

MANAGING DIRECTOR'S MESSAGE



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2015 was particularly challenging for Orica, our industry, and our customers. However, Orica's underlying performance demonstrated that at its core Orica is a resilient and sound business. Our overall explosives volumes declined by 1% against the previous year, during a time when our sector is facing significant headwinds. Nevertheless, our EBIT declined by 21%, which is a disappointing result.

EARNINGS BEFORE INTEREST AND TAX
\$685m

A material part of the reduction in our earnings before interest and tax was due to market impacts that we consider temporary, such as changes in mine planning practices for some of our customers, rather than permanent mine closures or lost contracts. We are determined to ensure that Orica is positioned to regain these volumes when the cycle inevitably turns.

Safety, Environment and Culture

The safety of our people is the most critical responsibility we have. Each and every day, our people should come to work knowing that they will be safe.

I am pleased to report zero fatalities, a downward trend in our total recordable injury frequency rate for the third year running, and an injury rate that is one of the lowest of ASX 100 companies⁽¹⁾. We will of course remain vigilant in our focus on this critical area.

In terms of environmental performance, greenhouse gas abatement projects at our nitric acid plants reduced nitrous oxide emissions by more than 750,000 tonnes of carbon dioxide equivalent (CO₂-e) in 2015, compared to 2010 baseline levels. We have also now developed environmental management plans for around 400 of our other sites, which will be updated annually.

Another area of critical importance is our organisational culture. I truly believe that without a positive, sustainable culture we will not be able to achieve our business objectives. When I was appointed in May, I committed to embarking on a cultural change program, supported by the overarching principles of respect, transparency, collaboration and performance. These principles will guide all our decision making as well as our interactions with our stakeholders. Each of us at Orica will be held to account for our adherence to these.

Business improvement initiatives

Orica undertook a number of initiatives to ensure your Company is well positioned through the cycle.

We created a new management team, with experience from Orica and some of the best multinational mining and mining services companies.

We are introducing a new operating model to make us more competitive and nimble, with better visibility of individual business performance and greater accountability across the business, and better able to respond more efficiently and effectively to our customers' needs.

We adjusted our ammonium nitrate production to balance the Australian east coast in an oversupplied market, strengthened our forward customer contracts profile through to 2018, and separated out the Ground Support business into a discrete business unit to focus on its turnaround.

Technology and Innovation

One of Orica's competitive advantages is our long-standing commitment to innovation and technology. We believe we are the clear industry leader in providing innovative, value-add products and services with a proven track record in improving customers' productivity.

We will remain at the leading edge of innovative product development, leveraging our ability to be ahead of our competitors and provide customers with products that are proprietary Orica innovations, such as our world-first wireless blasting system, which has the potential to fundamentally change blasting practices to provide greater value for many of our mining customers.

Outlook

2015 was a year of 'resets', in which we had to make a number of difficult decisions and take decisive actions in the face of difficult market conditions. With all the actions we are taking, the predicted recovery in volumes by market forecasters⁽²⁾, and subject to the forward price and volume curves for key commodities largely holding, we see some improvement in EBIT in FY16, with further improvement in FY17.

Alberto Calderon
 Managing Director and CEO

⁽¹⁾ Safety Spotlight: ASX 100 Companies & More – Citi Research July 2015.

⁽²⁾ Wood Mackenzie Long Term Forecast Q3 2015.