



SALE OF IPL
STAKE BY ORICA

ASX
Announcement

10 MAY 2006

RATIONALE FOR THE SALE

- Creating value for Orica shareholders.
- Due to seasonal variations in rainfall, the cyclical nature of international urea prices, and foreign exchange movements IPL's earnings can be volatile.
- Makes strategic sense for both Orica and IPL.
- IPL can play a broader role in the agricultural sector while Orica has alternative uses for its capital that will consistently meet its RONA criteria:
 - Capital projects relating to existing businesses;
and
 - M & A opportunities across the remaining business platforms.

ESTIMATED PROFIT ON SALE*

	A\$ millions	
Gross Proceeds – 1 st Tranche	692	
Gross Proceeds – 2 nd Tranche	<u>165</u>	857
Carrying Value 30/4/06		(400)
Estimated Transaction Costs & Related Provisions		(41)
Estimated Tax		(17)
Estimated After Tax Profit on Sale ¹		<u><u>399</u></u>

¹ Recognised as an individually significant item in the 2006 financial year.

*Assuming IPL buy-back is completed.

OTHER FINANCIAL IMPACTS

- IPL's 22 cents fully franked interim dividend will accrue to Orica for the total 70% stake.
- Orica will own only 13.5% from 10 May until the second tranche of sale (buyback) is complete. Therefore, IPL's second half earnings will only accrue to Orica from April 1 to 10 May.
- Gearing will reduce immediately by approximately 18 percentage points and will be around 20%.

OTHER FINANCIAL IMPACTS (continued)

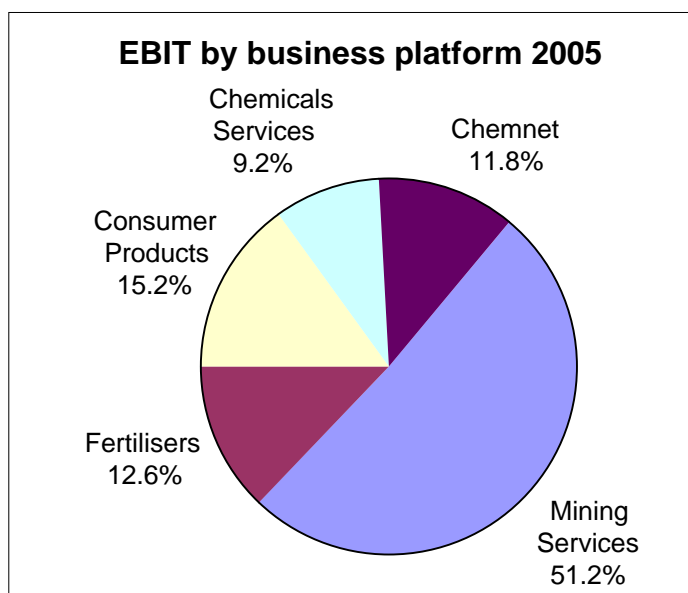
Impact on Franking of Orica Dividends:

- IPL contributed 16.85 cents and 9.27 cents to franking of Orica's 2004 and 2005 dividends respectively.
- The loss of IPL's franked dividends will negatively impact Orica's ability to pay franked dividends.
- Orica currently estimates that the franking of total dividends in 2006 dividends will be at a rate of around 30%.

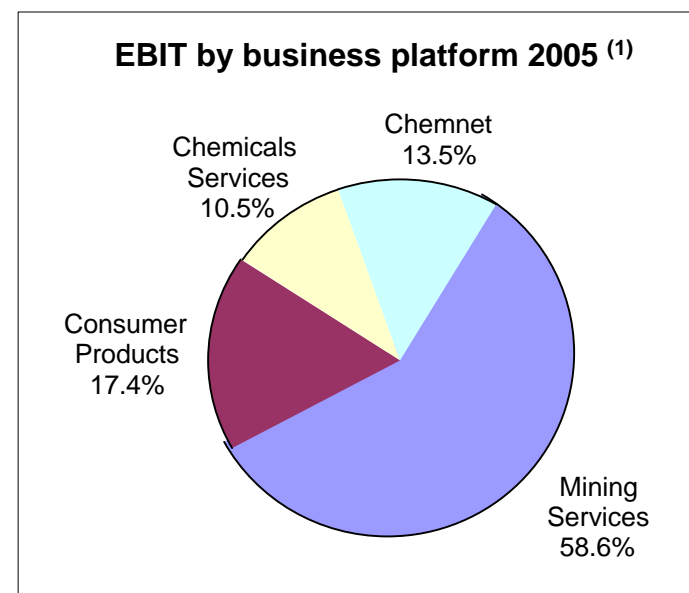
Franking capacity reduced for the foreseeable future

EARNINGS CONTRIBUTIONS OF BUSINESS PLATFORMS

Including IPL



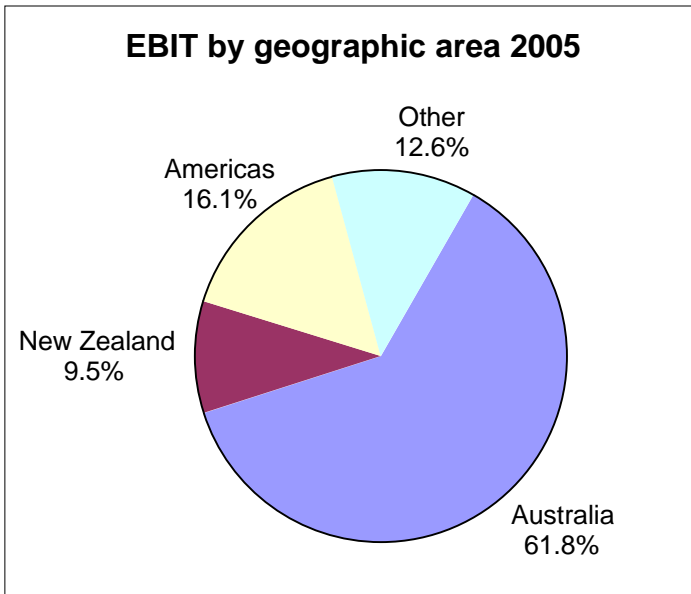
Excluding IPL



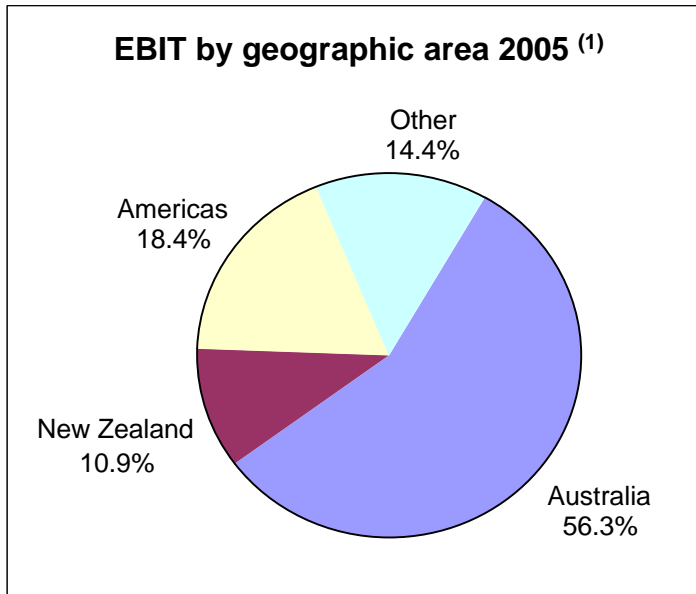
⁽ⁱ⁾ Excluding Fertilisers

EARNINGS CONTRIBUTION BY GEOGRAPHY

Including IPL



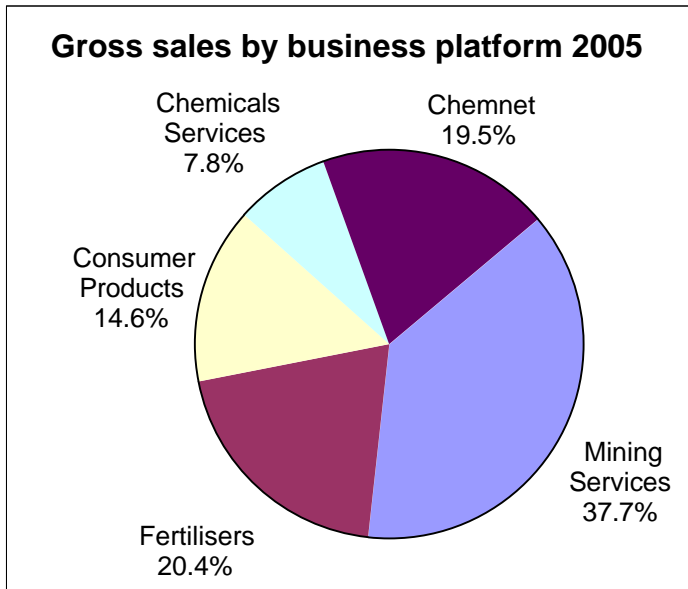
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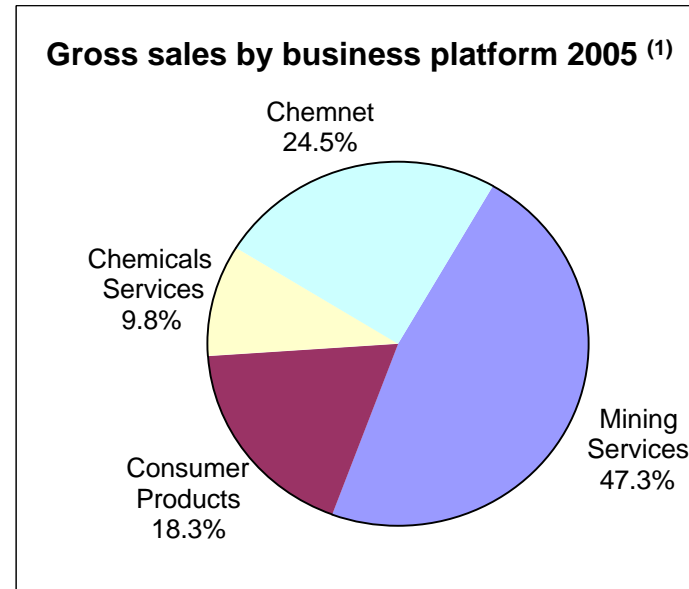
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GROSS SALES BY BUSINESS PLATFORMS

Including IPL



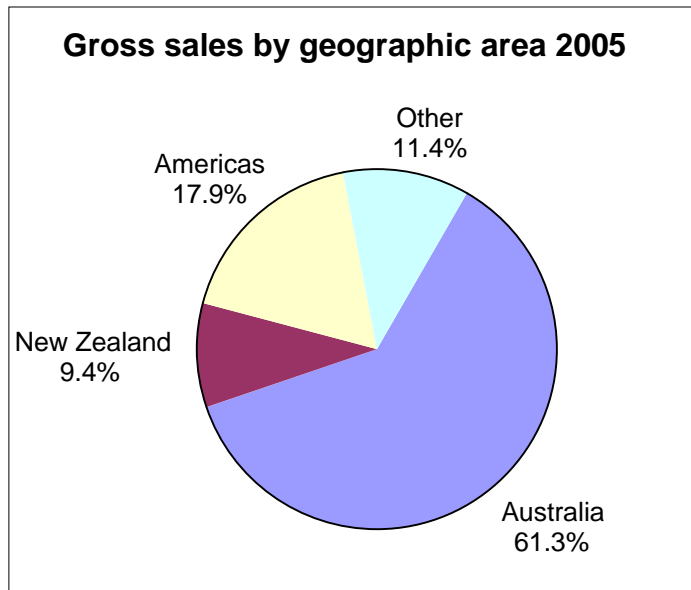
Excluding IPL



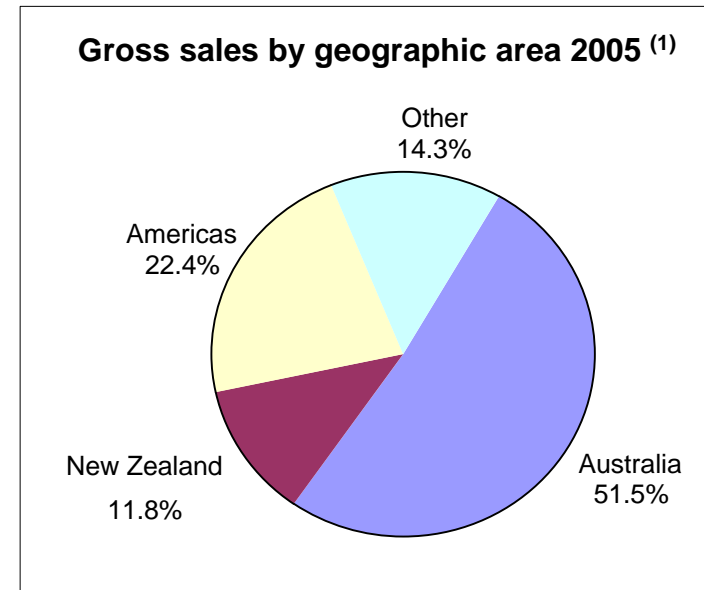
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GROSS SALES BY GEOGRAPHY

Including IPL



Excluding IPL



⁽ⁱ⁾ Excluding Fertilisers

USE OF FUNDS

Orica will use the funds generated by the sale of its IPL stake to:

- Reduce short term debt by up to \$400 million (short term excess cash will be held on deposit).
- Fund growth opportunities that meet Orica's 18% return On Net Assets criteria, including:
 - brownfields or greenfields capital expansion; and
 - related M & A.
- Excess capital will be returned to shareholders in the most efficient manner available.

“Continued Active Capital Management”