Incitec Pivot Limited

Office of the Company Secretary

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23 December 2009

The Manager
Company Announcements Office
Australian Securities Exchange
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525 Collins Street
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Dear Sir or Madam

Electronic Lodgement

Chairman's Address to Shareholders at 2009 AGM

In accordance with the listing rules, I attach a copy of the Chairman's Address to Shareholders for release to the market.

Yours faithfully

Kerry Gleeson
Company Secretary

Attach.

Incitec Pivot Limited

INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
23 DECEMBER 2009

SPEECH BY THE CHAIRMAN, JOHN WATSON, AM

Ladies and gentlemen, I am pleased to report on a year in which Incitec Pivot Limited demonstrated the fundamental strength of its business strategy and the resilience and commitment of our employees.

The Company has further transformed over the past four years and we now have a better balanced business, in terms of revenue streams, our exposure to end markets and our geographic spread. For example, in terms of end markets, in 2009, more than half our revenue was generated in explosives, one third in fertiliser sold into the Australian market and the balance in fertiliser traded into global markets.

Looking at geographic spread, around 40 % of our revenue came from Australia, 40 per cent from North America and the balance from Asia. In 2009, approximately half our revenue was from explosives and half from fertilisers. In comparison, in 2005, 100 per cent of our revenue was from fertiliser distributed in Australia.

This is the 90th anniversary of the company's incorporation in 1919 and we have seen few more extraordinary years in terms of the international economic environment. It was also an important year in terms of senior management at Incitec Pivot, with the appointment of James Fazzino as Managing Director & CEO.

My fellow directors and I were pleased to appoint James to the role following his outstanding performance as Finance Director & Chief Financial Officer. James joined IPL in 2003, and became a member of the Board in 2005. In that time, he has shown his capability, drive and commitment to IPL. On a personal note, let me say that I have enjoyed working with James both as a senior executive and as a fellow director and I look forward to working together in the years ahead.

There are a couple of observations I would like to add. First, the appointment of James validates the Board's succession planning. It is pleasing to see the results of encouraging and fostering our people to grow their careers within the Company. In addition, the appointment of Frank Micallef as Chief Financial Officer was an internal appointment and both James and Frank are fulfilling their new roles with distinction.

This reinforces the second point that I wish to make – the quality of our senior management team. James heads an Executive Team, many of whom are here today, who are the same leaders that have delivered the outstanding results that shareholders have enjoyed over the past half decade. For example, over the three years to 30 September 2009, IPL delivered total shareholder returns of 42 per cent per annum, outperforming the S&P/ASX 100 Accumulation Index which delivered 2.1 per cent per annum over the same period.

Looking back on 2009, the Company's underlying profit for the Full Year to 30 September 2009 was $347.8 million. However, after the inclusion of Individually Material Items, we declared a loss of $179.9 million. Despite the loss, IPL paid a final unfranked dividend of 2.3 cents per share, taking the total 2009 dividend to 4.4 cents per share, 48 per cent franked. Consistent with Board policy, the 2009 dividend returns all available franking credits to shareholders and represents a pay-out ratio of 20 per cent of NPAT excluding individually material items.

The Individually Material Items in the 2009 Result mainly related to a non-cash writedown of Dyno Nobel goodwill of $491 million. Let me emphasise that the non-cash writedown should not be seen as any indication that Dyno Nobel is not performing to expectations. I would like to take a moment to explain to you the basis of the writedown and give you an overview of the performance of Dyno Nobel during the year.

The largest factor contributing to the writedown was the requirement in Accounting standards to revise the Weighted Average Cost of Capital consistent with current debt and equity risk premiums, which have increased following the global financial crisis. The 50 basis point increase in the Weighted Average Cost of Capital, used to discount the forecast cash flows of the Dyno Nobel business, resulted in approximately $320 million of the $491 million write-down. The remainder of the writedown related to adopting a more conservative view of the near term cash generated by the business. This reflects the current cyclical softness in the US economy. We've been conservative in our cash flow assumptions and are comfortable with the carrying value on the September 2009 balance sheet. As the writedown was a non-cash accounting entry, it doesn't impact our compliance with banking covenants.

In this context, the Company achieved some important milestones in the Board's capital management strategy over the past two years. Key objectives of our strategy were to achieve an investment grade profile and to diversify our sources of debt, and increase the spread of maturity profiles. During the year, we had three ratings agencies, Moody's, Standard and Poor's and Fitch, award investment grade credit ratings to IPL.

In terms of diversity in sources and maturity of our debt, we have achieved this through a range of funding vehicles. In September last year, we entered into a syndicated bank facility of $1.7 billion involving a number of Australian and international banks.

You will recall that 12 months ago, we initiated the successful equity raising encompassing institutional and retail shareholders, raising approximately $900 million. This was primarily to refinance the bridge facility which was put in place for the acquisition of Dyno Nobel. As you are aware, the Dyno Nobel acquisition was achieved substantially through a scrip-based offer, again demonstrating appropriate capital management.

Finally, earlier this month, we arranged an $800 million US debt issue in the United States 144A bond market. The fixed rate senior unsecured notes were issued with a coupon of 6 per cent for a term of 10 years. The funding will be used primarily to repay the remaining $352 million balance of, and cancel, the Company’s Working Capital Facility entered into in March 2009. The additional proceeds will be used to repay a portion of the Syndicated Facility, which I mentioned earlier. These capital management initiatives have significantly increased the average tenor of the Company’s debt and diversified our sources of funding. Today, we have $1.4 billion in undrawn capacity against committed facilities.

I would now like to give you a brief overview of the performance of the business. Dyno Nobel’s earnings were up by 27 per cent in US dollar terms, and 55 per cent in Australian dollar terms, in the middle of the worst financial market dislocation since 1930. This was particularly the case in North America where volumes in all business segments were down. The performance of the business, I believe, reflects the quality of Dyno Nobel’s market position, assets and people, and our ability to improve efficiency via the Velocity program. Velocity is driven by employees suggesting innovative ways of improving business performance.

Dyno Nobel’s Asia Pacific operations have performed well in an environment where, despite depressed market conditions, demand has grown and our volumes increased by 26 per cent. This demonstrates further that Dyno Nobel is a solid business and is positioned to be ready for the economic recovery, when it inevitably occurs.

Incitec Pivot Fertilisers, our fertiliser distribution business, was impacted by both the global financial crisis and the continued drought in Australia. Fertiliser prices, which reached unprecedented highs in mid-2008 as a result of global market forces, returned this year to levels around or below longer-term trends. But this did not result in increased sales as farmers remained cautious because of international soft commodity prices. Incitec Pivot Fertilisers experienced a 29 per cent contraction in sales volumes on the east coast. Despite this, we retain confidence in Incitec Pivot Fertilisers’ value proposition as exemplified by the fact that we were able to maintain our market share on east coast Australia due to the efforts of our people and the quality of our products.

It is worthy of note that 100 per cent of EBIT in the fertiliser business came from manufacturing, primarily from Gibson Island and Southern Cross. This underlines the Own The Product approach which has been a cornerstone of our strategy over the past four years.

With the decreased local demand for fertiliser, an increased volume was exported, confirming the value of our trading business, Southern Cross International, another key element of our strategy. However, overall sales and revenue for Southern Cross International were down on last year, as international fertiliser trading was impacted by the economic environment. We have confidence in the potential for international trading to make an increased contribution to the business and have recently extended our footprint with a majority-owned joint-venture called Quantum Fertilisers, based in Hong Kong.

Successful delivery on the strategy is dependent upon attracting and retaining executives of quality. As I stated earlier, we are fortunate to have an outstanding Executive Team, led by James, and it is essential that we have a remuneration strategy to attract and motivate employees of the highest calibre. The elements of the remuneration strategy are set out in extensive detail in the Annual Report.

In short, the remuneration strategy is composed of fixed pay as well as short-term and long-term incentive programs, having regard to the performance of the Company and that of the individual executive or employee. An important principle in the incentive plans is that the reward criteria are directly related to shareholder value.

The remuneration strategy was developed following a comprehensive review by the Board which included independent expert advice on the long term incentive plan. The Board, in agreement with its executives, set a challenging measure for total shareholder returns. The performance rights vest in full only if IPL delivers total shareholder returns – or TSR - of 20 per cent per annum compounded over a three-year period.

In communicating with shareholders, there have been suggestions from some that perhaps absolute TSR is too harsh and that the remuneration measure should be set as a relative TSR. Firstly, let me explain the difference. Our Absolute TSR target means that IPL executives must deliver a 20 per cent return to shareholders in dividend and share price increase every year, no matter the market or economic environment. Relative TSR means that as long as IPL delivers a return that is better than another random group of companies, the executives receive their incentives. Under relative TSR, it is possible that executives would receive incentive payments for presiding over a falling share price and destroying shareholder value, as long as the comparison group was worse! We don't see the shareholder benefit in that outcome.

Another consideration would be the problem of finding a group of companies with which to compare our performance under a relative TSR approach. There is no other company quite like IPL in terms of our businesses, let alone a range of companies. The Board does, however, keep an open mind on being able to respond to changing circumstances in relation to Executive Remuneration to ensure it remains competitive and positions the Company to attract, retain and motivate high performing people.

I would like to take this opportunity to thank my fellow directors for the level of commitment they bring to their roles and the level of counsel they bring to the Board table. In speaking of commitment, I want to express the gratitude of the Board to the 4500 IPL employees who have demonstrated again that they can deliver in even the toughest circumstances.

I said at the beginning of my presentation that if there was ever a year to test commitment and resilience of a business, 2009 was that year. Based upon our performance in the past year, I believe that we can look to the future with confidence.

Finally, I thank you for your attendance here today and wish you all a safe and happy festive season.

John Watson, AM
Chairman

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INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
23 DECEMBER 2009

SPEECH BY THE MANAGING DIRECTOR & CEO, JAMES FAZZINO

Thank you, John.

Ladies and Gentlemen.

I am delighted to be presenting this address as the Managing Director & CEO of Incitec Pivot Limited. In almost seven years with the Company, I have developed an unqualified respect for the people I work with at IPL. To now lead this group of people is a privilege and I appreciate the confidence in me shown by John and the Board. I have benefited greatly in my four years on the Board as Finance Director from the supportive but challenging approach of the directors and in particular, from John's counsel and encouragement.

Since my appointment in August this year, I have focused on continuing to deliver the Company's strategy, which has created substantial shareholder value, and also I have been concentrating on four internal priorities: safety, customer relationships, efficiency and people. My objective is to lead a team that delivers competitive shareholder returns equating to ASX 100 top quartile performance. We will achieve this by leveraging our exposure to the industrialisation of Asia.

Since 2005, the Company has been transformed, doubling profit from manufacturing, trebling the production tonnes and quadrupling our market capitalisation. More recently, we have diversified our earnings streams, particularly with the acquisition of Dyno Nobel, and improved the quality of our earnings. This has reduced our business risk.

Notwithstanding this, the 2009 Result, including Individually Material Items, was a loss of $179.9 million. The underlying Result for 2009, excluding Individually Material Items, was a Net Profit After Tax of $348 million. Although the profit was 46 per cent down on the previous year, we shouldn't lose sight of the fact that five years ago, we set an objective to be profitable even in challenging years and built the strategy to achieve that outcome. That strategy has been vindicated in a year when we were impacted by the global financial crisis, and the extraordinary volatility in the market for our products. Trading conditions in 2009 were the toughest I've seen in my 20 years in the chemical industry, with unprecedented reductions in global fertiliser demand and the consequent volatility in global fertiliser prices, plus the recession in the US impacting on volumes in our North American explosives business.

John has given an overview of the 2009 Result and there are a couple of comments I'd like to also make. To me, the most pleasing aspect was the way that our employees maintained their commitment to focusing on those elements that we could control. We executed well and acted quickly to mute the impact of the tough trading conditions on both our income statement and balance sheet. We made progress across a range of areas, ensuring that we came out of the financial and market storms of 2009 better placed to weather the challenges of 2010.

In relation to the 2010 year, we normally don't get a strong indication of the likely direction of the year until the second quarter. However, the results for the first quarter, so far, show that our businesses are performing as expected. In relation to the potential development of the Ammonium Nitrate plant at Moranbah in Central Queensland, I will provide an update on progress before the end of March next year.

Another positive aspect of 2009 was the performance of Incitec Pivot manufacturing. While the sales and marketing of our explosives and fertiliser products are made on a regional basis to enable closer customer contact, management of manufacturing is structured globally under our President of Global Manufacturing, Bernard Walsh.

With manufacturing, we have a focus on risk and reliability and have established a special team to manage this responsibility globally, based out of our Gibson Island site. In 2009, we began to see the benefits of this approach with record production at our fertiliser plants at Gibson Island, near Brisbane, Australia, and at St Helens, Oregon, in the US. Our Phosphate Hill fertiliser plant broke a production record in the last quarter. We also saw the benefit of our global approach to maintenance management with the successful maintenance turnaround at St Helens in October.

Continued progress in the supply chain was another positive from the year. Working capital was at record lows at September, a result driven by the common sales and operations planning process we've implemented throughout the group. We're only at the beginning of this process in the Explosives business, so there are further benefits to be derived.

Finally, we have a common approach to business improvement across the group through the Velocity program office, which is led by Christine Trotter. In 2009, the program delivered cumulative benefits of US $71 million per year in EBIT, plus a further US$73.5 million in cash from asset optimisation. In 2010, the Velocity efficiency program is targeted to deliver a further US$60 million per year in EBIT benefit and US$20 million in cash. This equates to sustainable EBIT savings per year of US$130 million. It is important to note that to achieve these sustainable savings, there is an initial cost of US$43 million which means a payback on this investment of less than a year.

As John pointed out, much of the benefit of the Velocity program came from Dyno Nobel and I want to reinforce his remarks that we have a high level of comfort in the performance of the Dyno Nobel business. The fact that Dyno Nobel's earnings were up by 27 per cent in US dollar terms - 55 per cent in Australian dollars - in the middle of the worst financial market dislocation since 1930, reflects the quality of the business's market position, assets and people. I also want to emphasise that the writedown is not, or will not be, a signal of a relaxation of the performance targets set for the business. The management of the Dyno Nobel business will be held accountable for achievement of the same challenging targets as the other businesses in the IPL Group.

I mentioned at the start that I have four internal priorities – safety, customer relationships, efficiency and people. I want to give you a brief outline of our performance in these four key areas. Safety is the highest priority. I firmly believe that it is impossible to have a good business if we have poor safety performance. While our statistics tell me there has been an improvement in our safety performance, we can never be satisfied until we do achieve our objective of Zero Harm. We recently announced a new global safety structure so that safety management and, therefore, responsibility for safety sits close to our plants, to the mine sites and to the farms. In addition, a separate team, reporting directly to me, is working to improve our safety management systems and standards, to create one uniform system across the Group's businesses.

My priority around customers is based upon the principle that we don't have a business unless we have positive customer relationships; relationships where IPL and our customers can prosper together. We have created a new Company Value: Think Customer. Everyone. Every day. This is a daily reminder to everyone in IPL as to the importance of our customers. In my role, I am spending much of my time meeting with customers, reinforcing to them our focus on manufacturing reliability, process excellence and improving the quality of our service through training.

We are also determined to improve communication with both our explosives and fertiliser customers. For example, there has been a good deal of misunderstanding around fertiliser pricing in Australia and we have made the commitment to our fertiliser dealers and to farmers that we will be better in advising of price changes and the impact of global movements on fertiliser prices in Australia.

Efficiency is an area in which our business has a strong culture and is performing well. Financial discipline is an element of our business that is totally within our control, and everyone in the IPL Group recognises that we need to maintain our lowest cost base culture. I want to stress that efficiency does not mean simply cost-cutting. As I previously pointed out with the Velocity example, we will invest money to make money and support successful parts of the business to make savings or increase revenue that goes to the bottom line.

Success for our business, ultimately, will come only through our people. It is people who accomplish the strategy; who deliver the outcomes. Two programs which are receiving my attention are the reinvigoration of our Values program and the start of an Organisation Development program. We now have one set of Values for the IPL Group, which is absolutely critical in developing the culture of the organisation. The Organisational Development program which will begin in 2010 is predicated on the need to invest in our people to foster our talent. Our people are THE competitive advantage that can't be copied.

I want to take this opportunity to thank my fellow directors, my executive team members and all IPL employees for their commitment in the past year. While I anticipate another challenging year for 2010, I am confident about the future because of the quality of the IPL team.

Thank you.

James Fazzino
Managing Director & CEO