



Orica Limited
ABN 24 004 145 868

ASX Announcement

CHAIRMAN'S 2014 AGM SPEECH

It is Orica's aim to help our mining and other customers derive greater value from their projects and, ultimately, for Orica to share in that value creation. Never has that aim been more relevant than now, when our resources and mining customers are facing their own industry headwinds.

And we are making progress against this aim. Over many years, Orica has invested in a global footprint, a broad product portfolio, a flexible supply chain and technical capabilities that are unmatched in our industry. Together they give us competitive advantage.

However, even though we are the market leaders, we cannot and we do not take that competitive advantage for granted.

Recognising the reality of falling commodity prices and a relentless drive across the resources sector to reduce costs, Orica is also taking firm action to improve our performance, strengthen our balance sheet and deliver sustainable results.

In this context, I am pleased to report that Orica delivered a resilient earnings and cashflow performance in 2014.

Before going any further, I want to tell you how pleased I am to report that, for a second year in a row, Orica has been free of fatalities in the workplace. This is a result that we strive to make the 'norm', and I applaud management's tireless efforts to embed a culture of safety above all else in our employees and our contractors.

Returning to Net Profit After Tax, this was up 2% on the prior year, at \$602.5M. While Earnings Before Interest and Tax were down 4% at \$930M, reflecting the subdued conditions confronting our key customers and markets, this was largely offset on our bottom line by \$69M in efficiency benefits, \$24M in foreign currency benefits and \$23M from asset sales.

Significantly, continued implementation of Orica's capital-light investment strategy has contributed to a 35% reduction in capital expenditure in 2014 and a 48% increase in net operating and investing cashflows to \$461M.

Reflecting this performance, the Board has maintained its progressive dividend policy, with a full year dividend up 2 cents to 96 cents per share.

I said earlier that we can't afford to stand still. And so, a great deal is being done in the way of self-help, to make Orica resilient to headwinds and position the Company well to capture the benefits of any future improvement in market conditions.

Management is implementing a far-reaching transformation program that will further improve Orica's resilience in the face of continuing volatility and uncertainty.

In 2014, Orica began a comprehensive program of initiatives across our global operations, to improve our cost base, our efficiency, our asset management capabilities, and our customer focus and commercial agility. The aim is to bolster Orica's capacity to sustain profitable growth across varying market conditions.

This work will continue into 2015 and beyond, and it is pleasing to see the results this program is already delivering to the business.

Looking to the future, the \$750M sale of Orica's Chemicals business to funds advised by Blackstone is due to complete in the first quarter of calendar 2015. This is of course subject to regulatory approvals and other customary conditions.

This transaction is not a one-off. It completes Orica's decade-long transition into a pure-play mining services business. It will allow us to focus on our core mining services activities and capitalise on our global leadership position.

Given Orica's improved cash flows, our strong balance sheet and the anticipated funds from the sale of our Chemicals business, the Board will have the flexibility in 2015 to consider capital management initiatives.

In considering the way forward, I'm sure Shareholders will recognise that the Board must also balance the need for a prudent gearing ratio and sufficient flexibility to allow Orica to pursue its growth agenda. Nevertheless, we do acknowledge the expectation of our Shareholders for effective capital management and we will look closely at this in the period ahead.

Let me turn now to governance and remuneration. It is my belief that Orica has a strong, diverse group of Directors. We are though also relatively new as a Board, with four of our nine Directors having joined in the last year or so.

In view of this, your Board took the opportunity in 2014 to conduct a comprehensive, independent external review of our governance framework and supporting processes and systems, and also a review of Board performance. I was gratified by the openness of Directors and managers to these reviews and by their shared ambition for us to achieve the highest levels of Board performance.

In 2014 we also undertook a detailed review of our executive remuneration framework. In addition to conducting comprehensive market research, we also consulted with several major Shareholders and advisors.

With the input from this review and our consultations, the Board introduced a number of changes from 2015 to further strengthen the alignment of Executives' remuneration with the long-term success of Orica and its Shareholders. These are summarised in the Annual Report and will be covered further when we deal with the Remuneration Report in Agenda Item 3.

On behalf of the Board, I want to thank Managing Director and CEO Ian Smith, his Executive Committee colleagues and all Orica employees for their continuing hard work and contribution to the company. Through their efforts, Orica is navigating these testing times with resilience and in a manner which is building a more sustainable business.

I want to thank you, our Shareholders, for your ongoing support of Orica. 2015 will no doubt present challenges for our industry and for our business.

Despite this, I am confident that the resources business is a very good one for Orica to serve over the long term, driven by global population growth and growing urbanisation, especially in developing countries.

I am confident also that we are laying the foundations to make your Company stronger and better able to capture the opportunities ahead.

I will now ask your Managing Director and Chief Executive Officer Ian Smith to address you before we move to the formal business of the Meeting.

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