

Orica to demerge DuluxGroup

Orica today announced that it intends to proceed with its demerger of DuluxGroup to create a stand alone, ASX-listed company. Orica expects the demerger to occur in July 2010, subject to shareholder and court approvals.

“The quality of both DuluxGroup and the core Orica business is evident in Orica’s financial performance and it would be a natural evolution of Orica’s strategy to create two even better companies, each free to capitalise on its strategic strengths: Orica largely as a global leader in mining consumables and services leveraged to mining production volumes; and DuluxGroup as the Australasian market leader in premium branded coatings, home improvement and garden care products,” Orica Chairman Peter Duncan said.

“Equity and debt market conditions have substantially improved in recent months and we believe the time is now right for DuluxGroup to pursue its strategy independent of Orica. DuluxGroup has been an outstanding business within the Orica portfolio and we believe it will be an even better business with the strategic freedom offered by a demerger.

“DuluxGroup has improved earnings, through some reasonably tough market conditions, demonstrating its resilience through the economic cycle.

“Its market leadership is driven by core strengths of: excellent customer relationships; leading distribution channels; technical leadership through continued investment in research and new product development; and a very experienced management team. It has consistently demonstrated highly disciplined management of costs, cash and margins.

“These factors provide an excellent base from which to launch DuluxGroup as a stand alone company. Supporting the company with a dedicated board and tailored capital structure is the next logical step to maximise the shareholder value in DuluxGroup,” said Mr Duncan.

DuluxGroup’s market-leading brands include Dulux, Cabot’s, Selleys and Yates.

The demerger of DuluxGroup recognises the fundamentally different market segments, strategy and geographic focus of Orica and DuluxGroup. The Orica Board believes the demerger will enhance value for Orica shareholders over time by assisting each of Orica and DuluxGroup to:

- better focus on its business strategy, growth objectives and core competencies, supported by a dedicated board and management team;
- adopt a tailored capital structure and dividend policy appropriate to its financial profile and business objectives; and
- better attract shareholders with a specific industry focus.

If the demerger proceeds the Board of DuluxGroup will initially comprise:

- Peter Kirby, Chairman. Mr Kirby is currently a director of Orica and will retire from the Orica board at the time of the demerger;
- Garry Hounsell, Non-Executive Director. Mr Hounsell is currently a director of Orica and will remain on the Orica board;
- Patrick Houlihan, Managing Director and Chief Executive Officer. Mr Houlihan is currently the Chief Executive Officer of DuluxGroup; and

DuluxGroup intends to appoint at least two additional non-executive directors following demerger. Upon the appointment of the first of the additional non-executive directors, DuluxGroup intends to appoint current DuluxGroup CFO Stuart Boxer as an executive director.

Orica is expected to remain in the S&P/ASX 50 and DuluxGroup is expected to be eligible for inclusion in the S&P/ASX 200 following its listing on ASX.

Demerger structure & indicative timing

Orica intends to effect the demerger of DuluxGroup through a scheme of arrangement, in which Orica shareholders would receive one DuluxGroup share for every Orica share held and retain their Orica shares.

Further details of the demerger will be contained in the Scheme Booklet expected to be sent to shareholders in June 2010, with a shareholder meeting to consider the demerger (subject to court approval) planned for early July 2010.

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