

**ASX Announcement****2009 AGM – Managing Director’s Speech**

Thank you Don. Good morning ladies and gentlemen.

It’s my pleasure to report on another successful year at Orica.

At our last meeting I said that the global market conditions at the time were the most challenging I had seen during my thirty or more years of business life and we expected that would continue to play out during 2009.

That has proven to be the case.

But what has also been proven is the resilience and strength of our business model and the high calibre of our people, who have responded quickly and effectively to the challenges. Our strategic position, developed over the past decade, and a well established culture of financial discipline have worked hand in hand to deliver an eighth year of profit growth.

Net profit after tax and before individually material items was a record \$646 million, a 13 per cent increase on 2008. Sales Revenue also increased 13 per cent to \$7.4 billion. And earnings before interest and tax (EBIT) increased 12 per cent to \$1.1 billion.

Contributing to the result were very effective productivity initiatives that allowed us to prosper in the current environment and have us well placed to achieve good operating leverage when markets recover.

I’ll come back to that shortly, however first a comment on the performance of each of our businesses.

Orica Mining Services contributed a record \$737 million in EBIT, an increase of 16 per cent on last year. This strong result reflects significant productivity improvements which we expect to continue in 2010. The business also benefited from improved ammonium nitrate pricing and reasonably firm volumes in gold, copper and thermal coal markets, which partly offset weak volumes in other sectors.

Double digit earnings growth was achieved in all regions except Europe, which was severely affected by a downturn in infrastructure markets of more than 20 per cent.

So the strong performance in Mining Services reflects its very strong strategic position, excellent work on the financial controllables, and the benefit of ongoing focus on innovation, research and development.

In 2009 Minova experienced very difficult trading conditions in the US and Eastern Europe, and EBIT of \$145 million was down 3 per cent on 2008. The business was also impacted by under-recovery of steel input prices in the US – those steel margins have since been recovered, but cost the business about \$15 million in earnings in the first half.

Minova responded decisively in managing the fundamentals of cost and cash, and integration activity continued to track to plan with \$26 million in synergies delivered during the year. The business achieved steady growth in tunnelling and continued penetration of the Chinese market with strong sales and profit growth.

As predicted at the time we acquired Minova, mine safety standards are continuing to increase, particularly in developing markets, underpinning strong growth for its products and services in underground mining and tunnelling.

This augurs well for further investment and growth in the business in markets such as China, Latin America and Eastern Europe.

Orica Chemicals increased its earnings by 17 per cent to a record \$170 million. Record profits in the Mining Chemicals business reflected strong demand for sodium cyanide by the global gold mining sector. The General Chemicals business in Australia and New Zealand however, experienced very difficult market conditions, with volumes impacted by the marked slowdown in the manufacturing sector.

Orica Chemicals also responded well to the weak economic conditions by delivering additional productivity benefits through tight control of costs and restructuring initiatives across all business segments. The merger of the former Chemical Services and Chemnet platforms is now complete and delivered synergies of \$12 million during the year.

The newly named DuluxGroup increased EBIT by 5 per cent to \$129 million. The business achieved record sales and grew its market share, despite market decline and increased competition.

Continued investment in brands, innovation and customer relationship management combined to produce this excellent performance, and as in previous years the group received a number of customer service awards.

The new name capitalises on the brand strength of this market leading business and is consistent with the intention, at the right time as Don mentioned, to proceed with the demerger.

Its 2009 results reinforce DuluxGroup's strength and bright future as a stand alone business when the time comes.

Perhaps the most pleasing factor in the Company's strong performance is how well Orica employees have responded to the challenge presented by the difficult external environment.

Orica employees understand the need to 'run the business as if it's their own'. This financial discipline has been well demonstrated by the achievement of over \$100 million in productivity and synergy benefits and, particularly important in a climate of general financial market uncertainty, an increase in current cash flow from operating activities of 16 per cent, to \$855 million. Tight working capital management was a key element in generating such a strong cash flow.

So, summing up the 2009 performance, Orica's three most important achievements have been to continue to deliver profit growth through a significant downturn, to improve the cash generating performance of the business and, very importantly, to maintain focus on the long term through spending on research and development, marketing and growth capital.

Our priorities for 2010 are to continue along this path and, as we see stronger growth emerging, the productivity gains will generate operating leverage, because we will ensure that costs grow much less quickly than the top line.

While managing the fundamentals for the current environment, we have continued to invest in important projects to capture the long term growth before us.

As Don mentioned, Mining Services continues to progress its ammonium nitrate plant in Bontang, Indonesia, feasibility work continues on ammonium nitrate expansion opportunities in Australia and Latin America, we have the regulatory approvals for the uprate of the ammonia plant at Kooragang Island in New South Wales, and feasibility work for the uprate of Mining Chemicals sodium cyanide plant at Yarwun in Queensland is progressing well.

In addition, engineering design work is underway on an initiating systems facility in Hunan province in China, which will be the largest of its type in the Company.

Also during 2010 Orica Chemicals will invest in the replacement and upgrade of its sodium hypochlorite plant, and upgrades to its existing Chlorine and Ferric Chloride plants – all located at the Botany site in New South Wales. It will also upgrade its hydrochloric acid plant at Laverton, here in Victoria.

The newest addition to Orica, Minova, has recently opened a new coal bolt plant in Australia and will soon open a new roof bolting plant in Taian, China.

In Australia DuluxGroup opened a new powder coatings plant this year, and work has commenced on a new protective coatings plant. The business is also continuing to develop its presence in China, building on its Sopel acquisition.

We foreshadowed at our results announcement that the first half of 2010 is likely to be reasonably tough when compared to the first half of 2009. Exchange rates have moved against us and this time last year we had not yet seen the full effect of the volume decline caused by the economic slowdown. Nevertheless despite the negative impact to earnings of a stronger Australian Dollar, in the first two months of our new financial year we are tracking ahead of last year's earnings. Strong discipline around costs, cash and capital management have continued into the new financial year.

This gives us the confidence to re-affirm our guidance, issued at the full year, that we expect continued earnings growth in 2010, subject to the rate of global economic recovery and the extent of adverse movements in exchange rates.

Having come through this difficult time, we are more than ever confident that we have a resilient and sustainable strategy and people with the talent and skills to implement it.

Orica employs about 15,000 people across 50 countries and we have a strong commitment to an injury free workplace. As reported at the last AGM, we had four fatalities in calendar 2008 – each in separate incidents and in separate countries. This is clearly unacceptable and each incident has been thoroughly investigated and important improvements put in place as a result.

Caring for the environment is part of Orica's goal to become a company that does 'zero harm'. Many of our operations are energy and resource intensive. It's part of our commitment to ensuring a sustainable environment, but it also makes good business sense to reduce our environmental footprint as much as possible.

Orica has emissions intensive trade exposed operations and we await the outcome of the current CPRS discussions with some interest.

Meanwhile, following last year's successful project at the Carseland operation in Canada, this year we implemented an emissions abatement program at our ammonium nitrate plant at Bacong in the Philippines. These activities, along with a range of other efficiency initiatives, will continue to significantly reduce our overall greenhouse gas emissions.

Also part of the environmental commitment is cleaning up legacy contamination caused by past manufacturing. The groundwater treatment plant at Botany continues to operate at the level required to contain the contaminated plume. And we remain confident of achieving a successful outcome in our plan to export the store of hexachlorobenzene to specialized destruction facilities in Europe.

As we look to the remainder of the 2010, Orica is in a strong position. This would not have come about without the talented and committed people working at all levels. I thank each of them for their important contribution. The depth of skills the business has to draw on is supported by strong recruitment, development and talent management programmes.

During the year there have been two changes within the Group Executive team. We welcome John Beevers, former General Manager of Orica Mining Services Australia/Asia, to the position of Chief Executive Officer of Orica Mining Services. John replaces Philippe Etienne who retired from Orica in July this year. I thank Philippe for his contribution to Orica over the years and wish him well in his future endeavours.

I am also pleased to welcome Trisha McEwan who was appointed to the role of General Manager Human Resources and Communications in May this year. Trisha brings to Orica a wealth of experience in human resources roles in large companies.

Finally, I would like to thank Don Mercer, personally and on behalf of the directors and all Orica employees for his invaluable contribution as Chairman of the Orica Board for the past eight years. This has been a period of significant change for the company which has resulted in considerable growth and which reflects Don's clear strategic guidance, and great support at every level.

I congratulate and welcome Peter Duncan as incoming Chairman and look forward to working with him in his new role, and I thank all Orica board members and you, the shareholders, for your support during the year.

Establishing ourselves as leaders in carefully chosen markets where demand will grow steadily is a deliberate strategy, designed to limit Orica's exposure to volatile commodity prices and provide earnings resilience even in a downturn. In 2009 that strategy has been put to its sternest test and has held up well.

Your company's success, through unprecedented financial market turmoil, has reinforced belief in our strategic path and redoubled our enthusiasm for the opportunities that lie ahead. It is this - and a global team with the skills, talent and financial discipline to capture those opportunities – that has Orica well placed to deliver a ninth year of underlying profit growth.

Thank you.

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