noel.
- Q: (Peter Chiltern of Constellation Capital Management) Good morning. Could you tell me what you're doing with regards to research and development, how much you're spending per year, where you're doing it, and how many people you employ in that area?
- Sandy Arbuthnot: Yes, certainly. We don't spend a huge percentage on research and development, and we don't actually track the percentage explicitly. We track the percentage we spend on what we call the technical function, and obviously the technical function covers QC and production support. But in terms of where we do it and the number of people involved, most of it is done in Europe in a combination of Poland and Germany. In Poland we would have probably 15 to 20 people in white coats working in quite a substantial laboratory there, working on, as I say, both day-to-day production issues but also true research and development. In Germany we probably have about half that number, 8 or 10 people, again working on a mixture of production support and research and development. In other countries around the world, the research and development is much more intimately tied to customer needs, and it's much more incremental. We don't do

what you might call blue sky research and development; we're not actually looking at sort of radically different technology. We tend to research that through outside agencies like universities.

Q: (Brendon Wong of Ozville) Just a question for Graeme. There was mention of Minova operating in a more fragmented industry. Graeme, could you comment on the degree of competition in industries that Minova operates in, versus Orica's existing AN and explosives business?

Graeme Liebelt: My perception is—and Sandy might want to add to this Brendon—but my perception is that the degree of competitiveness is somewhat similar. I mean, Minova seems to me to have a strong business model which is not replicated by any of its competitors. The difference between Minova's situation and Orica Mining Services situation is probably the relative strength of the next biggest competitor, where in Minova's case that is a weaker competitor than we face in relation to the new Dyno group of companies. But there are a lot of similarities, as I said, in the business model, and I would say similarities too in the sense that Minova and Orica are both global leaders and their competitors are not capable of servicing customers on any sort of global basis, and there is a strong competitive advantage in each business model.

Q: (Matthew Ryland of Green Cape Capital) Good day, guys. You mentioned Minova's background from BP. Can you comment on how the growth has sort of been over the last few years? Has it been organic, or has there been sort of some bolt-on acquisitions along the way? Perhaps could you comment on further opportunities for bolt-on acquisitions for this asset?

Sandy Arbuthnot: Okay. We weren't really part of BP; we were temporarily in BP but we were always slated for sale while in BP ownership, so that's a sort of side issue really. I think I've commented on the two principal acquisitions post BP, which was the Sandvik deal in the States and the buyout of the Carbotek businesses in Germany. Going forward, we do have an interesting shopping list of targets. I'm obviously not going to share those with you now, and I need to discuss them with my new owners first.

Graeme Liebelt: I might just add to that, though, that we are anxious to grow this business, so to the extent that Sandy and his team can bring forward attractive opportunities for bolt-on acquisitions, Orica will be highly supportive of those.

Q: (Rowan Gallagher of Credit Suisse) Just a follow-up question from my previous question. In regards to your comments about the businesses highly cash flow generative, you've mentioned that your sustenance capex is going to be low to fulfil your 8% top line growth, 11% EBITDA growth. What sort of growth capex would you have to include within that, and can you just elaborate a little bit on that cash flow generation to EBITDA levels please?

Sandy Arbuthnot: Shall I give them to you now? There's absolutely no need for any incremental capex to get those growth figures that have been quoted here.

Noel Meehan: Around the EBITDA to cash flow generation, averages are round about at least 85%.

Q: (George Clapham of ABN-Amro) A couple of questions; probably both are for Sandy. One is the sort of customer mix; what would say the top five customers represent in terms of revenues? That is probably my main one.

[Line connection to Mr Slade interruption]

George Clapham: The first question relates to the customer intensity, I suppose, looking at maybe the top five customers—how much would they account in terms of proportion of revenues? Secondly, just looking at the industry factors, given that you are the global number one in the fragmentation of the industry, have we got an indication of the sort of size of this particular industry, and are there any opportunities to consolidate players beneath you?

Sandy Arbuthnot: In terms of customer concentration, the German coal industry, [Deutsche Stein Coal] is by far the largest single customer, which is a little over 10% of our sales. Beyond that, the next biggest customer from memory is between 2 and 3%, and there's a long list of those in the sort of 2% range. So they're highly fragmented.

In terms of the size of the market and the ability to further consolidate, we believe we have very substantial market shares in most countries in most markets. So, we've spent the last few years consolidating our market share position, and so the real gain in town going forward is to continue to grow the size of the market rather than take market share off other people.

George Clapham: Just a third question. So, in terms of say your revenue mix say regionally, Germany would clearly be the largest revenue market, is that right?

Sandy Arbuthnot: Well, it would. The German business would be, which covers the whole of Western Europe except for Poland.

George Clapham: In terms of the levers to growth, is that more driven by I suppose the mining capex cycle or just volumes?

Sandy Arbuthnot: Yeah, I mean, in a mature market, our sale for products would be roughly in proportional to mine volume, but in a developing market, it's a question of converging them to our state of the art technologies, and hence increasing the dollar sales in Minova products that are coal mined or metal ore. The key point is we're not in the volatile capital goods cycle which obviously booms in the good times and dries up very suddenly in the bad times. We're far more steady sales than that.

Ross: Okay. Again, let me say thank you to everybody for joining us, and I think we can close the call there. Greg, did you have anything else you wanted to say?

Greg Slade: No, not at all. Thank you everyone for joining us. If you have any further questions, please don't hesitate to contact myself.

Ross: Thank you.

[END OF TRANSCRIPT]