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Lodgement of Open Briefing.**



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Title: Open Briefing. Orica Limited. MD on Indian Acquisition

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Orica Limited yesterday announced that it will acquire the 51 percent interest in Indian Explosives (IEL) of its joint-venture partner ICI India for \$23 million. It will also acquire the 30 percent minority holding in Indian Explosives' 70-percent owned Initiating systems India (IES) for \$7 million. ICI India had a put option relating to its IEL holding, which at the time of the joint venture's establishment in June 1999 was expected to cost Orica a total of \$55 million. How do you explain the reduced total cost to Orica of acquiring both these interests?

MD & CEO Malcolm Broomhead

Firstly, this has always been an attractive business, with a good set of customers, and in one of the largest coal markets in the world. We would have purchased these businesses at the time of the original ICI international explosives deal, but they were caught up in the ICI India structure at the time. The reduced cost reflects a number of factors, including commercial negotiations and the change in the exchange rate, which have enabled us to acquire the businesses at a price that meets our strict financial criteria.

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What's the rationale behind these acquisitions?

MD & CEO Malcolm Broomhead

They're a natural fit for Orica, subject of course to approval by the Indian regulatory authorities. The businesses are number one in explosives and initiating systems in India. They add to our international mining services' strategic objective of developing a global platform. India is a strong link in our international service package. In particular, it's a base for the wider region.

The acquisitions are in line with a number of recent deals that reflect our low risk, value adding growth strategy, starting off with Chemnet's acquisition of Fernz, and going through to Incitec Industrial Chemicals, Qenos Engineering Plastics and Welvic Australia. The Indian acquisitions meet our growth criteria – to be number one in our chosen markets, and to grow our best businesses – and in that regard we've been growing our Australia/Asia mining business with the expansions of Kooragang Island and Yarwun and the IES acquisition.

Specifically regarding India, it's a very significant market for mining services in terms of both size and growth potential. We're pleased to be able to complete this final part of the acquisition of ICI's global explosives business, subject to approval, and build on the global platform of our Mining Services group. Added to the recent acquisition of the minority stake in IES Australia, we're in a better position to service our customers both globally and locally and maintain our leadership in blasting technology.

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You've indicated that the two Indian businesses currently achieve Orica's return on net assets (RONA) hurdle of 18 percent. What level of synergy benefits do you expect to generate as a result of your move to full ownership of the businesses?

MD & CEO Malcolm Broomhead

The acquisitions meet our financial criteria, and that's not based on synergy savings. However we do expect to see on-going efficiencies given we're the world's number one mining services company and can therefore apply our global financial purchasing and technological capabilities to the businesses.

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How will the Indian initiating systems business fit in with the recently announced rationalisation of your initiating system production globally?

MD & CEO Malcolm Broomhead

IES produces world-class products under its own brand that fit into our product offering. It produces electrical detonators that are used throughout Asia and Eastern Europe and therefore provides us a base for further expansion into those markets.

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To what extent have the two Indian businesses depended on ICI India and what risks are there in operating in the Indian market without a local partner?

MD & CEO Malcolm Broomhead

We've been a joint owner, with 49 percent of the IEL business, for the last four years and most importantly, the management has been retained. Indeed, the former CEO of the business, Sanjay Dayal, is currently Orica's head of Mining Services for the Asian region based in Sydney.

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What are the growth opportunities for the Indian explosives business and what are its expected capital requirements going forward?

MD & CEO Malcolm Broomhead

The use of coal continues to grow in India and indeed coal is its cheapest energy alternative. The country has estimated coal reserves of 200 years. Coal India is the largest customer of our Indian business and the world's largest coal company. We look forward to being able to use our global capabilities to provide better services for it and our other Indian customers.

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Thank you Malcolm.

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