



Acquisition of minority interests in Welvic Australia Pty Ltd

TRANSACTION SUMMARY

- ✍ Orica to acquire 100% control of Welvic by purchasing 37.4% minority interest held by PolyOne Corporation
- ✍ Acquisition price : ~A\$3.5M
- ✍ Effective date : 1 September 2003
- ✍ Business will be fully integrated into Orica Chemnet
- ✍ Product distribution agreement also formed between Chemnet and PolyOne

WELVIC AUSTRALIA PTY LTD

HISTORY

- ✍ Welvic is Australia's largest established manufacturer of custom PVC compounds
- ✍ Number one in the market with > 50% market share
- ✍ Compounds are sold into a range of markets for use in a number of products
 - ? Wire & cable - e.g telephone connections
 - ? Building - e.g pipe fittings
 - ? Automotive - e.g mudflaps
 - ? Footwear - e.g gumboots
 - ? Hoses
 - ? Containers - e.g bottles

BUSINESS OUTLINE

- ✍ Employs ~ 65 people
- ✍ Compounding plants located within Victoria at Deer Park and Mentone

FINANCIAL DIMENSIONS (p.a)

- ✍ Sales - circa A\$40M
- ✍ Sustainable EBIT* - circa A\$2M
- ✍ Assets - circa A\$11M

* including synergies (logistics, supply chain, overhead and administration)

WHY THE ACQUISITION MAKES SENSE FOR CHEMNET

- ✍ Logical fit into Chemnet through its Polymer and additives distribution channel (building on the Qenos Engineering Plastics acquisition)
- ✍ Welvic is not involved in “heavy end” plastics manufacture. Business model adds value to commodity distribution
- ✍ Chemnet has a proven strategy of adding value to basic commodity distribution
- ✍ Welvic acquisition aligns with Chemnet “bolt on” acquisition strategy
- ✍ Will further cement Chemnet as market leader, following recent acquisition of Qenos Engineering Plastics, in engineering plastics and polymers in Australia and New Zealand

WHY THE ACQUISITION MAKES SENSE FOR ORICA

- ✍ Acquisition satisfies our strategic principles
 - ? Market leadership
 - ? growing only value adding business who have “earned the right to grow”
 - ? related growth - building on our best businesses

- ✍ Chemnet:
 - ? exceeds Orica performance measures
 - ? track record of year on year earnings growth
 - ? enhances current Polymer & Additives distribution segment

WHY THE ACQUISITION MAKES SENSE FOR ORICA

Financial

- ✍ EPS positive
- ✍ Transaction meets IRR and RONA targets
- ✍ Low risk value creation
 - ? efficiencies quickly realisable
 - ? under management control