

ASX Announcement

ORICA TO GROW MINING SERVICES THROUGH MAJOR STRATEGIC ACQUISITION

Orica Limited (“Orica”) has announced today that it has signed an agreement with a Macquarie led consortium (“Macquarie consortium”) to acquire substantially all of the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel for approximately US\$685 million (A\$900 million). The acquisition follows the Macquarie consortium’s acquisition of 100% of Dyno Nobel from Industri Kapital, announced earlier today.

Commenting on the acquisition, Orica Managing Director and CEO, Graeme Liebelt said:

“The opportunity to acquire the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel is the single most significant strategic opportunity to grow Orica at this time. The acquisition of the Dyno Nobel businesses in these regions complements our global footprint and extends our access into growing regions.”

“The acquisition represents an attractive and exciting opportunity for Orica. Mining Services is a business that we know well, and the businesses of Dyno Nobel that Orica is acquiring are highly complementary to our existing operations, both in terms of their geographical presence and their technical capabilities, providing the combined group with many new growth opportunities.”

The acquisition is strategically compelling for Orica

The acquisition:

- ◆ Represents an outstanding and unique strategic fit for Orica’s Mining Services Group
- ◆ Provides extended access to new and complementary regions
- ◆ Represents a transforming acquisition for Orica Mining Services
- ◆ Provides further geographical and customer diversification for Orica Mining Services
- ◆ Is expected to result in annual cost savings of approximately A\$90 million within three years of acquisition
- ◆ Provides scale benefits for research and development activities and sales and marketing capabilities
- ◆ Provides increased capability to service global customers
- ◆ Is expected to deliver significant value to Orica shareholders

Financial impact

The acquisition is expected to deliver value to Orica’s shareholders.

- ◆ 18% RONA in the third full year of ownership (FY2009)
- ◆ EPS accretive (before significant items) in the first full year (FY2007)

Cost savings totalling approximately A\$90 million per year are expected to be achieved progressively over a three year period, principally in the second and third years following the acquisition. These relate predominantly to plant optimisation and rationalisation, elimination of duplicate administration and improved logistics.

Orica estimates total implementation costs to achieve these savings of A\$150 million. Approximately 80% of the implementation costs are expected to be incurred within the first 24 months of ownership.

Orica's purchase price of US\$685 million (A\$900 million) represents a multiple of approximately 11.1 times actual FY05 EBITDA¹ and 5.3 times pro forma EBITDA (before significant items) for the same period after allowing for the full amount of potential cost savings referred to above. However, it is noted that actual EBITDA in the first two years following the acquisition is expected to be lower than pro forma EBITDA as a result of implementation costs and the phasing in of expected cost savings.

Transaction structure and timing

Earlier today the Macquarie consortium announced that it had entered into an agreement to acquire the whole of Dyno Nobel from Industri Kapital (a European private equity firm) for approximately US\$1.7 billion (A\$2.2 billion).

The Macquarie consortium's acquisition is subject to regulatory approvals and is currently expected to complete in late November 2005.

Orica and the Macquarie consortium have signed a separate agreement, whereby Orica will subsequently acquire the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel from the Macquarie consortium (excluding Dyno Nobel's initiating systems plant in Mexico and its DetNet joint venture interests).

Under the agreement, once the Macquarie consortium has completed its acquisition of Dyno Nobel, Orica will progressively acquire businesses from the consortium on a country by country basis as regulatory approvals are obtained. Orica expects that a number of Dyno Nobel businesses that are to be acquired by Orica will be transferred within two months of completion by the Macquarie consortium, with the balance completed within six months. Orica has received extensive legal advice in relation to the regulatory approvals that are required in each jurisdiction, and is confident that such approvals will be obtained.

In the period following completion of the Macquarie consortium's acquisition of 100% of Dyno Nobel but prior to Orica's ownership of the individual businesses, these businesses will be managed and operated by the Macquarie consortium. An integration team comprising senior representatives of Orica has been established and a detailed separation plan developed to enable Orica to progressively take control of the businesses once they have been transferred to Orica ownership.

Funding

Orica's funding requirement is expected to total A\$967 million which will be funded through a combination of equity, the issue of a hybrid security and drawdown of existing debt facilities.

The issue of new ordinary shares will be conducted by way of a pro-rata entitlement issue to existing shareholders, pursuant to which Orica has signed an underwriting agreement to raise A\$450 million. The terms of the issue are expected to be announced on 21 November 2005, concurrent with Orica's FY05 results.

The issue of hybrid securities is expected to raise approximately A\$400 million. The terms of the hybrid issue will be announced after 21 November 2005 with an expected launch date of late January 2006. Joint lead managers have been appointed to conduct the hybrid issue.

This funding package has been designed to support Orica's BBB+ credit rating.

1. Twelve months ended June 2005, excluding transaction costs

Conclusion

Mr Liebelt summed up as follows. "This acquisition is a unique and outstanding opportunity for Orica. It is highly complementary to our existing businesses, creates new opportunities for growth, diversifies our earnings base and delivers enhanced shareholder value".

Orica is being advised by UBS and Freehills.

19 September 2005

Contact

Frank Micallef, General Manager Treasury & Investor Relations

Ph: +61 3 9665 7844

Mobile: 0409 961 569

Stewart Murrhly, Corporate Affairs Manager

Ph: +61 3 9665 7538

Mobile: 0412 675 510

Email: stewart.murrhly@orica.com

Web site: www.orica.com

Information about Dyno Nobel

Dyno Nobel is a global explosives company that develops, produces and sells bulk and packaged explosives, ammonium nitrate, initiation systems, accessories and blasting services.

- ◆ Packaged explosives include dynamite and emulsions
- ◆ Bulk explosives include various emulsion based products, ammonium nitrate and ANFO

Dyno Nobel produces several types of electric, non-electric and electronic initiation systems, detonating cord, and other accessories. Product and service offerings are broadly consistent with those offered by Orica Mining Services.

Orica is acquiring the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel, excluding a Mexican initiating systems plant and a 50% interest in Dyno Nobel's DetNet joint venture. In regions being acquired by Orica, Dyno Nobel has sales into 50 countries, operations in 31 countries and employs approximately 2,500 people.

Information about Orica

Orica is listed on the ASX and has a market capitalization of approximately \$5.7 billion. It employs in excess of 11,000 people in over 40 countries, and continues to expand its operations across the globe through geographic and brownfield expansion, mergers and acquisitions, as well as category expansion and organic growth.

Orica provides products and services to the mining, agricultural, manufacturing and construction and consumer markets throughout Australia and New Zealand, North America, United Kingdom, Latin America and Asia.

Orica's business is in four business areas, which include:

- ◆ Mining services;
- ◆ Fertilisers;
- ◆ Chemicals; and
- ◆ Consumer Products

Mining Services is Orica's largest business, offering a range of blasting products, services and technology to the mining, quarrying and construction industries. The business is run globally with its largest presence in Australia and North America.

Orica owns 70% of Incitec Pivot Limited, Australia's leading and largest manufacturer and distributor of essential plant nutrients serving agricultural markets across Eastern and Southern Australia.

Orica Chemicals manufactures, imports and sells a vast range of chemical products and services to markets that include food, beverage, water treatment, dairy, pharmaceutical, wood panel, plastics, refrigeration, mining, automotive, footwear, wire and cable and appliances. The business is based in Australia and has operations in New Zealand, China, Hong Kong, Fiji, Indonesia, Thailand, Malaysia, Singapore, United States, the United Kingdom and Peru.

Orica Consumer Products manufactures and markets icon brands including Dulux, Berger, British Paints, Levene, Cabot's, Feast Watson, Intergrain, Acratex, Selleys, Rota Cota, Poly, Turtle Wax, Yates, Thrive, Zero and Dynamic Lifter in Australia and New Zealand. An extensive range of powder coatings is manufactured and marketed in Australia, New Zealand and the Asia-Pacific region.