



USPP Investor Update

July 2006

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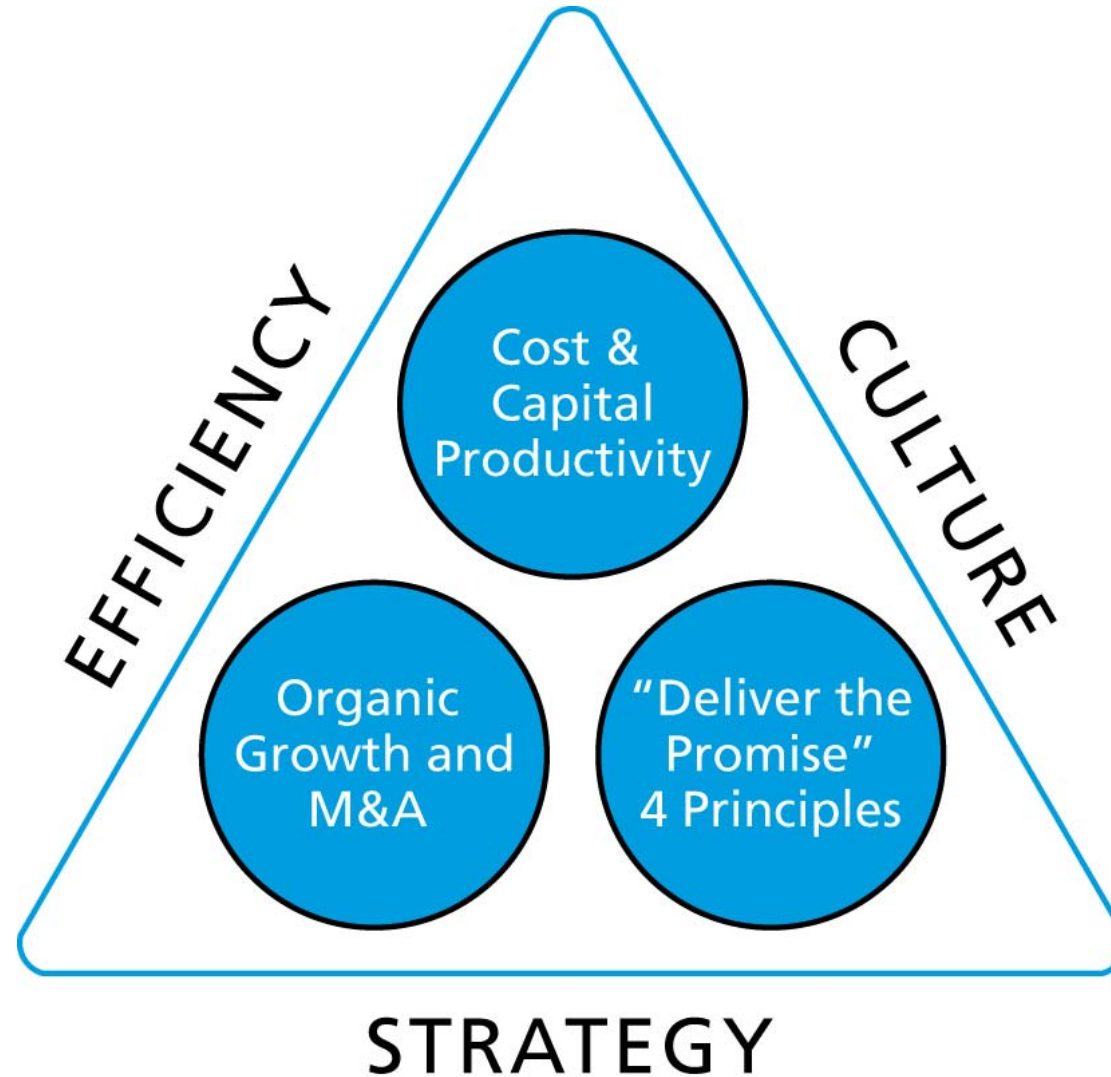


Discussion outline

- Orica Corporate Strategy
- Business Performance & Outlook
- IPL Divestment
- Balance Sheet

Orica Group strategy

Orica's strategy – value drivers





Orica's financial discipline

Financial discipline remains a major focus of the way we do business:

- Return criteria
- Pursuit of efficiencies
- Control of cash
- BBB+ target

Financial discipline remains central

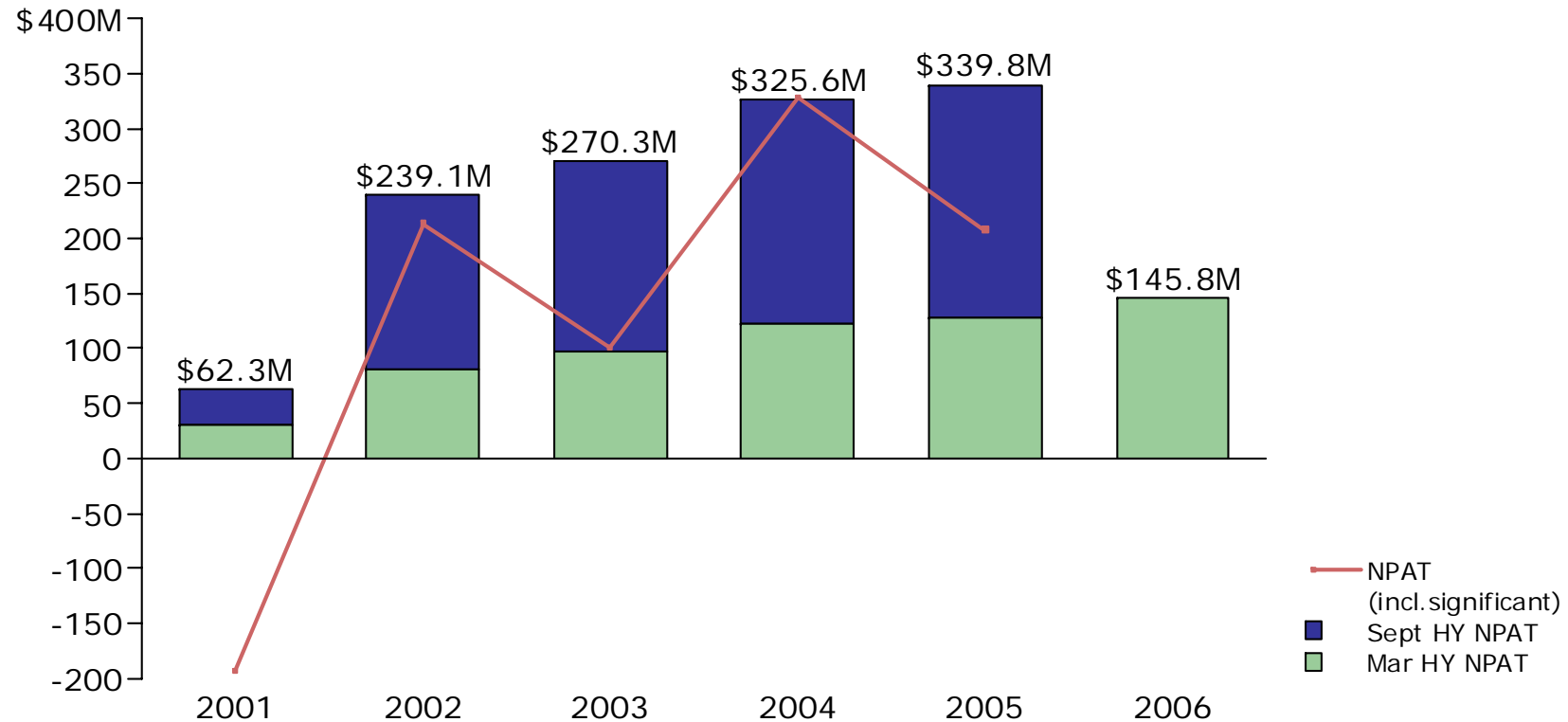
Business performance & outlook

Business performance

- Overall, solid 1H06 underlying performance:
 - Sales +9%
 - EBIT +13%
 - NPAT +14%
- Record Result in Mining Services & Chemical Services
- Consumer Products OK in challenging market
- Chemnet performance sub par – restructuring in progress
- Cash flow performance improving

**Overall, underlying business performance is
strong and improving**

Financial results – Orica Group



Continuous improvement since 2001

- pre significant items
- pre 2005 not AIFRS adjusted



Performance & outlook

Mining Services

Performance

- 1H 06 EBIT up 15% to \$151m
- Australia/Asia and North American performance particularly strong
- Input costs have stabilised

Outlook

- Strategic asset positions, including Yarwun and Kooragang Island upgrades, underpin outlook
- Good progress on contract renegotiation
- Underlying current demand and outlook strong in all regions
- North American market structure improving
- Exposed to mining volumes, not mining commodity prices
- A major focus is on integration of Dyno acquisitions

Strong performance and outlook for Mining Services



Performance & outlook

Consumer Products

Performance

- 1H06 EBIT down 3% to \$48M as markets generally remain soft
- Sales up marginally, conditions vary significantly across business segments and geographies
- Good progress on efficiencies

Outlook

- Demand for most of OCP's business hinges on consumer confidence levels
- Outlook for a slow market recovery beginning 2007

Satisfactory performance in generally soft markets and slow market recovery anticipated to begin in 2007



Chemnet

Performance

- Chemnet 1H06 EBIT down 25% to \$29M as a result of:
 - Softer volumes due to customer demand conditions
 - Integration issues with Bronson & Jacobs and Marplex
 - Higher cash fixed cost levels

Outlook

- Orica remains optimistic about ability of this business platform to meet financial criteria, but restructure is necessary to underpin future performance
- Restructuring program has commenced and should be largely completed in FY06. Expected to deliver annualised cost savings of \$20M per annum from 2007 onwards
- Continued focus on refinement and efficiency of supply chains

Restructure should restore Chemnet to satisfactory performance levels



Performance & outlook

Chemical Services

Performance

- Chemical Services 1H06 EBIT up 27% to a record first half of \$32M:
 - Underlying sales revenue up 10%, underlying profitability up 16%
 - Aluminates acquisition performing very well
- Watercare business performing well, strong world alumina caustic prices
- Mining Chemicals performing well, stronger volumes and pricing

Outlook

- Watercare and Mining Chemicals outlook strong
- Industrial Chemicals outlook mixed: Adhesives and Resins facing tougher market conditions while Specialty Chemicals outlook benefits from resources industry demand
- Miex commercialisation progress continues
- Growth via brownfields expansions (further uprate of sodium cyanide capacity approved) and potential bolt-on acquisitions (such as Aluminates).

Strong performance and outlook for Chemical Services

IPL divestment



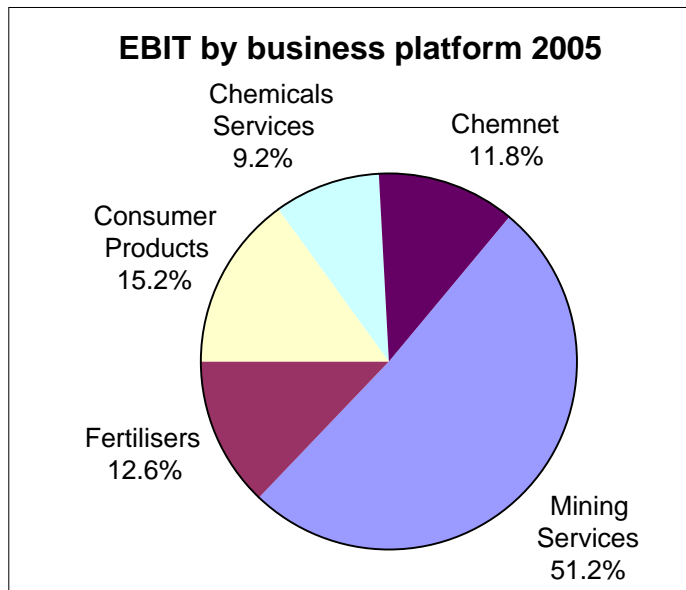
IPL divestment

- Rationale
 - less earnings volatility going forward
 - allows each entity to pursue an independent strategy
- Orica capital management
 - Capital projects relating to existing businesses
 - M&A across remaining businesses
 - Share buy-back
- Gross proceeds from sale \$857M
- After tax gain approx. \$399M
(to be booked as a significant item in FY2006 results)

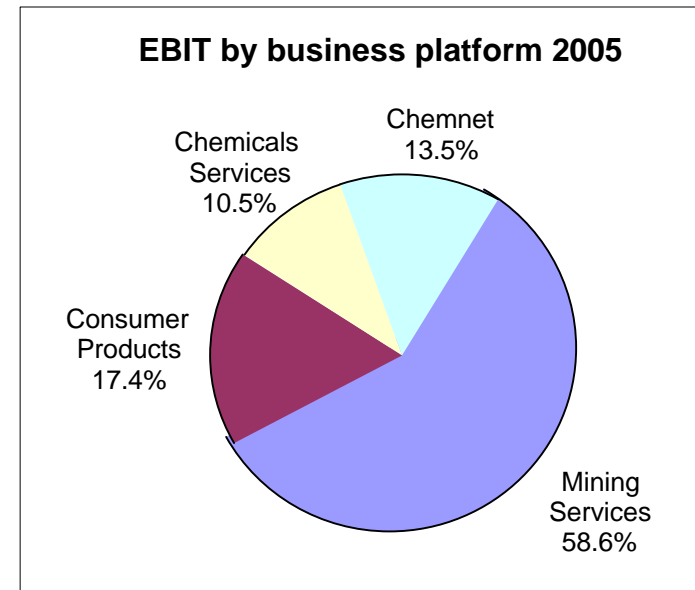
Orica's earnings will be less volatile post IPL

EBIT contribution by business platform

Including IPL



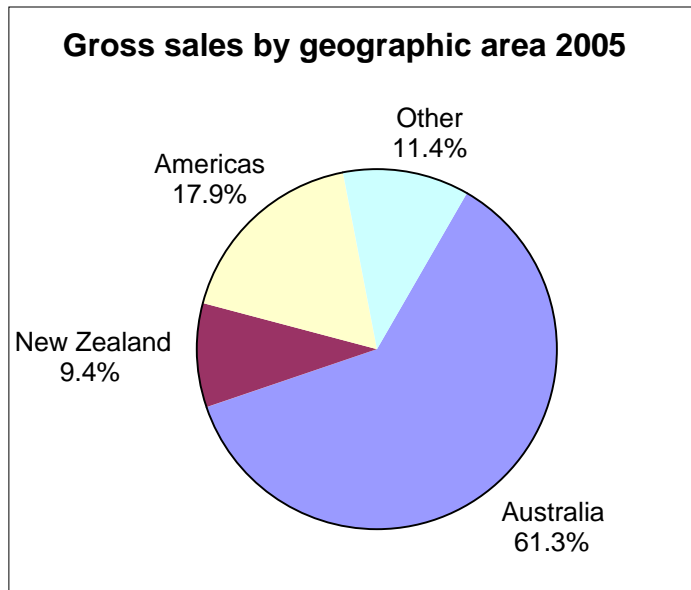
Excluding IPL



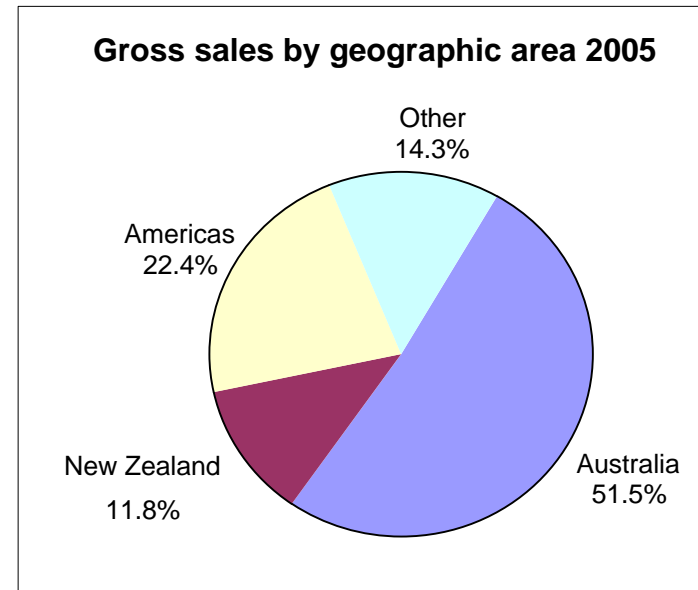
Mining Services approaches 60% of EBIT

Gross sales by geography

Including IPL

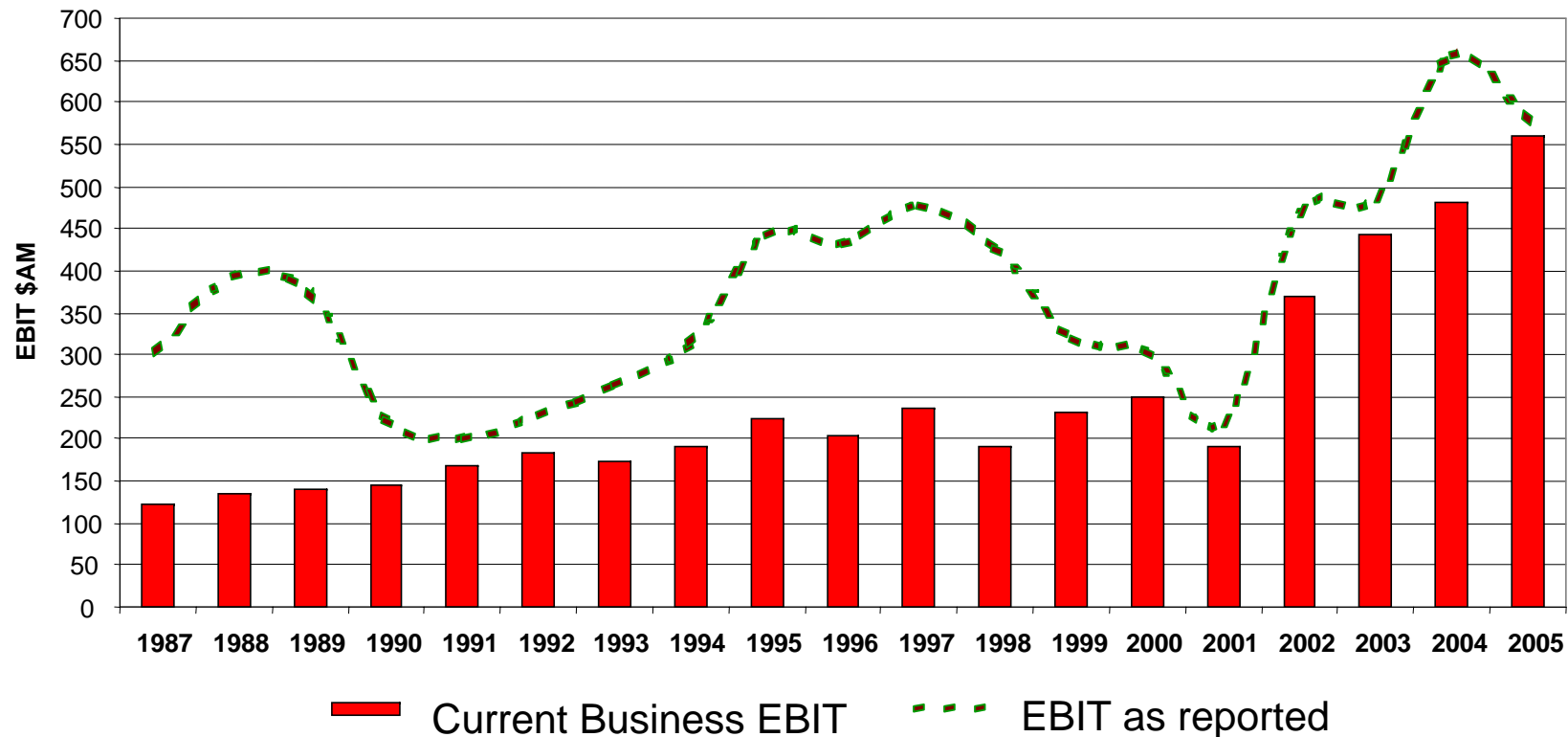


Excluding IPL



Continuing the “internationalisation” of Orica

EBIT* performance (ex. IPL)



Group earnings less cyclical going forward

* excluding corporate costs

Balance sheet

Half year ended 31 March 2006

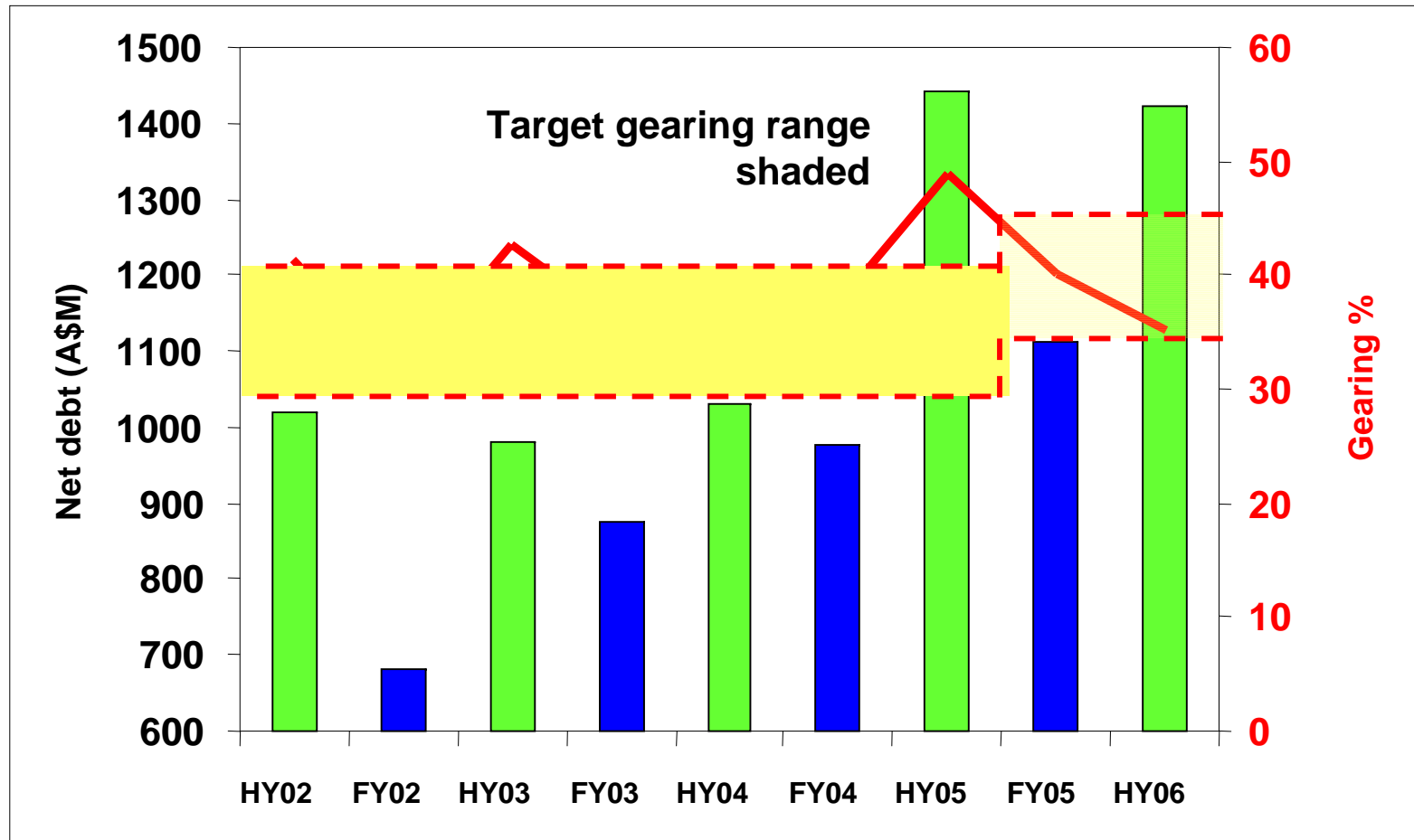


Balance sheet – pre & post IPL*

	March 2006	Sale of IPL	Proceeds	Pro-forma ex. IPL
Trade working capital	875M	(263M)		612M
Net property, plant & equipment	1,774M	(312M)		1,462M
Net other assets	1,392M	15M		1,407M
Net debt	(1,423M)	0	799M	(624M)
Net Assets	2,618M	(560M)	799M	2,857M
Orica shareholders' equity	2,431M	(399M)	799M	2,830M
Outside equity interests	187M	(161M)		27M
Equity	2,618M	(560M)		2,857M
Gearing	35.2%			17.9%

*Estimate subject to final accounting adjustments

Net debt and gearing pre-IPL sale



- Book Gearing 35.2%
- Adjusted Gearing 41.3% (hybrids notionally 50/50 debt & equity split)
- Interest cover 5.0 times

Balance sheet capacity and credit metrics

- Strong balance sheet capacity and improving free cash flow levels could accommodate further capital management and/or growth spending within target gearing range
- Interest cover 5.0 times pre IPL sale
- FFO/Debt should be restored to BBB+ levels in FY07

**Strong Balance Sheet and credit metrics
underpinning BBB+ rating**

The future

The future

- No change to strategy:
 - Market leadership
 - Earning the “right to grow”
 - Growing “close to the core”
- Continued focus on efficiency
- Commitment to financial discipline and BBB+ rating

No change to existing strategy