

## ASX Announcement

### CHAIRMAN'S 2013 AGM SPEECH

In 2013, your company delivered a Net Profit Before Individually Material Items of \$602 million.

It is with some disappointment that I report this profit outcome - our first fall in underlying profit since 2001. This is in part a reflection of the costs associated with our ground support business - previously Minova.

However, I am comforted by the resilience of the Orica strategy, business model, and operating teams around the globe. In the face of a challenging external environment that played havoc with so many of our Mining Services peers, Orica's success in delivering 'Creative Resourceful Solutions' for our customers has succeeded in mitigating these costs and the more general effects of a weaker market. We have maintained our progressive dividend policy to finish the full year up 2c to 94c per share. This year's second half dividend comes with the additional benefit of being fully franked.

Ian Smith, will talk about our financial results and operating performance in more detail shortly.

However, I would like to start by sharing some of my highlights of the past year and provide some thoughts on both the key focus areas of your Board and the future prospects of your company.

I have already introduced our new directors to you and, as you have seen, there has been substantial change.

When we were last together, I talked of the renewal taking place within our senior management teams. While this process has continued apace throughout the past year, I am pleased to see renewal also extend to the Board table with three highly qualified new Directors who bring a diversity of relevant management, industry, cultural, and gender perspectives to Board deliberations.

Equally, I would like to acknowledge the contribution of departing directors Garry Hounsell and Mike Tilley. Garry resigned as a Director in February of last year after nine years service. Mike will retire at the end of this meeting after ten years of service.

I would like to thank them for their contribution and counsel during their service to your company and in particular thank them for their support of me during my time as Chairman.

Against the difficult background already mentioned, in 2013 your company delivered much improved net operating cash flows at \$1.06 billion, up 95% on the prior year. Importantly, capital expenditure is budgeted to fall in 2014 and 2015. When combined with strong working capital management, it is expected that improved cash conversion will be a feature of your company's results in coming years.

Your company's consolidated results combine the effects of a generally solid contribution from explosives and mining chemicals (although somewhat below our expectations) with a number of negatives, particularly the weakness in demand and pricing for ground support products and services.

Nearly \$30m in restructuring costs have been expended in the past year as part of the full integration of ground support into the mining services business. While the outlook is more optimistic, I won't sidestep the reality that this business has so far failed to live up to expectations.

Our strategic focus of extending services and differentiated products to mining customers is delivering encouraging results. Margins and market shares have shown resilience in the face of a changed competitive environment and generally flat volumes.

Pleasingly, manufacturing performance is improving in all areas and Ian will provide more details in his address.

Our non-mining Chemicals business finished the year down 8% on prior years, feeling the ill effects of the well publicised pressures facing the manufacturing and industrial sectors in Australia and New Zealand. A strategic review of this business is in train.

These outcomes in 2013 were achieved by a business in transition - realigning itself behind a refreshed corporate strategy, a new functional organisation model, and within the context of a changed external environment for Orica's customers.

I continue to be positive around the robustness of the long term demand fundamentals for our Company. Urbanisation and industrialisation in the developing world have an insatiable appetite for the wide range of commodities supplied by our customers.

In comparison to many of our Mining Services peers, we are also firmly exposed to mine production volumes rather than the mine capital investment cycle. History suggests there is less short term volatility in the production output for key commodities. However, we are not immune to volatility.

We have seen this materialise in the weaker volume performance of our North American business over the past year.

With operations in over 50 countries, our geographical diversity is without parallel in our industry segment. We are leveraging this strength to expand our growth horizons.

Our primary focus is around disciplined execution of our refreshed strategy.

Orica's strategy is focused on serving the needs of our largely mining customers through the provision of differentiated products, services and solutions which enhance their value. Supporting this strategy is a focus on reliable, robust and competitive supply chains for key materials, capital efficient approaches to ammonium nitrate investments, and the development and commercialisation of segment leading technology and applications.

In delivering this strategy we are taking firm action to improve our performance, strengthen our balance sheet, and deliver results.

Our company has been focused on improving performance in several critical areas, like safety, environment, productivity, customers and people.

While our safety performance is industry leading, we are conscious of the need for further improvements both here and in our environmental performance.

Improving our performance and being proactive and transparent with key regulatory and community stakeholders is at the heart of our approach to restore a public reputation that has suffered in recent years.

I draw shareholders' attention to the more in-depth coverage of these activities in our annual sustainability report.

Orica recognises that operations excellence is the foundation of our differentiated value proposition to customers. We are targeting the elimination of waste, improvement and standardisation of inefficient work process, and leveraging our scale benefits.

Delivering an organisation that is customer centric involves refining a number of core capabilities. First and foremost are the attitudes and behaviours exhibited by our 14,500 employees across the globe. Their individual actions define our collective Orica brand. They are our extended sales forces who create the multitude of daily touch points with our customers.

Key to our employees' performance is their leadership. Your company is committed to the continuous development and renewal of its leadership teams to ensure that we are assembling world class talent.

A word now on our balance sheet. Like most of our mining customers, we are focused on the need for greater discipline and accountability across the business, particularly in the way that we manage and allocate capital.

Gearing finished the year at 37%, down from the prior period of 41%. Your company enjoys a broad range of funding options with the debt drawdown of \$2.3bn representing only 50% of the available debt facilities at its disposal.

Strategically, we are targeting future growth at a lower capital intensity. This does not mean we will stop investing in attractive growth opportunities.

Rather we will challenge ourselves harder around alternatives – whether they be long term supply relationships or more capital efficient partnerships.

The Remuneration Report contained in this year's annual report details the updated approach to senior management reward and recognition.

I trust shareholders share the view of your Board that the remuneration outcomes appropriately reflect business outcomes and are consistent with our core value of 'It's our Business'.

This is my last AGM as Chairman with Russell Caplan, if elected, assuming the role as Chairman of the Board at the close of today's meeting. As my term on the Board draws to a close, I can't help but reflect on the transformation of your company over the past decade.

Orica is now one of only a handful of Australian companies that can truly say that it has achieved world class leadership in a global niche market – in our case that of mining services. We have a focused portfolio with a global reach that is unique in our segment. We have strong long term demand fundamentals.

Most importantly your company is blessed with the ingenuity, creativity and dedication of the Orica global workforce. This all bodes well for the future of your company.

Your Board and management are aligned around its key focus. What really matters is delivering sustainable value over the cycle to you the shareholders.

We have made it this far by being good at what we do and adapting to the changing world around us. But we can and must do better.

I have great confidence this will happen through the strong leadership of Russell, your Board, and Management. I thank them for their ongoing dedication to your company and for their support, friendship and counsel during my time on the Board. I wish them every success in their future endeavours.

I would now like to pass over to our Managing Director and Chief Executive Officer, Ian Smith, to provide you with more insight into the performance of the company in the past year and its prospects for the future.

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