



Orica Limited
ABN 24 004 145 868

ASX Announcement

2011 AGM – MANAGING DIRECTOR’S SPEECH

Thank you Peter; good morning ladies and gentlemen.

As Peter mentioned, 2011 marked the tenth year of underlying profit growth for the Company.

With strong demand in some mining segments in the second half of the year, productivity benefits across all business platforms, and through disciplined cash management, we ended the year strongly, and we carry that momentum into 2012.

Let me now turn briefly to the performance of each of our business groups.

Orica Mining Services, which is the global leader in commercial explosives and blast based services, achieved a record profit in 2011, with earnings before interest and tax of \$817 million, up 6 percent on 2010.

This result was driven by increased demand in some sectors, particularly in North America, Australia and Latin America; modest pricing improvements and a continued focus on productivity.

The year has not been without its challenges for Mining Services, particularly with the environmental incidents at Kooragang Island, and I will come back to that shortly.

Minova, while continuing to lead the market globally in the ground stabilisation business, has had a very tough year; facing heightened competitor activity in North America and parts of Europe, lower volumes in China and an unfavourable foreign exchange impact of \$22 million.

This resulted in earnings before interest and tax declining by 29 percent, to \$105 million.

However, there are signs of improvement with volume growth in Australia, South Africa and China; solid demand in North America and Eastern Europe, and efficiency programs established across the business.

In the long term, Minova is a complementary business to Mining Services; and well positioned for growth in the mining, tunnelling and infrastructure sectors that it services.

The Chemicals business also posted a record profit with earnings before interest and tax of \$196 million, 4% ahead of 2010.

As expected, the mining chemicals business performed well, capturing the strong demand of the sodium cyanide market.

During the year, an uprate of the sodium cyanide manufacturing facility at Yarwun in Queensland was completed, the benefit of which will be felt in 2012.

The industrial chemicals and water treatment markets in Australia and New Zealand, and the market generally in Latin America also demonstrated firm sales growth, but other chemicals markets were patchy.

The outlook for Chemicals is for continued strong conditions in the mining chemicals markets, and modest growth in the other sectors.

So we head into 2012 with momentum and with a strong and proven business strategy.

We will look to extend our global leadership in the provision of high service, critical consumables to the mining and infrastructure markets.

The mining industry continues to expand and the global commodity outlook remains strong, with above GDP growth forecast for most commodities.

And the intensity of use of our products in the mining industry continues to grow over time. There are more explosives used per tonne of mineral produced, more cyanide used per tonne of gold produced; and Minova's products, with their focus on safety and productivity, and with the shift towards underground mining, will increase their penetration.

Growth in the top line, though, is only part of the story. We also continue to focus on productivity, which we measure as the ratio of fixed cost to gross margin, and over the past five years we have improved productivity by 1.7 percent per annum. It is the combination of growth and productivity that continues to deliver underlying profit improvement in the business.

Let me turn now to an extremely important aspect of the business. As you are aware, running safe and injury-free operations is of paramount importance at Orica.

So it is with sadness that I report that in November 2010, one of our employees was killed, and another seriously injured, in a road traffic accident in China.

This is obviously unacceptable, and we thoroughly investigate all such incidents in order to learn and improve. There have been no further fatalities in the business since that time.

We are showing progress toward our vision of 'no injuries to anyone, ever' and I am very pleased to report that in 2011 we recorded our best ever All Worker Recordable Case rate. At 0.47 injuries per 200,000 hours worked, this is a world class result, and one for which I thank all of our employees and contractors.

That said, when you look at other elements of our Safety, Health & Environment performance we still have a long way to go.

As Peter mentioned, in August we had an incident at our Kooragang Island plant, in which an amount of sodium chromate containing hexavalent chromium was released, some of which fell into the neighbouring community. And in November we had an ammonia release, again at Kooragang Island, which is said to have affected a number of workers at a nearby site.

Clearly, this is completely unacceptable, and again I offer sincere apologies to all of those who have been affected.

We have a record over many years for safe and responsible operation at Kooragang Island and in responding to the incidents and their aftermath, we have co-operated fully with each of the relevant authorities and supported the inquiries which have been held into the August incident. The fact is, though, that we have damaged our relationship with the community, and we will have to work to rebuild that trust.

Internally too, apart from the short term measures to ensure the plant is operating safely, and accelerating a number of projects to improve the environmental performance of the plant, we must learn the lessons from these incidents to improve our operational disciplines, and improve communication processes with communities and the authorities.

In short, it has been an enormous wake up call for our Company and we will apply that learning to all of our major plants.

As previously advised, the closure of the plants at Kooragang Island has cost the company about \$4 million dollars per week, so the total cost in this financial year is in the range of \$40 to \$50 million so far.

Still on the topic of sustainability, Orica is working to adapt to the additional requirements brought in by governments around the world to impact on climate change, such as Australia's Clean Energy Future legislation.

It is likely that this legislation will lead to increases in the cost of raw materials and energy inputs, and it has already increased compliance and reporting requirements.

We have previously indicated to the market that the cost to the Company will be about \$8 million per year before any further abatement activities.

Orica will be looking for greenhouse gas abatement opportunities within our operations, and also to develop products and services that minimise carbon emissions for our customers.

Last year I reported to you that as part of the Challenge 2010 sustainability program, we reduced greenhouse gas emissions per tonne of production by more than 50 percent between 2004 and 2010. In the same period, water usage per tonne of production was reduced by 35 percent. This year, we have achieved a further 15% reduction in greenhouse gas and 20% reduction in water consumption.

Orica invests more than any other industry player in research and development, both in our own facilities and via collaborative arrangements with over a dozen universities and research bodies internationally.

This includes a five-year \$25 million partnership with the Commonwealth Scientific and Industrial Research Organisation.

In Mining Services, advances in the range of bulk explosives and electronic blasting systems will deliver new capabilities and significant value to our customers.

The development and commercialisation of new technologies is absolutely central to the Company enhancing its competitive advantage, particularly with the increasing interest in mine automation from our customer base.

In terms of capital investments, some significant projects are close to fruition.

In addition to the ammonia uprate at Kooragang Island and the cyanide capacity expansion in Queensland already mentioned, the ammonium nitrate plant in Bontang, Indonesia is in commissioning and will begin production of AN in March 2012. There are new emulsion facilities underway both in the Hunter Valley and in the Pilbara. And we continue to work on ammonium nitrate expansion opportunities for the future, including active projects in Peru and New South Wales. There will be others to follow to meet the needs of the growing global mining industry.

Of course, the key to all of our achievements is Orica's 14,000 employees across 50 countries.

The Chairman has referred to the ongoing commitment to diversifying our workforce, and we have made some great progress in meeting internal targets.

We are tackling diversity at all levels of the business. In our graduate program, currently around one third of our intake are women, and this year we will be embarking on international rotations for some of our graduates, to develop a global business perspective in our future leaders.

We are working to ensure that everyone at Orica, no matter where they are based, has the same opportunity to grow their career, regardless of background, gender or nationality.

I take this opportunity to thank all of our employees for their contribution during the past year, for another job well done, and for their ongoing commitment to the business.

In closing, I would like to add my personal thanks to Michael Beckett for his invaluable contribution and guidance as a Board member over a time of great change in the Company.

And to welcome Ian Smith as incoming Managing Director and Chief Executive Officer early next year.

It has been a privilege to be able to work with such a talented group of people, inside a great Company, for such a long period of time.

I am very proud of what the Company has achieved, especially over the past 15 years, where we have established global and domestic leading positions in each of our business platforms.

While there are some global economic uncertainties at the moment, Orica has been through a period of remarkable transition over the past decade, and the group is now extremely well positioned, to take advantage of the strong growth that will be generated by the developing nations, as they improve the standard of living of their large populations.

It is my belief that we have decades of growth in front of us in the sectors we serve. And I have every confidence that Ian, with the support of a talented and committed group of employees will take the Company from strength to strength.

I would like to thank Peter for his kind words. It has been a pleasure to work with Peter in his time as Chairman, and with all the Board over the past six years; I thank them for their insight and guidance.

Finally, let me finish by thanking you, the shareholders, for your support, and for your ongoing belief in the Company. I am sure that belief will continue to be well rewarded into the future.

Thank you.

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