

Incitec Pivot Limited

INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING **17 DECEMBER 2015**

SPEECH BY THE CHAIRMAN, PAUL BRASHER

Introduction

Ladies and Gentlemen.

My focus today will be to give you a brief summary of the highlights of our 2015 year within the framework of the Incitec Pivot Limited strategy. James Fazzino, our Managing Director & CEO, will then review the 2015 results and will also talk in further detail around the Company's strategy for the medium to long term.

I am looking forward to hearing your questions and comments about the Company during today's meeting. At the end of the meeting, the Board and management will be available to take your questions and to also talk with you over tea and coffee in the foyer.

Safety Performance

As always, I begin with Safety.

Safety is our number one priority and comes before everything we do. Tragically, in May this year, one of our colleagues lost his life in an underground mine in Western Australia. To his family and loved ones, I want to express our deepest sympathy. Immediately following the incident, James led a global safety stand down which was carried out at all sites, across all levels. The stand down was focused on ensuring that everyone who works in the IPL Group understands and appreciates the risks they face every day at work, and are focused on the controls that are in place to keep them safe.

The terrible paradox is that this incident occurred in a year in which we saw considerable improvement in many areas of our safety performance, with 92% of our sites injury free as at 30 September, and our rolling 12-month total recordable injury frequency rate reducing by 30% compared to 2014. Zero Harm will continue to be our most important value and our highest priority for our people and the wider communities in which we operate.

In this respect, safety leadership is absolutely essential. When the Board visits Group sites, a critical part of our interaction is to view the site safety process to independently observe, ask questions and challenge these safety processes. The Board's Health, Safety, Environment and Community Committee led by Rebecca McGrath also continues to play a critical role in providing safety oversight and leadership across the Group.

But make no mistake, whatever improvements we achieved in safety this year, the big picture is that we failed, and we will go into 2016 determined that this will not happen again.

Financial Performance

The Company's financial performance for the year is outlined in detail in our financial statements, and of course, we will be happy to take any questions on these from Shareholders. In a year where our customers have been challenged by structural and cyclical shifts, the positive results achieved by the Company in 2015 demonstrate that we have absolutely the right strategy, the right leadership, the right people and the right execution via our Business Excellence model, otherwise known as BEx.

At a business level, some of the highlights included:

- A 12% increase in Net Profit After Tax excluding Individually Material Items
- Our Fertiliser business EBIT increasing by 22%;
- Our Explosives business EBIT increasing by 1%; and
- A 10% increase in Earnings Per Share excluding IMIs to 23.8 cents per share.

Given the end of the mining boom in Australia, structural changes in coal markets in the United States and Australia and ongoing drought in our key agricultural markets in Northern Australia, these achievements were significant.

In relation to the Balance Sheet, operating cash flow increased by 41% to \$756.2m, driven by strong growth in EBITDA and a reduction in trade working capital, mainly as a result of improved stock turns and our focus on continuous improvements and efficient cash management using our BEx model, which James will talk more about.

Financial leverage, a key management metric measured as Net Debt to EBITDA, was 1.6 times, well within the target range, notwithstanding the current investment being made in WALA, the new ammonia plant under construction in Louisiana.

And interest cover improved over the year up to 9.7 times from 9.1 last year.

Our strong Balance Sheet, higher underlying earnings and strong cash generation enabled the Board to determine to pay a final 2015 dividend of 7.4 cents per share. The dividend was 60% franked, bringing the total dividend in respect of the 2015 financial year to 11.8 cents per share, an increase of 9% on the 2014 dividend.

Strategy

Of course, these results could not have been achieved without the right strategy.

IPL's strategy is focused on the two biggest global dislocations, being the demand for hard and soft commodities associated with growth in Asia, and the seismic shift in the world's largest economy – the United States - as a result of the shale gas boom.

It is important that any strategic development decisions are able to deliver results 'through the cycle'. What I mean by that is that these decisions need to deliver from the short, to the long term.

Let me give you a couple of examples of where we have been, and are, achieving this:

1. Firstly, the decision to develop our \$1 billion Moranbah ammonium nitrate plant to come on stream at the height of the resources boom in Australia to feed the immense increase in demand for resources from Asia, particularly China, was absolutely the right strategic decision.

And at the same time, the decision to contract all the production from Moranbah is now proving a prescient judgement, as the demand for resources has cooled in the current cycle. The profitability of the Moranbah plant was the core differential for the Dyno Nobel Asia Pacific business achieving an acceptable result under the trading conditions we have seen this year. The Moranbah plant produced 320,000 tons of ammonium nitrate and total earnings of \$131 million, offsetting the impact of challenging mining markets in Australia, Indonesia and Turkey.

2. The second example I wanted to highlight was the decision to invest in WALA, our new ammonia plant under construction in Louisiana, timed to capitalise on the shale gas surge in the US. You may have seen the video running when you entered the room before the meeting started which showed the progress of construction to date.

When this plant comes on line late next year, it will be a transformational event for our Dyno Nobel Americas business, providing very robust cash flows and further strengthening our Balance Sheet, which is already in excellent shape.

However, as I alluded to earlier, our business is not without its challenges. In the past year, we have seen significant debate around the future of coal. Following the Climate Change Conference in Paris in recent weeks, there is now agreement on a framework to address climate change into the future. In particular, there is strong focus on future energy requirements, and our customers in the coal industry, and their customers in turn, are very much aware of some of the challenges ahead of them.

James will say some more about the implications of this in his address, but I would like to just make four points:

- Firstly, declarations of the death of coal as an energy source are premature, probably by decades, as the developing world continues to seek solutions to energy poverty.
- Secondly, while we will continue to see the closure of the older, high emission coal fired power plants, we will also see continued technological innovation and construction of high energy, low emission power plants.
- Thirdly, we will continue to work with our customers as they deal with challenges to their industry and as they seek to manage the cost of their operations.
- And finally, as a Board, our strategy discussions will be clearly focussed on the implications for our business of the long term changes to the industries in which our major customers operate.

NEGI Pipeline

In the context of the debate around energy, you will recall that in the last few years I have spoken about the challenges for Australian manufacturing of maintaining reliable, committed sources of gas at economically viable prices. Against this backdrop, IPL's position has been that there is an urgent need for a coherent national energy policy and, in particular, a need to encourage new sources of gas supply into the market.

Interestingly, you may have seen last week Energy Minister Frydenberg picking up exactly this theme as he urged the Commonwealth and States to work together on innovative and practical solutions to the gas supply side problem.

I am delighted to say that we are part of just such a solution, with the Northern Territory Government recently approving construction of a new gas pipeline from Tennant Creek to Mt Isa as part of a coordinated project with the Queensland Government.

Reflecting the importance of this pipeline, it was granted Major Project status by the Northern Territory Government and also has the support of the Council of Australian Governments.

Subject to the satisfaction of certain conditions precedent, the Company will be the foundation customer of the new pipeline which will provide conventional gas to our Phosphate Hill plant in North West Queensland for approximately 10 years from around late 2018. This agreement is expected to result in our gas costs decreasing by about \$55 million against the current cost. The entry into this agreement marks an important milestone for the Company. Several years ago, we set our long term gas strategy to develop or create opportunities for more gas supply from more producers. This agreement rewards the perseverance of James and his Executive Team, and is also a credit to the Governments and private sector companies involved.

Board and Management

I want to take this opportunity to thank my fellow directors for their collegiality and knowledgeable contribution to our Board discussion and debate this past year. The Company continues to be led by an experienced Board, with significant knowledge and expertise. With its collective skills, experience and diversity, the Board is well positioned to guide the Company and support the management team and its employees.

I also want to thank James and his Executive Team, who have shown outstanding leadership in implementing the Company's strategy and delivering the positive results this year.

Further, I want to thank the entire IPL global workforce. Despite many challenges this year, they are all truly living the Company Values and have continued to embrace BEx. I truly believe the Company's success is a reflection of our employees' hard work, dedication and commitment.

Closing

In closing, I would like to say that to have achieved the result we have in the face of such challenging conditions, gives me great confidence for the future.

Of course there will be some issues we face that are beyond our control – input costs, global prices, exchange rates.

But our strategy is sound, and we will continue to succeed if we maintain our focus on those things that underpin our performance: Zero Harm, BEx, manufacturing reliability, customer relationships and partnerships and financial discipline.

Our financial strength will continue to improve beyond 2016 and will provide us with further scope to maximise shareholder value, which may involve a combination of capital management and strategic growth opportunities. In this context, I can assure you that the Board will continue to be disciplined in strategic decision making.

Shareholders, thank you and I very much look forward to your questions and comments later.

Incitec Pivot Limited

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17 December 2015

The Manager
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Dear Sir or Madam

Electronic Lodgement

Managing Director & CEO's Address to Shareholders at 2015 AGM

In accordance with the Listing Rules, I attach a copy of the Managing Director & CEO's Address to Shareholders for release to the market.

Yours faithfully



Daniella Pereira
Company Secretary

Attach.

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SPEECH BY THE MANAGING DIRECTOR & CEO, JAMES FAZZINO

Thank you Chairman.

I am pleased to make my seventh presentation as Managing Director and CEO this afternoon on the performance and future of our company.

In 2015, we produced a good result in a year of very challenging conditions in our markets.

We read daily in the media about the difficulties being faced by the global resources industry. In agriculture, farmers suffered from drought on much of the East Coast of Australia.

Most importantly, the performance was the result of the resilience of our strategy and the successful execution of our strategy by our people using our Business Excellence system, which we call BEx.

In this respect, I want to pay tribute to our 5,500 employees globally. This result is very much a reflection of the achievement of our people.

Safety

I want to begin by addressing the highest priority in the company which is Safety or, as we describe it, Zero Harm.

As the Chairman has said, we were all saddened by the loss of a work colleague. This is a tragedy for his family, his work mates and for everyone in IPL.

As Managing Director and CEO, I am absolutely committed to our priority of Zero Harm and my pledge is to do everything that I can to achieve workplaces that are injury-free. As the Chairman noted in his speech, despite more than 90% of our sites being injury free in 2015 and our TRIFR decreasing this year by 30%, the tragedy of this fatality is overwhelming.

We know we have a long way to go and we are determined to reach and maintain our goal of Zero Harm. I have a strong belief that all injuries and illnesses are preventable and we are committed to eliminating such outcomes.

Let me give you a brief outline of our safety strategy which is underpinned by what we call the 4Ps. They are Passionate Leadership, People, Plant and Procedures.

Passionate leadership is about leadership being present where work is done – on the mine bench, in our plants and in our fertiliser sheds; People is about workplace behaviours; Plant relates to plant and equipment, and Procedures are systems and processes.

Passionate Leadership starts at the top. As well as the leadership from the Chairman and the Board, the Executive Team spent 206 days on our sites this year. This includes my 30 days of site visits. Every site visit included the review of key risks and controls and a Gemba walk where safety and BEx is reviewed and discussed with our people.

Everything we do around Zero Harm is reinforced by BEx, and BEx is at the core of everything we do.

Performance

Turning to the 2015 financial performance, you have all had the chance to review the Annual Report so I won't go over the details again. As I have said, this result is the product of strategy and execution. The Chairman has commented on the importance of the strategic decisions such as Moranbah and the contribution of this plant to the 2015 result.

Without people that can deliver, the best strategy will never be anything more than a plan on a page. The 2015 result has been driven by our employees using BEx to increase productivity, eliminate waste and maintain reliable production.

BEx has given us the tools and processes to change the way we do business. It is our continuous improvement culture which is now embedded across all businesses with a core focus on manufacturing and supply chain.

As a result, we have seen some excellent outcomes with BEx delivering year on year to our bottom line. This year's recorded net BEx productivity benefits were \$41 million. However, it is important to recognise that to simply 'stand still', we need to generate more than \$30 million in sustainable savings to cover the relentless rise in the cost of doing business; the gross benefits of BEx to this year's result were \$75 million.

The essence of BEx is that it provides the skills and framework for the 'people who do the work to improve the work' and harnesses the collective skills and commitment of all the 5,500 people at IPL.

To give you an on-the-ground example of how BEx can create sustainable benefits, I want to highlight our Ammonium Phosphate Value Chain team. This value chain includes the Phosphate Hill plant, the Mt Isa Acid plant, the logistics team at Townsville and elsewhere plus the sales and marketing teams. The Phosphate Hill fertiliser plant is the largest manufacturing complex in our global network and, this year, achieved record production of more than a million tonnes by leveraging BEx to increase production and achieve sustainable productivity benefits. This is a 35% increase on last year and is the first time the plant has achieved the million-tonne milestone in its 15-year history.

Productivity

While discussing Productivity, I would like to take a moment to comment on the Productivity challenge for Australia.

I believe that Productivity is a burning platform for our nation and every Australian – because it is code for 'living standards'. The current national debate within Government is focused on the question of how to increase taxation. That's the wrong focus. Rather than discussing how to raise more revenue, as a nation, Australia needs to address the challenge of lifting Productivity and global competitiveness.

IPL has been ahead of the game in identifying the need to lift Productivity. About five years ago, we started developing BEx. In the same period, Australia has continued to fall behind. A survey published earlier this month shows that Australia's manufacturing competitiveness has slipped from number 16 to number 21 in the past two years and that we have been overtaken in manufacturing competitiveness by countries such as Vietnam, Indonesia and Turkey.

Comparisons with other nations are important because Australia is competing for international capital investment.

Incitec Pivot's investment in Louisiana is a good example. In the United States, capital costs are around 60% to 70% of a similar plant in Australia. This is a significant productivity gap.

In the context of Productivity, I also want to draw attention to an area where there is a real opportunity to make substantial improvement - Gender Diversity.

By definition, organisations which, in effect, ignore 50% of the talent pool are limiting the quality of their teams and missing the opportunity for Productivity value-add. As an example, a study in 2013 by Goldman Sachs estimated that Australia was missing out on almost \$200 billion or 13% of GDP by failing to close the workforce gender gap.

I acknowledge that Incitec Pivot, has a long way to go to achieve gender balance. Also, it must be recognised that there is a greater degree of difficulty for a heavy chemical manufacturer - but this means we've just got to work harder.

We have a number of programs aimed at promoting gender diversity for current and future employees. For current employees, we conduct the My Potential program which encourages mentoring and leadership among women in IPL. Last month, I spent several hours with those on the latest My Potential program. The session confirmed that we have outstanding women at IPL who will make a substantial contribution to the business in the years to come.

We are also focused on current and future graduates. Some 50% of our graduate intake is now women and we are working with educational institutions and external organisations to grow the number of qualified women eligible for operational roles.

I hope to be able to report to you in 12 months' time on the progress we have made in this area.

Strategy

I would now like to make some comments about strategy and the rationale behind our approach.

Strategy, in its most simple form, is about choices. It is not only about what you choose to do, but, equally importantly, what you choose not to do.

It starts with the foresight to identify the strategic drivers of a business and from there, to make decisions around capital allocation.

Successful strategic decisions are made at the right time, with the appropriate risk management approach. Once made, they require courage to "stay the course".

In this regard, IPL has been substantially "ahead of the game", recognising almost a decade ago, the global influence of Chinese industrialisation.

Then, three years ago, the shale gas revolution in the US encouraged us to take a classic first mover advantage with the construction of our Louisiana plant. This was driven by our recognition that, while we needed an exposure to China for our Australian explosives business, we also needed to balance our business portfolio.

As the Chairman has outlined, Louisiana will produce outstanding returns for shareholders. The project has a payback of less than 5 years and, when operational, will drive a step change in cash flow and returns to investors. The "cherry on top" is that the cash flows will be in US dollars.

I want to stress that we haven't lost faith in the growth of China. We know from history that economies don't grow in an unbroken straight line. I share the views of many in the resources industry including the Chief Executive of the Rio Tinto Group, Sam Walsh, who provided context to the situation recently by saying that China's 'new normal' is all about slightly slower

but higher quality growth. He also said that China will advance from being the second largest economy in the world to the largest.

This judgment about the future of China plays not only to the resources industry and our explosives business, but also to agriculture and our fertilisers business. Recently, Incitec Pivot contributed to a report prepared by the Business Council of Australia which examined Australia's competitive advantage in agriculture and food processing.

The report predicted that the value of global food demand will increase by 77 per cent by 2050 and that Asia will be responsible for 70 per cent of this increase, as people move toward more western style diets. The global soft commodity outlook is Australia's chance to secure up to \$1.5 billion in agricultural exports between now and 2050. It is not just China that will be among the key drivers of this demand but also Indonesia which has a huge population and comparatively little agricultural land.

As well as the rapidly growing need for food, there is a similar demand for energy. In this context, there has been widespread media commentary on the future of the coal industry.

We all recognise that the challenge of Climate Change needs to be addressed. As a result, IPL has a focus on energy efficiency and emissions management through our Sustainability Agenda. In this context, let me make the point that our Louisiana plant will not only be commercially successful, but will also be among the most efficient plants in the world and, importantly, will displace production from old and inefficient plants in Europe.

While addressing Climate Change, we need, as a global society, to recognise the important role that coal plays in reducing poverty in the developing world. Data from the International Energy Agency shows that there are 1.3 billion people with no access to electricity and 2.6 billion people without access to clean cooking facilities.

Also, the International Energy Agency found that there is significant opportunity for greater investment in High Energy Low Emission power plants. The conclusion that I draw is that coal will always need to play a role in the on-going demand for energy and that the technology of new generation coal fired power stations will be part of the solution.

In this context, I refer to the recent comments of our Prime Minister Malcolm Turnbull who recognised the growing influence of renewables and also addressed the social challenges of global energy poverty.

He said: "energy poverty is one of the big limits on global development in terms of achieving all of the development goals, alleviating hunger and promoting prosperity right around the world. Energy is an absolute critical ingredient. So coal is going to play a big part". In this regard, both Australia and IPL will continue to play a part in improving energy efficiency and also addressing energy poverty.

I would like to conclude by thanking the Chairman and my fellow directors for their advice and support.

I would also like to express my gratitude to my colleagues on the Executive Team.

In particular, I wish to record my appreciation of the 5,500 employees in Incitec Pivot globally. I firmly believe that our employees give us a unique competitive advantage in terms of their skill and commitment to deliver on strategy and I thank them for their ongoing hard work and dedication.

Thank you.