

ORICA LIMITED 2019 ANNUAL GENERAL MEETING

Speeches by Malcolm Broomhead, Chairman and Alberto Calderon, Managing director and Chief Executive Officer

Malcolm Broomhead, Chairman

Before we move onto the resolutions as outlined in the Notice of Meeting, I would like to make some comments on some areas that are important to Orica, and to you, our valued shareholders.

First, our performance over the year, both financially and culturally, including some changes we've made to our Governance and a new appointment to the Orica Board.

And then I would like to talk more broadly about one of the biggest hurdles to success I believe we face, both as a company, and as a nation.

Orica's 2019 Performance

2019 has been a year in which we have successfully built momentum right across the company; improving our core business capability and advancing our strategic agenda to commercialise Orica's market-leading, technology-led innovations.

But, as we work hard to drive operational and financial performance in every area, safety remains our number one priority.

I am pleased to report that, once again, we have achieved our goal of zero fatalities. Alberto will talk in more detail about our ongoing efforts to improve every aspect of health and safety across the group.

Financially, we have seen a pleasing turnaround in Orica's performance, with the restoration of profitable growth.

Statutory net profit after tax was \$245 million, compared to a loss of \$48 million in 2018 and earnings before interest and tax were \$665 million, an increase of 8% compared to last year.

Looking at Executive and Board remuneration, a key priority for the Board is to ensure a high degree of alignment between shareholders and management. The Board was pleased with performance outcomes in the financial year, the substantial improvements made with respect to safety and the value that was generated for shareholders.

As such, average Short Term Incentive outcomes across our key management personnel were 53.3% of maximum, up from 23% in FY18. Partial vesting of Long Term Incentive awards were granted to executives as Average Return on Capital performance conditions were met between threshold and target.

We continue to show restraint in fixed remuneration, with our Chief Executive's fixed pay maintained at the same level for the fourth successive year. There were no pay rises awarded to key management personnel, except where there was a change in responsibilities or where required by law.

Director fees were also maintained at the same level.

Your Board declared a final ordinary dividend of 33 cents per share, 5 cents of which are franked. This brings the total dividend to 55 cents per share, up 3.5 cents per share on last year. This reflects a payout ratio of 56% of underlying earnings.

Governance, Culture & Sustainability

Moving to Governance, Culture and Sustainability.

2019 has witnessed significant discussion in the Australian business community on the importance of corporate culture and accountability, and how these factors shape behaviour and risk management. Your Board has followed this debate closely and shares the view that governance and strong internal cultures are indicative of well-run businesses.

Here at Orica, the centrepiece driving acceptable standards remains accountable leadership, a compliance culture based around the Orica Code of Business Practice and an organisational design underpinned by clear, consistent responsibilities contained in Group Policies, Standards and Procedures.

Our updated Board Reporting Framework will ensure that the information received by the Board reflects evolving community standards and governance best practice. We have also refreshed the terms of reference for the Board and Committees in accordance with the fourth edition of the ASX Corporate Governance Principles and Recommendations.

During the year we established a new Innovation and Technology Board Committee in support of Orica's investment in technology-led growth and to support the commercialisation of innovation.

In May the Board welcomed the appointment of Mr Boon Swan Foo as a Non-executive Director. He brings a deep understanding of a variety of industries and markets across Asia, including China and will be a great asset to the company.

And today we have announced that Mr John Beevers is also joining our Board. John worked for Orica for 27 years, and was CEO of GroundProbe in the five and a half years before we acquired it, so he knows our company intimately. His insights and extensive operational expertise will be of tremendous value as we enter our next phase of growth.

(pause)

In addition to our legal and regulatory requirements, Orica takes its social responsibility seriously.

We have identified a number of sustainability issues as being most material for our business, including safety, environmental protection, product security, climate risk, diversity and ethical conduct. We are working hard to make a meaningful impact in all these areas.

I am pleased to report solid performance across our sustainability commitments this year, which you can read more about in our 2019 Sustainability Report.

I am confident that our approach is creating a more resilient business aligned to our values, our commercial strategy and the expectations of our people and stakeholders.

Global Perspective

I would now like to turn to a more general issue which I believe offers challenges not only for your Company, but also for most Western economies. That is the decline in reasoned, articulate and productive discussion and debate, at every level of society.

Thirty years after the fall of the Berlin Wall, where there was great hope for a future united world, we are now tearing ourselves apart in a frenzy of self-righteousness.

Sadly, the attitude of “I am right and I’ll shout down anyone who disagrees” is becoming increasingly prevalent.

The explosion of social media and communication technology has led to a proliferation of such single-sided views, where people simply listen to their own echo chamber, and are intolerant of the views of others.

This phenomenon is widespread, be it through identity politics, the climate change debate or even Australia’s approach to China, where some focus solely on security without looking at the broader trading relationship.

Part of this trend has manifested itself in an extreme pessimism.

Certainly, as ever, there are a number of important issues for the global community to solve, but if we do solve them one can conceive of a very positive future for human kind.

For example, the development of storage technology, specifically industrial scale storage of power – including better batteries – will inevitably lead to much more prevalent use of renewable energy.

With respect to education, already software enables people in remote parts of the world to access lectures at some of the best universities on their mobile phones.

Continued evolution of economies in China, India and hopefully Africa will lead to a massive reduction in poverty.

As prosperity increases population growth will slow.

In medicine we are fast approaching a time when genomic based personalized medicine will be available at a reduced cost and will lead to a substantial reduction in major diseases.

Better food technology will reduce hunger.

Self-driving cars and robotics and algorithms will enable much more efficient and safer transportation.

All of this leads to empowerment of individuals and less dependence on governments.

So in terms of climate change, education, communication, poverty alleviation, population growth, medicine, transportation, and food it is possible to perceive of a much better world within quite a short period of time.

However, for the world to evolve to such a more positive future requires cooperation, understanding and most importantly compromise.

Compromise is the common, necessary ingredient for every sort of human interaction. From families to sporting teams, to volunteer organisations, corporations, governments, public services, and countries.

And this requires more involvement in the institutions of a civil society, not less.

The current trend at international level for trade wars, isolationism, and tariff barriers is very troubling in that context. From Australia's point of view in particular we need to nurture our relationship with China and whilst we will always have differences of opinions, it needs to be in the context of our broader common interest.

At Orica we see ourselves on the side of the problem solvers and solution bringers and we will continue to work to support policies and relationships which pursue the common good rather than short term single issue interests.

Conclusion

Before I invite Alberto to the stage to talk about our financial and operational performance in more detail, I would like to reiterate my views about this terrific company and the bright outlook ahead.

The positive results we are presenting to you today are the result of all the hard work of previous years. We have the right strategy and the right people to deliver that strategy.

The creativity and enterprise shown by our people, and the investments we've made to strengthen our core and develop world-leading technologies, will drive us to even greater success.

On behalf of the Orica Board, I'd like to thank you, our shareholders, for your continued support. And we also thank the executive team and our colleagues right around the world for a year of significant progress and achievement.

I now welcome your Managing Director and Chief Executive Officer, Alberto Calderon, to address you.

Alberto Calderon, Managing Director and Chief Executive Officer

Thank you, Chairman, and thank you to our shareholders for joining us today, both here in Melbourne and on the webcast.

This morning I will talk about our performance over the past year and the outlook for FY20.

Safety

I will start, as I always do, with safety.

The first, and most important, of our values is that we all return home, safely, every day.

I am pleased to report that, once again, there have been no fatalities across the Group.

During the year, a global pilot for Major Hazards Management process was launched which seeks to take the day-to-day management of Major Hazards to the next level.

In the 2019 financial year over 9,300 Key Control Verifications were conducted and consistently verified that the major hazard key controls were 100% effective, 100% of the time.

As you may already be aware, we have complemented our traditional Total Recordable Injury Frequency Rate measure with a new metric called Serious Injury Case Rate.

This measure, which includes personal injury and illness incidents that result in an actual serious impact, has been stable on previous years.

We have seen a small increase in our Total Recordable Injury Frequency Rate. This was due to an increase in low severity injuries, with the vast majority of these events being at the lower end of the severity spectrum.

Nevertheless, we always can do better, and making Orica an even safer place to work remains our number one priority.

FY19 Financial Results

Financially, this is pleasing set of results. Our growth drivers are starting to deliver and we are seeing continuing momentum in profitable growth.

(As Malcolm noted) Earnings before interest and tax increased by 8% to \$665 million with explosives volumes increasing by 4% to 3.97 million tonnes.

Each of the regions delivered a strong result, particularly Europe, Middle East and Africa with an increased EBIT of 24% and a growing market share right across Australia Pacific and Asia. Growth in the Canadian market in North America and the earlier than expected business recovery in Latin America also contributed to the result.

Our long-term strategic investment in research and development is seeing increasing customer adoption of our expanding best-in class technology solutions.

Our wireless detonator, WebGen, and digital blast management platform, BlastIQ, passed several important commercial milestones over the year.

We are particularly pleased with the ongoing strong performance of our GroundProbe business which continues to track ahead of expectations.

And, after several years of management focus, the Minova business has also delivered a significantly improved result in this period.

Progress on rectification at the Burrup plant continues and the plant is expected to be fully operational in the second half of the 2020 financial year. The strategic value of having production close to our customers in the Pilbara region remains very strong.

We continue to make good progress in making Orica a more efficient and effective business. Reliability and utilisation of our manufacturing plants globally have improved and our focus on cost management is delivering results.

People and Capability

Our most important and valuable asset is, of course, our people.

We work hard to build and develop our teams right across the breadth and depth of Orica, and the positive momentum we are seeing on every front is due to them.

During the year we conducted an Organisational Health Survey, and were encouraged that the majority of our people around the world took the opportunity to give us their feedback.

Key findings included that our workforce is positive and engaged, and our safety culture is strong.

While these are very pleasing results, we always strive to do better and will use the data to identify areas where we can further improve engagement and productivity.

Outlook

Looking ahead, the outlook is good.

Growth in the core engine remains positive.

Mining of all major commodities is forecast to increase globally in the coming years.

With strip ratios continuing to climb, miners are having to remove increasing volumes of overburden to access the underlying valuable ore.

The world is expected to extract around 3.6 billion tonnes more material in 2023 compared to what was achieved last year.

Furthermore, mining is becoming increasingly more difficult.

Ore deposits are becoming harder to access, often found in remote, difficult-to-reach parts of our world, and sometimes in the harshest of settings.

This is where Orica's technical expertise, logistics network, world-class technology and proven experience sets us apart.

For our customers, this means we can anticipate their needs in advance and deliver integrated solutions that create safer, more predictable and more productive blast outcomes.

For you, our shareholders, we will create more value by delivering an even more efficient and effective core business, while at the same time driving our technology growth engine where we can expect high double-digit growth and margins well beyond what the core can achieve.

So, we expect the momentum in profitable growth this year to continue into 2020, with higher EBIT underpinned by further penetration of our technology-based solutions, increased demand across all regions and an operational Burrup plant in the second half.

A key initiative will be the final phase of the SAP project which will, alongside our embedded operating model, transform the way we work and unlock value for customers and shareholders.

And we are very excited about our recently announced partnership with Epiroc. Together we will develop a semi-automated explosives delivery system, enabling safer and more productive blasting operations in underground mines. We anticipate this being an important first step on an exciting journey toward automating the entire drilling and explosives charging process.

Conclusion

In summary, 2019 has been a year of important progress for Orica. After 12 months of diligent and focused effort, our company is a safer place to work, the momentum in profitable growth has continued and we are organisationally stronger.

Our long-term investment in new technologies means we are leading our sector towards the possibilities of mining's digital future, delivering sustainable growth and more value to our shareholders.

This positive result and outlook are the result of long-term investments of time and resources by my leadership team and our people, building a safer and more resilient business.

I thank them for their dedication and commitment, and thank you, our valuable shareholders for your ongoing support.

I look forward to continuing our work.

The Chairman then moved to the formal items of business.

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ABOUT ORICA

Orica (ASX: ORI) is the world's largest provider of commercial explosives and innovative blasting systems to the mining, quarrying, oil and gas and construction markets, a leading supplier of sodium cyanide for gold extraction, and a specialist provider of ground support services in mining and tunnelling.

For more information about Orica, visit: www.orica.com