



Orica Limited
ABN 24 004 145 868

ASX Announcement

2011 AGM – CHAIRMAN’S SPEECH

Ladies and Gentlemen, this year your Company has once again achieved record underlying performance, with the 2011 financial year rounding out a decade of continuous underlying profit growth.

This impressive milestone has been reached in a year which presented a number of difficult operating conditions including the strong Australian dollar, floods in parts of Australia, and a deteriorating economic situation in much of the developed world.

But, here in our home country, our record of sound environmental performance has been damaged and we take this as a sharp reminder to redouble our efforts to ensure that worldwide our tolerance for errors in this area is zero. I'll come back to this.

Our Managing Director and Chief Executive Officer, Graeme Liebelt, will talk about our financial results in more detail shortly. However I would like to begin by sharing with you some highlights.

In 2011, your Company delivered net profit after tax of \$642 million, up 4 percent on the comparable figure for 2010.

Earnings per share were up 2 percent to 173.5 cents, again a record tenth year of improvement.

In accordance with the Board's policy of progressive dividends, a final dividend of 53 cents per ordinary share was declared, which will be franked at 100 percent.

This brings the full year dividend to 90 cents per share, which is 2 cents higher than the previous year, after adjusting for the demerger of DuluxGroup.

You are, I trust, aware that the 100 percent franking of this year's final dividend results from settlement of the pharmaceuticals tax case, and that franking in future years is likely to revert to approximately 40 percent.

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We have weathered the uncertain economic conditions of the year, with a strong balance sheet in place. Our gearing at 30th September remained conservative at 26.6 percent with interest cover at 6.4 times. Following redemption of the Step Up Preference Shares at the end of November our gearing will have risen to the mid 30's, still a moderate level.

The strength of our balance sheet and delivery of ongoing shareholder value is the successful outcome of the reshaping of Orica's portfolio over the last decade.

Following the demerger of the DuluxGroup, Orica is now 90 percent focused on the delivery of products and services to the mining and infrastructure industries, which are poised for further growth and are relatively strong sectors globally.

We have truly global reach with operations in over 50 countries, and customers in twice that number throughout Australia, Asia, Europe, the Middle East, Africa, the Commonwealth of Independent States, North America and Latin America.

More than half of our business is now conducted outside Australia.

Our ownership is also increasingly international with non-Australian shareholders accounting for almost a third of the total.

While global economies remain fragile, the outlook for the mining industry remains positive and our businesses are well positioned to benefit from this.

The strong demand for resources from growth economies such as India and China has helped Australia retain its strength, and our alignment to mining has allowed us to do the same.

While China cannot remain entirely unaffected by the economic difficulties of developed countries, its economy remains, in our view, relatively robust.

We have always taken a conservative and measured financial approach and will continue to do so, all the more so with present uncertainties. Our strong balance sheet, financial discipline in assessing capital projects and our focus on the fundamentals such as cash and cost management, will be more than ever emphasised. We have many opportunities to grow but will only do so in line with these principles.

Orica's Board, management and employees place the highest priority on Safety, Health and Environment and aspire to no injuries to anyone, ever, and to cause no harm to people and the environment.

Therefore, the environmental incidents which have occurred at the Kooragang Island plant in NSW in recent months, are cause for great regret and concern for the Board and all within the Company. As they are for those living in the area. I take this opportunity to add my apology and that of the Board to those who have been understandably concerned at the events.

We acknowledge that our reputation for operational and environmental excellence has been damaged and we are working diligently to regain this. We acknowledge that this will take time and much hard work.

As I hope you can see from my remarks I, and the Board, take these matters extremely seriously. I do however want to take this opportunity to put them into some context.

As an example, in the 2011 financial year, we had eight incidents at Kooragang Island that were reported to the NSW Office of Environment and Heritage. Over the course of the year we undertook over 6000 tests at the site and this represents a compliance rate of over 99%. Going forward we will strive for 100 percent.

Already, breaches of safety or environmental standards are reported to the Board and investigated fully to understand the causes. This scrutiny will be redoubled.

Your Board also continues to focus on the legacy issues we are dealing with, particularly at the Botany site in Sydney.

Since our meeting last year, the shipment of Hexachlorobenzene, so called HCB waste, from Botany to Denmark was cancelled by the Danish Government.

The HCB is continuing to be stored in a safe manner under licensed conditions at Botany, while we explore alternative options for safe destruction.

Also at Botany, while there have been problems with the Mercury Remediation project, other remedial activities such as the Groundwater Treatment plant are proceeding satisfactorily.

Your Company remains committed to meeting the remediation objectives agreed with the regulatory authorities.

I have remarked on the increasing globalisation and internationalisation of your Company; this brings with it immense opportunity.

We are working toward building our workforce and leadership to better reflect our global reach, through increasing diversity of gender, nationality and culture.

In particular we have aspirations for the internationalisation of senior management, as well as for greater gender diversity.

For our shareholders, diverse leadership means sustainable global growth through attracting the best talent, developing excellence in leadership and holding our market leading positions across all our businesses.

The Company is proud of its role in encouraging and training local employees in our operations in emerging markets.

This year the Board had the opportunity to visit the Initiating Systems plant in Zambia, Africa, where we met with employees, the majority of whom were recruited locally, and all of whom have been trained to our global operating standards.

And, as a second example, in the development of our ammonium nitrate plant in Bontang, Indonesia, Orica has employed local people wherever possible throughout construction and commissioning, and for our approaching operations. The construction of this plant has been exemplary, with the project team achieving the safety milestone of 10 million work hours with no Lost Workday injuries.

I would like to take this opportunity to thank Orica management and indeed all Orica employees for their outstanding efforts during this year. To contribute a decade of consecutive underlying profit growth is an excellent achievement.

As I have already noted this is the final AGM for Michael Beckett, one of our longest standing Board members, who steps down this year.

Michael joined the Board in 2002 bringing extensive experience of the global mining industry and has been a key driver in the internationalisation of your Company. I thank Michael for his contribution and wish him well for the future.

On behalf of the Board, I would also like to acknowledge the significant contribution of Managing Director and Chief Executive Officer Graeme Liebelt, whose contract will end on 31 March 2012.

Graeme has overseen Orica's emergence as a true leader globally, not only as a leading supplier of explosives but extending into the mining services industry generally.

During Graeme's stewardship Orica has undergone significant growth both organically and through acquisition, particularly of a large part of the Dyno Nobel group. Graeme also recently oversaw the demerger of the successful DuluxGroup business.

Graeme's record as CEO not only includes an unbroken sequence of underlying profit growth but also the construction of a strong balance sheet, which has seen Orica come through the global financial crisis well positioned for further growth.

The Board thanks Graeme for his tremendous efforts over the past 6 years as Managing Director and for his 22 years of service with the Company. We wish him well for the next phase of his career. For me personally, it has been a pleasure to work with Graeme.

I am delighted to welcome Ian Smith to the Company. Ian assumes the role of Chief Executive Officer on 27 February 2012.

Ian was Chief Executive Officer of Newcrest Mining Limited for five years and stood down from that position earlier this year.

The Board believes that the industry experience, strategic capabilities and leadership skills that Ian has already demonstrated in leading an ASX listed Company, provide the credentials for him to drive Orica's global businesses into another period of dynamic growth.

In closing, I would like to thank you as shareholders for your continued support.

I believe you should feel confident about your Company's future. With our market leading businesses, strong financials and a renewed commitment to excellence in our operations we look forward to again delivering exceptional results.

The Board and I look forward to the year ahead.

Thank you.

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