CHAIRMAN’S MESSAGE

Since joining your Board in December 2015, I have been reminded of the extraordinary reach, depth and breadth of the Orica business. While there remains a significant way to go to restore Orica’s performance to what you should expect, I believe the foundations of the company provide us with a basis for optimism.

2016 was a challenging year as management focused on stabilising Orica’s operational and financial performance, while positioning the business for longer term growth.

One area that has been disappointing and concerning for your Board is safety, with two fatalities at an Orica facility in Chile. The Board and management were devastated at this event, knowing that two families’ lives have been irrevocably damaged. Safety is the Board’s paramount concern, always. Your Board believes that the CEO and management team have been appropriately focused on both finding the cause of the Chile accident to ensure they can understand and share lessons across the business to prevent a similar recurrence, and in revisiting your Company’s overall approach to safety management to reinforce the critical importance of health and safety at Orica. Most importantly, in ensuring our high risk activities are managed to the highest safety standards, consistently.

Performance

Orica’s 2016 net profit after tax before individually material items (NPAT) was $389 million, 7% lower than 2015, and earnings before interest and tax was $642 million, representing a decline of 6% on the prior year.

The Board declared a final dividend of 29 cents per ordinary share, bringing the full year dividend to 49.5 cents per share.

The financial results were delivered in the midst of a challenging market, which is expected to continue throughout the 2017 financial year. Despite this, the management team is taking the right steps to ensure Orica is positioned for growth over the longer term.

Business improvement initiatives are also creating greater efficiencies, delivering net benefits of $76 million for the year, with the expectation of more to come in the 2017 fiscal year.

Orica today has a strong management team in place, and the right strategy and operating model to enable us to capture new – and build on existing – opportunities to deliver improved and sustainable shareholder value.

A more disciplined approach to capital management has been introduced, with the aim of maximising shareholder value through growth and cash returns on all new projects, while maintaining safe and reliable operations. The Board and management team have also agreed on the appropriate metrics to measure future capital investments, with an agreed return on net assets in excess of 20% for all new growth capital projects. This is important because it reflects your Board’s and management team’s commitment to a return to rigour in financial investments and analysis.

The management is also delivering on its commitment to embed positive cultural change throughout Orica, with the introduction of a new Charter, representing a promise to all our stakeholders of the values we will uphold in everything we do. Your Board will hold the management team to account for each and every one of those values.

Board renewal

Orica’s commitment to continued Board renewal was reinforced during the year with the appointment of Karen Moses as a non-executive director from 1 July 2016. Ms Moses has more than 30 years’ experience in upstream and downstream energy industries, as a senior executive in finance and strategy functions. Her experience provides valuable additional insight into our customer base, while also adding additional financial and strategy capacity to the Board.

Finally, on behalf of the Orica Board I would like to thank all our shareholders for your support. I am proud to be Chairman of your Company, representing your interests.

Malcolm Broomhead
Chairman

“2016 was a challenging year as management focused on stabilising Orica’s operational and financial performance, while positioning the business for longer term growth.”

FULL YEAR DIVIDEND

49.5c