

2008 AGM – Chairman’s Address

Ladies and Gentlemen, 2008 presented great challenges. Nevertheless, your company has continued to grow and achieve excellent results. We have delivered record profit growth across all business divisions.

You will hear about these results in some detail from Managing Director Graeme Liebelt. 2008 is the seventh consecutive year of profit growth for Orica. It is also notable as a year when we bolstered the balance sheet and operational fundamentals of the company to increase resilience to the volatility ahead.

This year’s collapse of credit markets and slump in the ASX 200 index marked one of the worst calendar years on record for Australian investors – mirroring declines around the world. In your board’s opinion the Orica share price presently does not reflect the strong fundamentals of the company.

It underestimates the long term value of our assets; the strength of our balance sheet; our growth potential; the breadth of our business portfolio and its relatively low exposure to commodity price fluctuations. In my view there are financial structural factors driving the market – not value. We remain focussed on continuing to deliver superior performance, confident that this will deliver superior shareholder value. In 2008 earnings per share increased 14 per cent over the 2007 full year – the seventh consecutive year of EPS growth.

Of course, few can be immune from the current financial turmoil and we will not be. Nevertheless, to date we have experienced no changes in the performance of the company that would cause us to alter our guidance previously provided for 2009 – we expect group net profit (before significant items) to be higher than that reported in 2008.

The market’s view of value has changed over the year, the fundamental strengths of our businesses and our strategy have not.

During the year we announced our intention to seek approval to demerge our consumer products business to allow it to become an independent company listed on the Australian Stock Exchange. This would have allowed it to pursue its own strategic path out of the shadow of our dominant mining and infrastructure related businesses. However due to the extreme share market volatility and tight credit markets, the board decided in November to defer the demerger indefinitely.

The logic behind the demerger holds true and we believe that Australian shareholders in particular would, in the right market circumstances, be better served if they held shares in each company separately. Orica Consumer Products is a superb business and that is evident again in 2008 when it achieved a record result and increased its market share in the face of subdued market conditions. If, for the time being, Orica is going to remain a diversified conglomerate I could think of no better consumer products business to have in the portfolio.

The strategic opportunity to demerge remains and can be taken up when the time is deemed right. However, for now, to be the owner of the market leader in a steady consumer business in the Australian economy is not a bad place to be.

In a related vein, at various times during the year, there was talk of some or all of the Chemicals business being sold. While we seriously consider genuine offers, as we should, these are good businesses, they are profitable, we’ve had them for a long time, we know how to run them, and we are not about to let them go without compelling reasons.

An important step during the year was the announcement and successful completion of the \$900 million capital raising.

The appetite for capital in our mining services and chemicals businesses has been immense in recent years as they have undergone a period of very rapid growth. We were, until the capital raising, just outside our desired gearing range. We had the foresight to go to the market early with a view to ‘shoring up’ our balance sheet and providing the company with flexibility to continue to pursue a

number of important capital investments. We now have a very strong balance sheet, underutilised borrowing capacity and conservative gearing.

We continue to require our businesses to compete for funds based on strict financial criteria and we are well positioned to fund prudent growth opportunities.

It has been a very active past few years for Orica in terms of acquisitive growth and 2008 has been the year of consolidation where we have largely completed the integration of the Minova, Excel and Strata Control businesses.

After that ambitious acquisition programme we see value in the medium term coming from organic growth within already established market leading businesses; taking advantage of some quite privileged asset positions.

Orica is the largest global commercial explosives company in a world with an expected tightening ammonium nitrate market in the medium term.

Anticipating future needs, Orica Mining Services has three significant projects in the pipeline. We are well advanced with the development of our ammonium nitrate plant at Bontang in Indonesia. Indonesia is a significant market for us where demand is already in excess of the new plant's capacity. We are well into the planning stage for a major expansion of our Kooragang Island ammonium nitrate plant here in Australia which will be important in meeting demand both domestically and offshore.

Finally we are progressing well with the feasibility for establishing an ammonium nitrate plant in Latin America. The timing of these last two will depend upon market circumstances.

We have seen ammonium nitrate prices rising as a result this looming shortage and need for new capacity. Any new plant will have levels of capital cost that are reflective of the environment at the time and price levels will need to be equally reflective. We're prepared to invest but it needs to be commercial.

We do not rule out taking up appropriate acquisitive growth opportunities were they to arise, but for now we are focussed on organic growth and improving cash generation from our existing businesses. Our mining chemicals business achieved a record result in 2008 and, looking ahead, we see growth opportunity in the further optimisation of our Yarwun sodium cyanide plant in Queensland.

We see opportunity as well as performance in all of our businesses. Frankly, I am surprised that there are still one or two commentators who, even with the benefit of hindsight, seem to believe that Orica should have been sold to private equity when share market prices were higher and inexpensive debt plentiful: and that somehow an opportunity was missed. Ladies and Gentlemen, let me assure you firstly that there was no proper bid for this company. There was a conditional expression of interest which, inter alia, involved saddling the company with substantial debt. And we seriously assessed it, as we should, in terms of the market at that time and more importantly in terms of what we saw – and still see – as the long term value of what are unique assets. We stand by the decision we made. The value of Orica is still there. You could wish the share markets didn't move as they do – but they move regardless.

Our job is to take care of the underlying fundamentals of the business to ensure that its value is sustained through market fluctuations. That is what we have done, and you still have your company.

Integral to our success is the calibre of our people. There are approximately 14,000 people spread across more than 50 countries, speaking a multitude of different languages, yet united by a shared understanding of how we achieve success here at Orica.

Importantly, they each understand that in delivering great results we ensure that we care for ourselves, the people we work with and the communities in which we operate.

This extends to our environmental management. We have been manufacturing for more than 100 years and we know we continue to leave a heavy, although progressively reduced, footprint on the environment. Reporting our emissions to the Government is not an issue for us. We have been measuring and reporting such data for a number of years.

We will continue to do so at the same time as continually exploring ways to reduce our energy use and our emissions. We support the intentions of the Government's proposed carbon reduction regime.

However, we need to ensure that it is realistic and takes account of the global markets in which Orica and its peers compete. We are working with the government and industry to try to ensure a regime that is progressive without being self defeating.

We are a large employer and make a significant contribution to the economic and social well being of a broad range of communities. Many of these are relatively disadvantaged.

In addition to the support we provide as a company to organisations such as Habitat for Humanity and Landcare, I am proud that many of our sites all around the world, of their own initiative, provide much needed support to their local communities.

Our employees feel empowered to seek the support of site management and colleagues in making what is – in the scheme of things – a modest financial commitment that can make a great deal of difference to the lives of those communities in which we operate.

Whether it be entering Orica teams in running marathons to raise funds for cancer research, donating equipment to local schools, or helping to support local orphanages it says a great deal about the culture fostered by Graeme Liebelt and his team.

It's a culture that your board wholeheartedly supports and encourages.

Ladies and gentlemen, these are indeed remarkable times. Over the past three years we have seen the share market climb to all time highs to have it presently sitting at about 50 per cent of that.

Throughout that time we have remained focussed on our strategies of consolidating and maintaining our position in markets where we can be market leaders and which offer long term, consistent growth: and of performing to the highest financial standards. It is that perspective that will steer us through the unpredictable times ahead.

In closing I would like to thank Orica employees around the world for their contribution to another successful year, and you as shareholders for your continued support.

To tell you more about what has driven that success, I'll now hand over to Managing Director Graeme Liebelt.

30 January 2009

• Contacts:

- Anita Stevenson, Investor Relations Manager, Ph: +61 3 9665 7844 Mob: 0416 211 498

- Lisa Walters, Communications Manager, Ph: +61 3 9665 7538 Mob: 0421 585 750

-

• Web site: www.orica.com