

CHAIRMAN'S MESSAGE



“The new Executive team has continued to focus on transforming Orica for sustainable long term performance.”

2015 has been a year of transition for Orica, during which substantial steps were taken to position your Company for long term performance.

In March, we announced a CEO succession, with a global search for a new CEO of world class standard, who would also bring strong cultural values. In May we announced the appointment of Dr Alberto Calderon as Managing Director and CEO. Alberto brings broad leadership experience across global, complex organisations in the resources sector, and a strong understanding of our customers. Alberto is focused on the execution of Orica's strategy as we continue on the path to being a partner of choice for our customers globally, and driving a culture of respect, collaboration, transparency and performance.

Laying the foundation for long term performance

Our safety performance showed a positive downward trend in our total recordable injury frequency rate, and for the third consecutive year Orica was free of fatalities. Safety is a critically important performance measure for the Board, and we are pleased with the Company's continued focus on this area.

Orica's 2015 statutory net profit after tax (NPAT) was a loss of \$1,267 million. This included a non-cash impairment charge of \$1,692 million (after tax) on the carrying value of the Ground Support business, ammonium nitrate assets and various other Company assets. The Board and management were deeply disappointed with the impairment charge, but it was necessary in order to ensure our balance sheet reflects the current market conditions.

**TRANSFORMATION
BENEFITS
\$175m**

On a continuing operations basis, NPAT before the non-cash impairment charge was \$417 million, 26% lower than the previous year, and earnings before interest and tax was \$685 million, a 21% decline on 2014.

The Board declared a final dividend of 56 cents per ordinary share, bringing the full year dividend to 96 cents per share.

While our results were lower than 2014, in the context of the most dramatic mining downturn in at least the last two decades, the underlying performance of the business is credible, demonstrating Orica's relative resilience.

Transformation

The new Executive team has continued to focus on transforming Orica for sustainable long term performance. Transformation activities delivered a gross benefit of \$175 million, which helped offset negative market impacts.

Orica's management has taken additional decisive action in the face of market headwinds, including changing our operating model to ensure a more customer-centric organisation, renewing the senior leadership teams, and reducing ammonium nitrate production to balance Australia's east coast supply.

Capital management

Following the completion of the sale of the Chemicals business in March, we announced an on-market share buy-back program. On 18 November, in the context of market conditions, Orica's cash flow, dividend and gearing position and following discussions with a range of stakeholders, we announced the decision to cancel the share buy-back program with immediate effect.

Board renewal

Orica has a continual focus on Board renewal, to ensure your Board represents diversity of experience and tenure. During the year we announced the appointment to the Board of Mr Malcolm Broomhead, and the retirement of Dr Nora Scheinkestel. I also announced my retirement from the Board, effective 31 December 2015, with Mr Broomhead elected by the Board to succeed me as Chairman from 1 January 2016.

Malcolm Broomhead has extensive experience in industrial and mining companies globally, including as Orica's CEO from 2001 to 2005. He has exceptional leadership skills through every part of the resources cycle. I have no doubt he will be an outstanding Chairman.

2015 was a year in which the Orica Board and management reset the business and made some difficult but necessary decisions. As a result, we are optimistic about the future. Our global coverage, leading products, commitment to innovation, focus on enhancing our customer-centricity all leave Orica uniquely positioned to benefit when the cycle turns.

On behalf of the Board, I thank all shareholders for their continued support, and Orica's management team and employees for their contributions.

Russell R Caplan
Chairman