

2008 AGM – Managing Director’s Speech

Thank you Don. Good morning ladies and gentlemen.

I’m pleased to be here today reporting another year of excellent results across the Orica businesses, despite challenging market conditions around the world. Indeed, business and economic conditions today are the most challenging I have seen in over thirty years of business life.

And we expect these conditions to continue for the remainder of this financial year. I am pleased to report though, that given the circumstances, our businesses are performing well, and we see no reason to change our expectation of continued profit growth in 2009. I’ll provide a little more detail about that shortly, but first a recap of what we achieved in 2008.

Our global team of more than 14,000 employees has delivered a seventh year of underlying profit growth, and a strong overall performance.

Underlying net profit after tax and before significant items increased to \$572 million, a 15 per cent increase on 2007.

Sales revenue increased 18 per cent to \$6.5 billion.

And earnings before interest and tax (EBIT) increased 19 per cent.

All of this was achieved in the face of unfavourable foreign exchange movements and rising input costs. The achievement of double digit growth across all of our business platforms highlighted the strength in Orica’s underlying earnings.

Orica Mining Services contributed a record \$636 million in earnings before interest and tax, an 11 per cent increase on last year. Most pleasing was the earnings growth across most regions from increased volumes. The business benefited from increased ammonium nitrate prices, and from the successful integration of the former Dyno Nobel businesses, which saw \$92 million in synergies delivered against a target of \$90 million, and 12 months ahead of schedule.

This successful integration model is now being used to consolidate the Minova businesses, including Excel Mining Systems and other smaller bolt-on acquisitions. The program is progressing well and is on track to deliver the expected synergy benefits. Minova earnings increased to \$150 million in 2008. This was a result of the acquisition of Excel, underlying business growth and an additional three months’ contribution from the base Minova business.

During the year we merged the former Chemnet and Chemical Services business units into one combined Orica Chemicals platform. The complementary nature of the two businesses has allowed us to realise cost savings, reduce duplication and improve customer service.

The restructure of operational and functional areas has been largely completed and the combined business delivered EBIT growth of 15%. The Mining Chemicals part of the business achieved a record result in firm market conditions and we saw improving volumes in Watercare and in Chemnet’s bulk chemicals business.

Parts of the business were adversely affected by a slowdown in Australian and New Zealand manufacturing which has continued into 2009, particularly in the automotive sector.

The Orica Consumer Products business delivered another record performance with EBIT of \$123 million, an increase of 21 per cent on 2007. Most pleasingly, the business continued to increase its market share across all segments, and to realise the benefits of a strong focus on branding,

innovation and customer service. These achievements were despite continued decline in the market in New Zealand.

Orica's cash flow in 2008 was up 41 per cent as a result of business profit growth and very good discipline in managing working capital.

So overall, a very good year in what were increasingly difficult market conditions.

The fall-out from the de-leveraging occurring in financial markets and the global economic slow-down continues of course. We continue to read of production cut-backs, delays to expansion plans, lay-offs and the like. So, I would like to give you a perspective on how this is affecting our business so far.

In the first quarter of our financial year, profit is ahead of last year and broadly in line with plan.

Overall, the mining part of our business is holding up very well. This applies to explosives, chemicals and, in volume terms, to Minova. You might wonder how this can be true when we seem to read so much about announced cut-backs – well the reality is that some of the cutbacks are announcements against plans for 2009, which themselves were often for significant growth. So one needs to be a bit cautious in interpreting some of the headlines. To illustrate this point, in the first quarter of our financial year ammonium nitrate volumes continued to show growth on the prior year.

There is no doubt that there will be further cut-backs announced, and declines are expected in certain commodity groups, but we have always said that the business should be relatively resilient in the face of a mining sector down-turn, and that proposition is about to be put to a very stern test.

Our consumer related businesses, taken as a whole are also performing well, and are ahead of last year.

There are some soft patches in our businesses however. The Quarry and Construction sector globally is seeing a very severe down turn at this time. In Europe and North America we are seeing declines of up to 30 per cent. We also see declines in some manufacturing sectors in Australia and New Zealand, which will affect our chemicals business, and the powder coatings unit which is part of the consumer products business. Minova is suffering significant margin compression in the US as a result of under-recovery of steel input prices.

So, how are we reacting to all of this? Across the business as a whole we are keeping tight control on costs and cash. Working capital is a major focus, and some capital projects which we might otherwise have sanctioned this year, will be delayed.

In those specific sectors which are seeing deep downturns we have some fairly aggressive cost reduction programs in place. For example, in Europe and North America we have significant restructuring programs underway in Mining Services.

This is a time when it is more than usually difficult to predict market growth or decline. Hence we are managing the business cautiously and staying prepared to move quickly where we need to.

And several factors are working in our favour. The decline of the Australian dollar helps translated earnings; strip ratios continue to increase and provide a natural impetus to growth in our explosives business; input costs are falling and we will see the benefit of that in our earnings, starting in the current quarter; the consumer products business continues to grow market share; and mining chemicals continues to see firm pricing and demand in its markets. Later this year, the infrastructure related businesses should see some benefit from the many stimulus packages being implemented by governments around the world in response to the economic downturn.

For a decade now we have been shaping the business portfolio to capitalise on the long term growth in mining and infrastructure volumes, and away from highly cyclical businesses. We have deliberately pursued market leadership positions in sectors which we believe offer sustainable long term earnings growth. We only invest in those businesses that have earned the right to grow through meeting strict financial criteria. As Don mentioned, this year has been one of consolidation after an active acquisitive growth period. But we do see plenty of organic growth opportunities ahead.

In the Mining Services business, a new Electronic Blasting Systems plant has been successfully commissioned in Canada, and we expect to see earnings growth coming from the continued penetration of electronic detonators, and from our Blast Based Services technology. A new non-electric detonator plant is expected to come online in Nanling, China in 2010. Once completed it will be one of Orica's largest initiating systems plants. During the year Orica Mining Services signed a joint venture with Southwest Energy, substantially strengthening our position in the south-west of the USA. We recently purchased most of the balance of our joint venture in Peru, and there have been other smaller acquisitions in Mining Services.

In the ammonium nitrate market, the construction of the new plant in Bontang Indonesia continues to progress well, as does our business in Indonesia generally. Further ammonium nitrate investments will continue to be assessed as we get greater clarity on the development of future demand.

The Minova business has also made a number of small acquisitions and has established a global leading position in both chemical and steel strata control products. This puts it in an excellent position for long term growth in underground mining and tunnelling globally – a position unmatched by any competitor. It will exploit ongoing trends to more underground mining, and towards safe practice in these sectors.

The Orica Consumer Products business has concentrated on consolidating its market leading position in Australia and New Zealand, but did make further steps into China during the year, with the acquisition in November 2008 of Sopel, a decorative coatings business located in Shanghai. Whilst it will continue to pursue small expansions of this nature, the business will largely be focussed on growing its core business, and driving further market share in premium segments.

The newly combined Chemicals business will continue to benefit from expanded capacity at its Yarwun sodium cyanide plant and should see reasonably strong conditions in mining markets. The Watercare business will pursue further growth in its MIEX advanced water treatment business in the USA, Europe and China.

Central to our ongoing success is the calibre and commitment of our employees around the world. I have been very impressed with the way our people have responded to the recent challenges, and I believe it reflects the strong performance focus we have built around the 'Deliver the Promise' culture.

Part of this high performance culture is a strong commitment to health and safety. There were no fatalities recorded during the 2008 reporting year, but I am saddened to report that later in 2008, there were four workplace deaths of valued colleagues – each in independent incidents and at different locations around the world. Of course this is unacceptable, and we continue to work towards the only acceptable goal, which is 'no injuries to anyone ever'.

We are also very aware that we have a relatively significant impact on the environment. Many of our businesses are energy and resource intensive and our aim is to become a business that does no harm to people or the environment. We monitor greenhouse gas emissions, water use, waste production and energy use. I'm pleased to say that we have met our improvement targets in each of these areas in 2008.

In addition to ensuring we do no harm, we are also very conscious of our obligation to address the

damage done as a result of past – and long ceased – manufacturing practices. Site remediation at Botany is the most notable of these, and the groundwater treatment plant there continues to operate at a level well in excess of that required to contain the contaminated plume. Pleasingly, it is providing recycled water to our own plant at Botany and some neighbouring operations.

We continue to pursue options to export the store of hexachlorobenzene from Botany to specialised destruction facilities in Europe. Even though this has taken longer than anticipated, we remain confident of a satisfactory resolution.

Ladies and gentlemen, as we look into the balance of 2009, Orica is in a strong position.

With the successful completion of the capital raising we have a strong balance sheet. This combined with our adherence to strict financial discipline provides us with security and the ability to finance important growth opportunities. We have reduced the volatility of our portfolio through less exposure to commodity prices. We have global leadership positions in strong mining and infrastructure markets, and domestic leadership positions in chemicals and consumer products.

And perhaps the most important element working in our favour is a highly professional workforce, rewarded for performance and motivated by success. They are provided with the environment to progress and develop, and we pay close attention to succession planning. During the year, there were several changes within the Group Executive team. The newly formed Chemicals business is now led by Greg Witcombe, following the retirements from the Company of Broniek Karcz and Andrew Coleman. John Beevers, formerly head of our Australian and Asian Mining Services business, has been appointed CEO of Orica Mining Services worldwide, following the decision of Philippe Etienne to step down from this position due to ill health.

Of course the talent of our people is evident at all levels of our business, and I thank the entire Orica team, along with my colleagues on the board, for their support and for their contribution to another record result in 2008.

We are confident that our strategy, combined with financial discipline - and a global team with the confidence and ability to deliver on both - has Orica on the way to an eighth year of underlying profit growth.

Thank you.

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