



# ON SOLID GROUND

2010 BUSINESS OVERVIEW





**ORICA'S CORE STRATEGY IS TO  
BE THE GLOBAL LEADER IN THE  
PROVISION OF HIGH SERVICE,  
CRITICAL CONSUMABLES TO THE  
MINING AND INFRASTRUCTURE  
MARKETS...**

# GLOBAL REACH

## ORICA MINING SERVICES

**AMMONIUM NITRATE**  
 Bacong (Philippines)  
 Bontang (Indonesia)  
 Carseland (Canada)  
 Geneva (USA)  
 Kooragang Island (Australia)  
 Monclova (Mexico)  
 Rayong – TNC (Thailand)  
 Yarwun (Australia)

**INITIATING SYSTEMS**  
 Ankara (Turkey)  
 Antofagasta (Chile)  
 Bogota (Colombia)  
 Brownsburg (Canada)  
 Capetown (South Africa)  
 Chambishi (Zambia)  
 Cuatro Cienegas (Mexico)  
 Dubai (UAE)  
 Gomia (India)  
 Gyttorp (Sweden)  
 Havana (Cuba)  
 Helidon (Australia)  
 Karella (Russia)  
 Limay (Philippines)  
 Lorena (Brazil)  
 Minden (USA)  
 Nanling (China)  
 Panagyurishte (Bulgaria)  
 Tappen (Canada)  
 Troisdorf (Germany)  
 Ust-Kamenogorsk (Kazakhstan)  
 Valencia (Venezuela)  
 Weihai (China)

**R&D**  
 Brownsburg (Canada)  
 Denver (USA)  
 Gyttorp (Sweden)  
 Kurri Kurri (Australia)  
 Troisdorf (Germany)

**MINOVA**  
**RESIN**  
 Beijing (China)  
 Bluefield (USA)  
 Essen (Germany)  
 Georgetown (USA)  
 Grand Junction (USA)  
 Hyderabad (India)  
 Johannesburg (South Africa)  
 Karaganda (Kazakhstan)  
 Kemerovo (Russia)  
 Leninsk Kusnezsk (Russia)  
 Mackay (Australia)  
 Makeyevka (Ukraine)  
 Nowra (Australia)  
 Siemianowice Slaskie (Poland)

**BOLTS**  
 Bottrop (Germany)  
 Bowerston (USA)  
 Carspach (France)  
 Clearfield (USA)  
 Grundy (USA)  
 Marion (USA)  
 Perth (Australia)  
 Polkowice (Poland)  
 Proctorville (USA)  
 Santiago (Chile)  
 Smithfield (Australia)  
 Stoney Creek (USA)  
 Taian (China)  
 Truskolasy (Poland)

**R&D**  
 Bowerston (USA)  
 Essen (Germany)  
 Katowice (Poland)

## ORICA CHEMICALS GROUP

**MAJOR CHEMICAL PLANTS**  
 Adelaide (Australia)  
 Botany (Australia)  
 Deer Park (Australia)  
 Heybridge (Australia)  
 Laverton (Australia)  
 Morrinsville (New Zealand)  
 Morwell (Australia)  
 Noble Park (Australia)  
 Perth (Australia)  
 Port Kembla (Australia)  
 Wyong (Australia)  
 Yarwun (Australia)

**BLENDING & REPACKING**  
 Mt Maunganui (New Zealand)  
 Timaru (New Zealand)  
 Antofagasta (Chile)  
 Santiago (Chile)  
 Yarraville (Australia)





# ABOUT ORICA

Orica is one of the largest and most successful global, Australian-based public companies operating in more than 50 countries with customers in twice that number. Orica employs more than 14,000 people worldwide.

The business has evolved to become a worldwide manufacturer, supplier and service provider to mining, construction and infrastructure industries. Consisting of three business units, Orica's core strategy is to be the global leader in the provision of high service, critical consumables to the mining and infrastructure markets, leveraged to long-term increases in production and development volumes.



## ORICA MINING SERVICES

Global market leader in the supply and servicing of commercial explosives and blasting systems to the mining, quarrying and infrastructure sectors.



## MINOVA

Global leading manufacturer and supplier of strata support systems, ventilation, water control and geotechnical solutions to underground mining and tunnelling markets.



## ORICA CHEMICALS

# SOLID GROWTH



This year has seen Orica focus clearly on the resources and infrastructure sectors. It has been a year of change where we demerged DuluxGroup and maintained our commitment to deliver strong profit growth for shareholders. For the ninth year in a row we are reporting record underlying profits.

#### OUR STRATEGY IS CLEAR:

- We seek to achieve leadership positions in each of our chosen businesses;
- We ensure our businesses earn the right to grow; and
- We stay close to our core businesses.

Orica's core purpose is providing "Clever solutions to help our customers harness natural resources to improve people's lives". This purpose will focus us on providing excellent service to our customers and in the process delivering top quartile profit returns for our shareholders.

#### DEMERGER OF DULUXGROUP

During the year we demerged DuluxGroup and thereby set it free

to navigate its own course. The demerger will be good for both companies and we wish DuluxGroup every success.

#### MANUFACTURING GROWTH

Growing and renewing our manufacturing base for the future has been a key focus in the past year. The construction of a new 300,000 tonne per year ammonium nitrate plant at Bontang, Indonesia, is broadly on time and within budget and will open in late 2011. At Kooragang Island, Australia, we have approved the uprating of our ammonia plant and pre-sanction work is under way to uprate ammonium nitrate capacity.

In China, we are building a new world scale detonator plant in Hunan Province. At Yarwun, Australia, sodium cyanide capacity is being increased by 15,000 tonnes per annum.

Orica continues to look for capital growth opportunities. Where a project is strategically sensible and meets our financial hurdle rates we have the financial capacity and resources to move quickly and prudently.

#### GREAT PEOPLE

Our people are our greatest strength. We have 14,000 employees in over 50 countries. All of our employees are dedicated to the "Deliver the Promise" culture and to serving the business' stakeholders with the highest standards of integrity.

Safety and the environment are key focuses of the group. Ensuring that every Orica employee who comes to work healthy, goes home the same way, is paramount. We are striving for two aspirational goals, "No Injuries to Anyone Ever" and "No Harm to People and the Environment".

We continue to work to remediate environmental issues generated by past practices, particularly at the Botany, Australia site. The groundwater treatment plant is operating effectively, ensuring that the polluted groundwater is contained and treated. We hope to export the first shipment of Hexachlorobenzene (HCB) waste for destruction in Europe before the end of 2010.

During a year of great change we are proud of the way our people have managed the business. We have achieved another year of record profit while continuing to position the business for future sustainable growth. As the global economy recovers, Orica is well placed to continue to provide superior returns to our shareholders.

**Graeme Liebelt**  
Managing Director

# HIGHLIGHTS

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## NPAT\*

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**\$676m**

UP 5% ON 2009

## PRODUCTIVITY

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**66.9%**

2.4% IMPROVEMENT ON 2009

## EPS\*

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**\$185.6¢**

UP 6% ON 2009

## DIVIDEND

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**95cps**

TOTAL ORDINARY DIVIDEND  
PER SHARE

## EBIT\*

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**\$1.1b**

UP 2% ON 2009

\* Before individually material items

# A SOLID FUTURE

Orica today is a markedly different Orica to that which existed even as recently as five years ago. Over that time, through a series of acquisitions, investments and divestments, we have sharpened our focus on providing high service critical consumables to the global mining and infrastructure sectors. It's a very deliberate strategy to position ourselves as the global leaders in markets offering long-term, sustainable, above-average growth.

## FOCUS ON MINING AND INFRASTRUCTURE SECTORS

We have significantly expanded our Mining Services business through the Dyno Nobel acquisition and capital investment in numerous organic growth opportunities.

Through the acquisition of Minova and Excel Mining, Orica became the global leader in the supply of ground stabilisation systems to the mining and infrastructure markets, and we have grown our Mining Chemicals business through investment in manufacturing capacity.

Through these deliberate steps, Orica has evolved with a strong focus on the mining and infrastructure sectors. Orica Mining Services, Minova and the Orica Mining Chemicals businesses now collectively generate approximately 90 percent of Orica's operating earnings.





### LEVERAGED TO PRODUCTION VOLUMES

Our positioning within the mining sector has also been very deliberate. Our mining businesses are focused on the mining and processing segments of the mining value chain. Activity in these segments is largely influenced by production volumes which tend to demonstrate low volatility, even in times of economic slow-down. Other segments of the mining value chain, such as exploration, tend to be highly volatile, and because of this, we keep our exposure to these sectors low.

Our businesses are therefore positioned to generate resilient earnings through market cycles, an outcome demonstrated in our solid financial performance and ability to deliver nine consecutive years of underlying profit growth.

### STRONG GROWTH POTENTIAL

Orica's focus on the mining and infrastructure markets is driven by the opportunities these markets offer in delivering long-term growth. This growth will come from:

- Strong demand for commodities, driven in part by the continued urbanisation of developing countries;
- declining ore grades and increasing strip ratios, which increase the intensity of use of our products;
- increasing safety standards and regulations, which is driving increased demand for safety focused

products such as those supplied by Minova, and higher quality products and service delivery, for which Orica is renowned; and

- strong growth in tunnelling, particularly in developing countries.

Orica is well positioned to capture the value that these long-term growth trends will create.

### A SOLID FUTURE

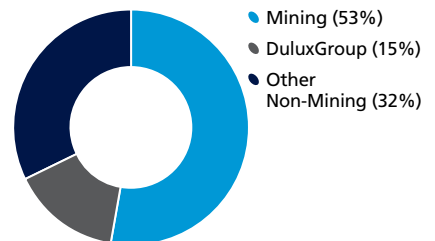
The company has global leadership positions, with a comprehensive suite of products and services, with unmatched application experience and know-how.

A strong balance sheet provides us with the flexibility to expand and grow. We have various manufacturing and geographic expansion opportunities in our pipeline, many of which are under way.

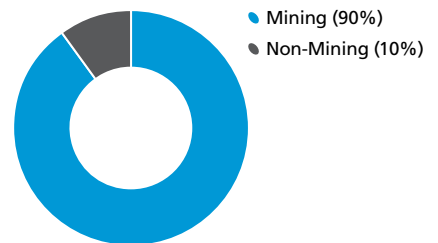
Orica is a technology leader with a focus on technical and service innovation. The company has the financial strength and technical expertise to maintain market leadership in an industry where demand for our products will grow.



### EBIT 2005



### EBIT 2010<sup>1</sup>



<sup>1</sup> From continuing operations before individually material items.

# A SOLID PURPOSE

Changes to the Orica portfolio in recent years has sharpened our focus on mining and infrastructure markets. Mining and infrastructure now accounts for more than 90 percent of our earnings, with all three business platforms significantly exposed to these markets.

## CORE PURPOSE

Now, more than anytime before, we are able to clearly articulate Orica's core purpose – a statement which explains WHY Orica exists and what makes us an important company in achieving society's aims. After extensive consideration of Orica's characteristics and beliefs, our Core Purpose has been defined as:

**"Clever solutions to help our customers harness natural resources to improve people's lives"**

**"Clever solutions"** – these words refer to the way in which Orica adds value for our customers through product and service innovation.

**"Help our customers"** – acknowledges that Orica is a customer focused, service based organisation, providing solutions at a business-to-business level.

**"Harness natural resources"** – speaks about the industries that we work with – mainly mining and infrastructure, but including others, such as agriculture.

**"Improve people's lives"** – these words are about the ultimate outcome of our activities, whether through the generation of electricity or through the manufacture of products. They reflect our commitment to environmental sustainability and the communities in which we operate, as well as the creation of economic value for our employees and shareholders.

The Core Purpose is complementary to our strategy and the "Deliver the Promise" principles.

## BUSINESS STRATEGY AND EXECUTION

Orica's core strategy is to be the global leader in the provision of high service consumables to the mining and infrastructure markets, leveraged to long-term increases in production and development volumes. This is WHAT we do. In executing this strategy we focus on four criteria which guide our success and growth:

- Market leadership – we aim to be a market leader in each of our chosen global and regional businesses.
- Invest in the "winners" – we grow our best performing businesses that meet financial performance targets and have earned the right to grow.



- Grow "close to the core" – we pursue opportunities in related businesses where we can leverage our knowledge and expertise and achieve synergies.
- We have relentless focus on growth and productivity in all of our businesses.

# CLEVER SOLUTIONS TO HELP OUR CUSTOMERS HARNESS NATURAL RESOURCES TO IMPROVE PEOPLE'S LIVES.



## CULTURE – DELIVERING THE PROMISE

Central to Orica's success are its people and culture. At Orica, we have established a high-performance culture that empowers and motivates our people to achieve long-term sustainable results. This is HOW we go about our business. Orica's culture is guided by the "Deliver The Promise" principles – four key principles that embody the attitudes, behaviours and ethics that are common to all employees.

- SH&E – Ensuring our Future
- Commercial Ownership
- Creative Customer Solutions
- Working Together

Orica's 14,000 employees are diverse in culture, language, geography and gender. Our company has a long history of supporting diversity and is a foundation member of the Diversity Council of Australia. A formal objective was established by the Orica Board in 2009 and this has helped to guide a strategic approach to enhancing the benefits of diversity across our global business.

With a core purpose, clear strategy and strong culture, Orica is well positioned to deliver value to our key stakeholders – our employees, our shareholders, our customers and the communities in which we operate.



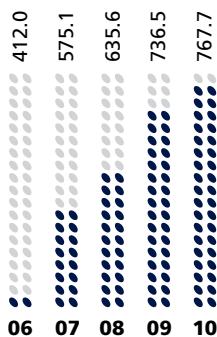
# MINING SERVICES

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***ORICA MINING SERVICES  
DELIVERED A RECORD RESULT  
IN 2010, WITH EBIT UP 4  
PERCENT TO \$768 MILLION.***



**ORICA MINING  
SERVICES EBIT (\$m)**



Orica Mining Services is the world's largest supplier of commercial explosives, blasting systems and blast-based services to the mining, quarrying and construction industries. The business has global reach with operations in 50 countries and customers in more than twice that number. Orica Mining Services has regional offices in Australia, Asia, Europe, the Middle East, Africa, North America and Latin America, with the global head office based in Singapore.



**FINANCIAL OVERVIEW**

Orica Mining Services delivered a record result in 2010, with EBIT up 4 percent to \$768 million. This was delivered despite adverse foreign exchange impacts of \$49 million. Volumes were flat versus the prior year, with improved volumes in Latin America, offset by lower volumes in other regions, in part due to heavier than usual rainfall.

The 2010 EBIT performance reflects strong margin and cost discipline across the business.

**YEAR IN REVIEW**

Highlights for 2010 included:

- Continued focus on business operating efficiencies, including the commencement of a global IT redesign project. Productivity initiatives continued across all regions, with various procurement, logistics and manufacturing programs delivering \$51 million in EBIT improvements in 2010.
- Renewal of long-term supply contracts for key raw materials, providing security of supply to our customers.
- Increased participation in growth markets through strategic acquisition activity in North America.
- Growth in innovative customer offerings, including Blast Based Services and Electronic Blasting Systems (EBS). EBS volumes improved 32 percent period on period.
- Ongoing investment in research and development, including the development of the world's first commercial wireless initiating system, the next generation of electronic blasting systems and potential game-changing blasting technology.

**GROWTH AND STRATEGY**

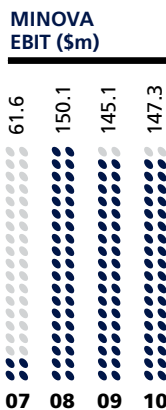
- Strategically well positioned for future growth with an increasing geographic footprint, innovative technology and strong customer value focus.
- Number one or number two in each of our traditional markets, servicing an industry growing faster than GDP.
- Continued investment in strategic assets including;
  - 300ktpa ammonium nitrate plant in Bontang, Indonesia planned to be commissioned in 2011;
  - uprate of ammonia facilities at Kooragang Island, Australia by 65ktpa;
  - planning for an ammonium nitrate expansion at Kooragang Island to 750ktpa; and
  - fully integrated non-electric detonator facility in China.
- Increased participation in emerging markets including China, Russia and Africa.
- Continued focus on long-term growth opportunities, including ammonium nitrate capacity expansion in Latin America.



# MINOVA

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***WITH A STRONG FOCUS ON TECHNICAL EXPERTISE AND INNOVATIVE CUSTOMER SOLUTIONS, THE BUSINESS IS WELL POSITIONED AS THE LEADING ROCK AND GROUND SUPPORT COMPANY GLOBALLY.***



Minova is a leading manufacturer and supplier of chemical-based consumables, bolts, equipment, accessories and services for ground consolidation, roof support, ventilation and water control to the underground mining, tunnelling and civil construction markets. With a strong focus on technical expertise and innovative customer solutions, Minova is well positioned as the leading ground stabilisation business globally.

#### FINANCIAL OVERVIEW

Minova delivered an improved result in 2010, with EBIT up 2 percent to \$147 million. This was delivered despite adverse foreign exchange impacts of \$15 million. Excluding the impact of foreign exchange, EBIT was up 13 percent versus the prior year. This result reflects improved EBIT margins, particularly in the North American business; recovery in the Eastern European markets, strong growth in China and the continued delivery of integration synergies. Demand conditions remained relatively subdued throughout 2010 in most markets, with volumes slightly recovering during the last quarter of the financial year.

#### YEAR IN REVIEW

Highlights for 2010 included:

- Geographic expansion in Latin America and Canada through small bolt-on acquisitions, leveraging the support of Orica Mining Services and Orica Mining Chemicals in these markets.
- Establishment of a dedicated management team for the tunnelling business with particular focus on high growth markets in Europe and Asia.
- Expansion of our product portfolio through acquisition of Weldgrip and 25 percent of FiReP.
- Continued strong growth in China. In 2010 we acquired the remaining 45 percent ownership of Ruichy Minova.
- Expansion of manufacturing capacity to support growing customer demand, with new plants opened in Ukraine (mining powders and resin capsules), China (bolts) and Australia (bolts). The Australian plant, located in New South Wales, is the world's first fully automated bolt plant, designed to reduce workplace injury and improve manufacturing efficiency.

- World class bolt technology centre in Bowerston, USA, to be opened early in the 2011 financial year. This centre is supported by research and development facilities in Essen, Germany and Katowice, Poland to provide customers with access to a global technology network.

#### GROWTH AND STRATEGY

- Increasing mine safety standards, particularly in developing markets, will continue to underpin strong growth in the sector. Minova remains well positioned to benefit from this trend.
- Global opportunities to expand the tunnelling business, with an initial focus on Europe and Asia.
- New chemical blending facility to open in China in the second half of 2011 to service the growing Asian market.
- Continued investment in development and commercialisation of next generation chemicals and bolts, including fibreglass bolts and dynamic rock support.



# CHEMICALS

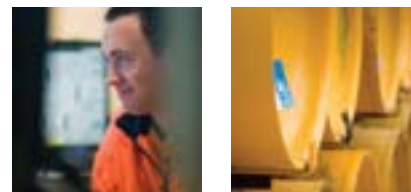
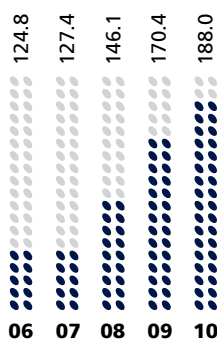
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**ORICA CHEMICALS DELIVERED  
A RECORD RESULT IN 2010,  
WITH EBIT UP 10 PERCENT TO  
\$188 MILLION.**



**ORICA**

**ORICA CHEMICALS**  
EBIT (\$m)



Orica Chemicals is a leading global supplier of sodium cyanide for use in gold extraction and is Australia and New Zealand's largest supplier of chemical products to mining, water treatment and other industrial markets. The group has seven business units: Mining Chemicals, Chemicals Australia, Chemicals New Zealand, Chemicals Latin America, Bronson & Jacobs, Watercare and Marplex.



**FINANCIAL OVERVIEW**

Orica Chemicals delivered a record result in 2010, with EBIT up 10 percent to \$188 million. This was delivered despite adverse foreign exchange movements and lower caustic soda prices, which together, reduced EBIT by \$22 million. Market conditions were mixed across the various businesses and regions: Mining Chemicals and Chemicals Latin America achieved strong EBIT growth from improved volumes and margins; market conditions in New Zealand and the agricultural and construction sectors in Australia remained subdued; whilst industrial, automotive and mining markets in Australia experienced a steady recovery.

**YEAR IN REVIEW**

Highlights for 2010 included:

- Chemicals Australia recorded steady growth across most markets, including industrial and mining, following the economic slow-down. New sodium hypochlorite capacity was installed at Botany, Australia and hydrochloric acid capacity was increased at Laverton, Australia to meet growing demand.
- Strong global demand for sodium cyanide continued to benefit the Mining Chemicals business. Record manufacturing volumes were achieved at the Yarwun, Australia sodium cyanide manufacturing facility.
- Strong growth was achieved throughout Asia for Bronson & Jacobs.
- Chemicals New Zealand successfully renewed a major supply agreement with Fonterra.
- Strong growth for Chemicals Latin America due to recovering industrial and mining markets.
- Completed delivery of planned synergies following the merger of Chemnet and Chemical Services.

**GROWTH AND STRATEGY**

- The business is well positioned for organic growth with an ongoing commitment to development of long-term partnerships and strong working relationships with customers and suppliers.
- Further development of Mining Chemicals business in Latin America and Africa.
- Planned sodium cyanide plant expansion at Yarwun to increase total capacity to 95ktpa, expected to be operational during 2011 to meet forecast market demand.
- New emulsifier raw material plant at Deer Park, Australia to be commissioned late 2010, improving the competitiveness of emulsifier supply globally.

# MANUFACTURING AND TECHNOLOGY

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Orica's solid financial performance and balance sheet strength has enabled the company to focus on long-term growth opportunities. We have continued to invest in manufacturing capacity, technology and innovation with a keen eye on the future. By investing today, Orica is developing a solid foundation on which to meet the needs of our customers tomorrow.

## MANUFACTURING CAPABILITY

Orica is currently investing in a number of manufacturing capacity expansion projects. These include:

- Ammonium nitrate expansion projects in Bontang, Indonesia and Kooragang Island, Australia.
- Ammonia capacity expansion at Kooragang Island, Australia.
- Sodium cyanide expansion at Yarwun, Australia.
- Resin and bolt capacity expansion in various locations within our Minova business.
- A new fully integrated non-electric detonator facility in China.

We also have other opportunities in the pipeline, including ammonium nitrate expansion at Yarwun, Australia and Latin America.

## TECHNOLOGY LEADERSHIP

Orica's commitment to research and development, both directly and in partnership with a wide range of research bodies, has made it a clear market leader in product and service innovation. Our investment in research and development is seven to eight times that of other industry players.

This investment creates significant returns. Through the development of market leading technologies, Orica has improved the efficiency, productivity and safety of our customers operations.

However, we do not stand still. Orica's recent breakthroughs in the development of wireless initiating systems and single-pass bolt installations demonstrate our clear focus on continued improvement and the provision of innovative solutions for our customers.

Orica's manufacturing capability and technology leadership are two key attributes which differentiate us from our competitors. We are proud of our progress in 2010.

**ORICA'S COMMITMENT TO RESEARCH AND DEVELOPMENT, BOTH DIRECTLY AND IN PARTNERSHIP WITH A WIDE RANGE OF RESEARCH BODIES, HAS MADE IT A CLEAR MARKET LEADER IN PRODUCT AND SERVICE INNOVATION.**



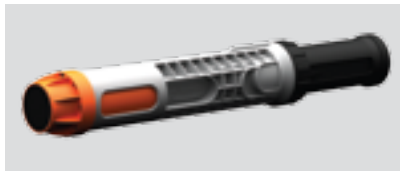
**BONTANG, INDONESIA**



With a strong existing business in Indonesia, and the mining industry in South East Asia and Australia forecast for growth, Orica has invested in developing a new ammonium nitrate plant in Bontang, Indonesia.

The 300ktpa plant commenced construction in 2008 and is scheduled for completion in late 2011.

**WIRELESS INITIATING SYSTEM**



Orica Mining Services has developed the world's first commercial wireless initiating system that has the potential to revolutionise modern mining methods.

The wireless initiation system removes the need for any wire or signal tubing to be connected to the detonator in the hole, or between detonators on the surface. The devices utilise one way communication through rock and can be operated a significant distance from the blast box.

The first technology of its kind, the wireless initiating system technology represents a paradigm shift in mine development methods. Its precise remote firing capability will allow new mining methods to be deployed that will positively impact both profitability and safety for customers. The applications range across underground mining, open cut coal and open pit hard rock mining, amongst others.

The wireless initiating system has been successfully trialled with commercialisation expected in the near future.

**QUICKBOLT**



Minova's Quickbolt concept integrates key Minova technology of bolts with resin capsules to enable single pass installation post-hole drilling.

The system has been developed to deliver productivity improvements in roadway advance, it will significantly improve installation time compared to standard methods.

The Quickbolt system eliminates resin mixing issues and ensures quality installation with resin every time. The elimination of personnel from the direct bolting area delivers improved safety benefits.

Trials and commercialisation of this innovative Minova product have begun with underground coal customers in Europe.

# FINANCIAL PERFORMANCE

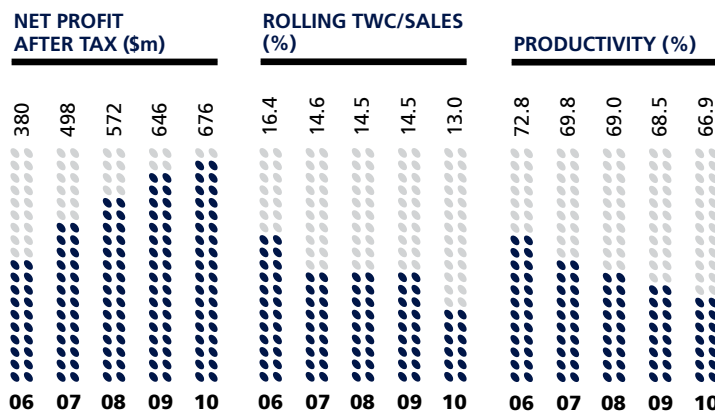
## MESSAGE FROM THE EXECUTIVE DIRECTOR, FINANCE

2010 represents Orica's ninth consecutive year of underlying profit growth. Our improved profitability was achieved against a backdrop of reasonably subdued global demand conditions, adverse foreign exchange movements and three months less earnings contribution from the DuluxGroup business (which was successfully demerged in July 2010). The 2010 result again demonstrates the importance of focusing on financial fundamentals of productivity, cost, cash management and cash conversion. This financial discipline will enable us to position the company well for longer-term growth.



FULL YEAR ENDED 30 SEPTEMBER (\$m)	2010	2009	%
Sales	6,539.3	7,411.0	(12)
EBIT <sup>1</sup>	1,101.4	1,082.5	2
Net profit after tax pre individually material items	675.8	646.1	5
Net profit after tax after individually material items	1,318.7	541.8	143
Net profit after tax from continuing operations <sup>1</sup>	618.8	556.8	11
Operating cashflow	803.7	854.9	(6)
Earnings per share (cents) <sup>1</sup>	185.6	174.6	6.3
Dividends per share (cents)	95.0	97.0	(2)
Gearing (%) <sup>2</sup>	22.4	21.6	3.9

1 Pre individually material items    2 Net debt/(net debt + book equity).



## **OUR DISCIPLINED MANAGEMENT, TALENTED WORKFORCE AND STRONG BALANCE SHEET POSITIONS THE COMPANY WELL FOR THE FUTURE.**



### **PRODUCTIVITY FOCUS**

It was most pleasing to see in 2010 further productivity improvements delivering an earnings benefit of \$64 million. This was delivered from a range of procurement, logistics and manufacturing efficiency programs across our businesses. Our productivity ratio, measured as total fixed costs to gross margin, improved to 66.9 percent, a 2.4 percent improvement over the prior year.

### **DISCIPLINED CASH MANAGEMENT**

Strong discipline in cash management was again a highlight in 2010.



Underlying trade working capital improved by \$46 million, with the rolling trade working capital to sales per cent improving to 13.0 percent from 14.5 percent in 2009. An outstanding result which reflects our disciplined and sustained focus on trade working capital management.

### **STRONG BALANCE SHEET**

Our balance sheet remains conservatively geared, which, given the continued volatility in financial markets, is a position we are comfortable with. It provides us greater flexibility to pursue our many organic growth opportunities. As at 30 September, 2010, net debt was \$1.1 billion, in line with the previous year, and gearing was 22.4 percent (27.8 percent adjusting for the Step Up Preference Shares). Bank debt facilities totalled \$2.3 billion, of which \$0.3 billion had been drawn. Interest cover was strong at 7.5 times.

Orica further strengthened its liquidity position in October 2010 when it received proceeds of US\$600 million following a successful Private Placement in US debt markets. This included 10, 12, 15 and 20 year notes with a weighted average pricing across all notes of 4.82 percent. This was an outstanding result and demonstrates the confidence that investors have in Orica's performance and strategy.

During the year, we also established two separate 10 year facilities totalling approximately A\$120 million with the support of Australia's Export Credit Agency, Export Finance and Insurance Corporation (EFIC) and Germany's Export Credit Agency, Euler Hermes to assist with our investment in the

construction of the Bontang ammonium nitrate facility in Indonesia.

These debt facilities have increased the average tenor of our financing arrangements, providing a better match to our growth profile.

We have continued to invest considerably in various growth projects. In 2010 we spent \$350 million on organic growth projects and \$181 million on acquisitions. The large-scale investments currently underway include the Bontang ammonium nitrate project; the Kooragang Island ammonia and ammonium nitrate expansion projects; the Yarwun sodium cyanide uprate project; and the Nanling project in China. We have many other growth opportunities in the pipeline.

### **A SOLID PERFORMANCE**

2010 was a year which posed significant challenges for Orica, but one where Orica has continued to perform well and deliver improved returns for shareholders. Return on shareholders funds improved to 18.3 percent from 16.0 percent (excluding individually material items) and after adjusting for the lower earnings contribution from DuluxGroup, dividends have continued to increase. Our disciplined management, talented workforce and strong balance sheet positions the company well for the future.

#### **Noel Meehan**

Executive Director, Finance

For additional information, please read our 2010 Annual Report which is available online at [www.orica.com](http://www.orica.com).

# SUSTAINABILITY

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Orica's safety, health and environment (SH&E) vision is to become a business that does no harm to people and the environment. Our continued success as a business is underpinned by a commitment to take care of the safety of the people we work with and the communities in which we operate.

## WE ARE STRIVING TO BECOME:

- Carbon neutral – no net generation of greenhouse gases to the atmosphere.
- Water neutral – no net consumption of potable water.
- Zero waste – no net generation of waste to landfill and develop innovative ways to prevent, reduce, reuse and recycle by-product streams.
- Environmentally friendly – operations, products and services that have no unintended consequences to the environment and the community in a commercially responsible way with *'No injuries to anyone, ever'*.

## YEAR IN REVIEW

- A new global Environmental Performance Management System was introduced to report energy and water use, greenhouse gas emissions and production. The online system improves the reliability of our environmental data and enhances monitoring capability across our manufacturing operations.
- We continued our involvement with industry bodies, including PACIA and Responsible Care® and conducted regular performance benchmarking across our industry.
- Orica Mining Services Australia successfully piloted a comprehensive fatigue management program to improve driver safety among employees and contractors.
- Our Expert Panels continued to oversee the design and control of our major hazard processes. This year, Minova and Orica Mining Services worked together to produce updated Underground Safety guidelines. Orica Mining Services also formed a new Expert Panel for Surface Mining activities.



**OUR CONTINUED SUCCESS AS A BUSINESS IS UNDERPINNED BY A COMMITMENT TO TAKE CARE OF THE SAFETY OF THE PEOPLE WE WORK WITH AND THE COMMUNITIES IN WHICH WE OPERATE.**



- The Orica Kooragang Island site in New South Wales, Australia, is in negotiations with Hunter Water for the development of a Recycled Water Facility.
- We exceeded our Challenge 2010 targets for greenhouse gas emissions, water consumption, waste generation and energy consumption.
- We continued our community involvement through project support and funding, particularly in areas in and around our operations, including outreach programs in the Philippines, Papua New Guinea, Russia and Poland. Our employees are encouraged to participate in fundraising events around the world, resulting in donations to disaster relief efforts, charity organisations and local schools.

**FUTURE DIRECTION**

- We remain committed to our goal of achieving *'No injuries to anyone, ever'*.
- We continue to work towards building a more sustainable future for the company.

For more information, please read the 2010 Sustainability Report online at [www.órica.com/sustainability](http://www.órica.com/sustainability)



# SPONSORSHIP

Orica operates a corporate donations program that is funded to the equivalent of dividends payable on a shareholding of 0.5 percent of ordinary Orica shares.

Donations are made in accordance with published criteria at the direction of the Corporate Governance and Nominations Committee of the Orica Board. Broadly, there are three areas of focus for donation: the Environment, Science and Engineering and Education with a particular emphasis on science education.

Funds are also allocated to support the employee workplace giving program, called "Dare to Share," by matching donations up to a certain value, across all of the twelve charities selected by our employees to receive donations under the program.

In 2010, Orica supported the following organisations:

**Habitat for Humanity®** whose vision is to build decent, affordable houses in partnership with those in need of adequate shelter. Orica was HFH Australia's International sponsor.

**Landcare Australia** whose projects address issues such as salinity, soil erosion, weed control, and improving water quality and efficiency, via the LandCare Gardening initiative.

**Foundation for National Parks and Wildlife** funding for two projects, Botany Bay North National Parks Walking Track and the Botany Bay, Towra Point National Park, Georges River – Identifying Endangered Species.

**The Australian Science Media Centre (AusSMC)** which supplies high quality and timely scientific information to journalists.

**The Nature Conservancy** provides a strategic, science based approach to conservation, identifying and protecting the highest-priority places. Orica is supporting three projects, Shifting Burning Regimes in Northern Australia, Lomas de Atiquipa Reserve – Peru, and the Mediterranean Chile Conservation Program.

**National Youth Science Forum** camps for 450 of the nation's best and brightest Year 12 science students to foster the next generation of leading science researchers and practitioners.

**The Australian Academy of Technological Sciences and Engineering (ATSE)** – The Science and Technology Education Leveraging Relevance (STELR) project to provide curriculum materials for secondary science courses.

**A scholarship program** for undergraduate students in areas of study related to Orica's business.

Orica does not make political donations.



The Kooragang Island Community Reference Group.

# SHAREHOLDER INFORMATION



## CORPORATE GOVERNANCE

The Board and management of Orica are committed to conducting the company's business ethically and in accordance with high standards of corporate governance. We believe that good corporate governance practices protect and enhance long-term shareholder value.

Orica's corporate governance policies and practices, which are continually refined and improved, comply with the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations.

Additional information about the company's corporate governance practices can be found in our Corporate Governance Statement in the 2010 Annual Report which is available online at [www.orica.com](http://www.orica.com).

## SHAREHOLDER COMMUNICATION

At Orica, we continually seek to provide open, timely and relevant information to all our shareholders, regardless of their location or the size of their shareholding. Details of the latest share price, announcements to the ASX, investor and analyst presentations, webcasts and annual reports can be viewed on the company's website at [www.orica.com](http://www.orica.com). The website also provides information about the company and offers insights into Orica's businesses.

We can now provide electronic dividend statements, notices of meeting and proxy forms. Electronic transmission enhances shareholder communication, results in significant cost savings for the company and is more environmentally friendly.

Shareholders wishing to receive all communications electronically can register their preference, as well as update their personal details, via the Orica website, [www.orica.com/registry](http://www.orica.com/registry). Shareholders still have the option of receiving the Annual Report by mail and should select the appropriate communication delivery method via the Orica website if they wish to exercise that option.



## 2011 IMPORTANT DATES\*

**2 May 2011** – Orica half year profit and interim dividend announced

**7 November 2011** – Orica full year profit and final dividend announced

**15 December 2011** – Orica Annual General Meeting 2011

\* Timing of events is subject to change



**ORICA LIMITED**

ABN 24 004 145 868

Postal address:

GPO Box 4311

Melbourne, Victoria 3001

Australia

Registered address and head office:

Level 3, 1 Nicholson Street

East Melbourne, Victoria 3002

Australia

Tel: +61 3 9665 7111

Fax: +61 3 9665 7937

Email: [companyinfo@orica.com](mailto:companyinfo@orica.com)

Website: [www.orica.com](http://www.orica.com)

Monza Recycled is Certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Protocol and ISO 14040 framework. Monza Recycled contains 55% recycled fibre (25% post consumer and 30% pre consumer) and FSC Certified pulp, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill. Monza Recycled is an FSC Mixed Sources Certified paper.

