Incitec Pivot Limited
GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

# ANNUAL GENERAL MEETING – 21 DECEMBER 2017

## SPEECH BY THE CHAIRMAN, PAUL BRASHER

I would like to start by formally welcoming our new Managing Director and CEO, Jeanne Johns. You will hear from Jeanne shortly. She is an outstanding global executive, with highly relevant experience in industrial manufacturing, including in cyclical industries, safety, strategy development and leadership across a range of geographies. We are delighted that Jeanne has joined us to take IPL to its next stage of development.

At the same time, allow me to recognise James Fazzino, our former Managing Director & CEO. During his 9 years in that role, James took IPL from a small regional fertiliser company to a truly international diversified chemical company. James should be very proud of the legacy he has left IPL and we wish him, his wife Helen and their family all the very best for the future.

In terms of the 2017 year, I would like to start with safety performance, as we always do in meetings at IPL. As the Board has travelled to different locations of IPL during the year, one common feature has been the obvious concentration of all of our people on making sure that they and their workmates return safely to their families at the end of each day. The result has been a very significant improvement in our total recordable injury rates and injury severity rates over the past five years.

In 2017, injury severity rates continued to decrease, but our total recordable injury frequency rate, which is one of the measures in our balanced scorecard, increased slightly from the prior year to 0.9. While still below our target of 1, this shows there is still work to be done.

In 2017, 84% of our sites were free of recordable injury and this must be our objective at every one of our locations. I know that safety is Jeanne's number one priority also, so you can be assured this journey will be continuing.

Turning to our financial performance, I would summarise 2017 as a year in which we and many of our customers faced difficult market conditions, we saw depressed commodity prices in many of our markets, a higher Australian dollar and yet we achieved a significantly improved result.

This was the result of good growth in our explosives business, particularly in the United States, as well as the first full year of production of our new ammonia plant at Waggaman in Louisiana. In addition, we had instituted a number of cost saving and efficiency initiatives, applying our Business Excellence system, known as BEx, to drive benefits of $176 million and right-size our business for the environment in which we now operate.

The result of all of this was that Group Earnings before Interest and Tax (EBIT) was up 17% to $501 million and Net Profit after Tax (NPAT), excluding Individually Material Items, was up 8% to $319 million. Notably, operating cash flows were also up by 13%.

One important outcome of these improved cash flows is that net debt at year end was $1.3 billion, down $102 million relative to 2016, and we have seen an immediate impact on our leverage metrics, with net debt to EBITDA down from 2.1x at the end of FY16 to 1.7x at the end of FY17. What this means is that our Balance Sheet is in very good shape, as evidenced by our credit ratings upgrade during the year. This strong balance sheet and cash flow position allowed us to announce an on-market share buyback of up to $300 million, while maintaining our 50% dividend payout ratio.
I will now give you a brief summary of each of our businesses.

If we look at our global Explosives business – EBIT was up 9%.

In the Americas, EBIT in explosives was up 23%, driven by sustained Quarry & Construction growth, and resurgent Coal and Base & Precious Metals activity. In Asia Pacific, EBIT was up 1%, notwithstanding a scheduled Moranbah turnaround, underpinned by resilient Coal and Base & Precious Metals demand.

In our Industrial Chemicals business – EBIT was up 83%, a result of initial Waggaman operational earnings of US$15.4 million, and further delay damages of US$35.1 million owing to the completion of construction later than the delivery date in the construction contract. And in Fertilisers, earnings were down less than 2%, a strong result in the face of persisting headwinds, including a further decline in global fertiliser prices and the strengthening of the Australian dollar versus the US dollar.

Let me now move onto our upstream, or Manufacturing, performance. Our ability to continue to drive maximum output from our major plants is critical to our success and during 2017 we saw strong production performance across most of our major facilities. In its first full year of operation, Waggaman produced 74% of its nameplate capacity of 800,000 metric tonnes, a little below our expectations. However, after rectifying a few mechanical issues which are typical for a new plant of this scale, the plant has performed at over 100% of nameplate since the end of August.

Our two major US ammonium nitrate plants, Cheyenne, Wyoming, and Louisiana, Missouri together increased production by 24% compared to 2016.

Production at Phosphate Hill, in Queensland was 940,000 tonnes, about 10% below its all time record, despite time lost to maintenance that was brought forward due to depressed global DAP prices.

Our ammonium nitrate plant at Moranbah in Queensland produced 321,000 metric tonnes, very close to its record despite a scheduled four yearly turnaround.

One of the most significant challenges we are facing in our upstream business relates to our Brisbane based fertiliser plant at Gibson Island. For several years, we have foreshadowed the fact that operations at Gibson Island would be under serious threat if we are unable to secure economically priced gas. We continue to explore a number of options to secure an economically viable gas supply for the period beyond 30 September 2018 when the contract for our current supply ceases, but to this point no solution has been found. If we are unable to find a solution, it is likely the facility will close.

Relevant to our manufacturing performance, and to many other aspects of the Group’s performance, has been our Business Excellence or continuous improvement program. Early in 2016, we could see the major market challenges ahead, and as a result, we embarked on an accelerated, Company-wide focused improvement program. The objective was not only to achieve productivity and cost benefits, but also to ‘right-size’ IPL to a structure that would be most appropriate to our current environment. Through a range of initiatives, from a new operating model, to procurement and manufacturing efficiencies, we delivered $176 million in sustainable net benefits in the year.

Let me conclude with some changes to the composition of your Board. In June, I was pleased to announce the appointment of Joseph Breunig and Brian Kruger to the Board. Joe and Brian both bring significant experience in global industrial and chemical manufacturing businesses. Importantly, as IPL continues to grow as a global diversified industrial chemicals company, the US is becoming increasingly important to our business, already contributing almost half of the Company's revenue. Both Brian and Joe have significant experience in this region and, Joe resides in the US and provides current insights in to the US business environment. You will hear from Brian and Joe shortly.

I'd like to take this opportunity to thank my fellow directors for their valuable contribution to our Board discussions and debate during this past year. And I especially want to acknowledge and thank Greg Hayes, who will retire as a director of the Company after today's AGM. Greg is retiring from all his public company boards to focus on his personal interests. Greg, you have made an outstanding contribution to our Board, and I would like to personally thank you for your role as an IPL Board member and Chairman of the Audit and Risk Management Committee, as well as for your counsel and friendship. Brian Kruger will step into the role of Chairman of the Audit and Risk Management Committee and I will rejoin as a member of that Committee.

Final thanks go to our customers, suppliers and shareholders for their support, and of course, the entire IPL workforce globally. They are a great team, who have dug very deep and contributed in many ways, not just through the Business Excellence Program or in our quest for Zero Harm, but through sheer hard work, collaboration and teamwork.

In closing, the Board believes our strategy remains sound, the foundations going forward are strong, and we will continue to focus on delivering strong shareholder returns in whatever global market conditions we face.

Shareholders, thank you for your support and I look forward to your questions and comments later. And I'd now like to hand over to Jeanne Johns, your new Managing Director and CEO. Jeanne.

Incitec Pivot Limited
GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

# ANNUAL GENERAL MEETING – 21 DECEMBER 2017

## SPEECH BY THE MANAGING DIRECTOR & CEO, JEANNE JOHNS

Good afternoon to those joining us here in Melbourne today and welcome to those on our webcast.

I too, wish to begin by acknowledging the traditional owners of the land on which we meet.
I also pay our respects to their Elders both past and present.

**Introduction**

This is my first address to you as IPL's Managing Director & CEO and I am delighted to be part of this strong business with its proud legacy and exciting future.

When I was approached about this role, what struck me immediately was how much it appealed not just to my experience, but to my values and what energises me.   I have a chemical engineering background, and I have held executive leadership roles in industries such as chemicals, refining and oil and gas. I am passionate about working in companies with a manufacturing base that make and sell things that people need to make their lives better. I also enjoy the challenge of working in cyclical industries, industries that have the duality of needing to remain cost-competitive while also innovating and building value.

The Chairman outlined IPL's commitment to safety earlier. Safety is in my DNA and Zero Harm is a key IPL value for each of our employees. I firmly believe that safety and continuous business improvement are two things which make companies successful.

I have managed large organisations with a global footprint – in fact, I have spent over a third of my career outside the U.S., mostly in Europe running global operations with BP. I've also spent a considerable amount of time in Asia. As a result, I understand the economic challenges and the social nuances of operating across geographies.

Leading and developing high performing teams to deliver on a company's strategy is something I am particularly passionate about. Over the past couple of months as I have transitioned into the role, I have spent time getting to know our people, to understand the challenges they face and the goals they are working to, and to share with them a little of myself.

I have enjoyed visiting our sites in the U.S. and Australia and I've been pleased to see great examples of manufacturing excellence, and smart products, as well as strong customer focus, and commercial mindset.

Over the last three weeks, Frank Micallef and I have been meeting with our institutional shareholders to update them on the Company's performance over the last year. What I heard is that they are supportive of the Company's direction and believe IPL is in good financial shape. I am looking forward to meeting some of our retail shareholders today and I welcome your views on our Company.

I am also committed to meeting as many of our customers as possible, because I believe it is vital to fully understand and appreciate what our customers want and need so we can work together to increase value, and further strengthen both of our businesses.

**Priorities**

Having given you a better sense of myself and my experience, I would now like to spend a few minutes talking about my key priorities.

As you can appreciate, it's still early days for me in the role, and I intend to take some time to hone my views on strategy, starting from the broadest possible perspective. However, I am very clear on a few high-level priorities that will continue to drive value and growth, and will be enduring throughout any strategy we subsequently choose.

First and foremost, we must effectively manage Zero Harm and Operating Risk. Safety will remain our number one priority, and will continue to be at the forefront of how we work. We must stay vigilant and uncompromising in meeting the high safety standards we have set for ourselves and drive to get better and safer every day.

Excellent execution is another enduring priority. Throughout my career, I've had a long- standing focus on continuous business improvement and improving the productivity of manufacturing facilities. And as I have been meeting our people over these past couple of months, I know this is a real strength of IPL, with strong business improvement results in this past financial year. Our priority will be to remain disciplined on costs whilst achieving excellence in manufacturing and engineering.

However, we cannot just win on costs. Our customers are looking for us to use technology and drive practical innovation in products and services that will help them do things smarter, not just cheaper.

I have observed a number of examples of real excellence and innovation at work in my travels around our business.

If you look at the work that's been done on Delta E - differential energy in blasting - and our electronic detonators, these are truly world-class products. The technology and innovation behind our detonators is being recognized by our customers, and we saw an 85% growth in sales in Asia Pacific in the last 12 months.

We have a product suite of industrial explosives that is recognised by our customers as providing the best blast outcome possible.

In Fertilisers, our people have been targeting formulations that deliver specific outcomes for specific crops in specific regions. ENTEC is one of those products, reducing nitrogen runoff to keep nitrogen where the crops and the farmers need it.

Innovations like these, developed in collaboration with our customers build real value for them, and for us, and will be a key priority moving forward.

So how will we do this? Well, our team and our culture is central to our ability to deliver, and to deliver more. I want to build on the Company's foundations and lead a high - performance culture based on the values of respect, trust and collaboration.

**Outlook**

I would now like to share with you a high-level view of the key markets and our business activities for the coming year.

You have heard our results for FY17 and while I won't go into those in detail, I want to say that I think the team has delivered a very good result in a tough environment. Of course, we cannot predict what is going to happen in the year ahead, but a lot of hard work has gone into getting the business in good shape so that it is robust and fit for purpose in a tough commodity cycle.

In Western Australia, the start up of the Burrup facility by another party, has led to excess ammonium nitrate supply in this market.

As we reported earlier this month, our supply of ammonium nitrate prill to BHP Iron Ore will cease at the end of November 2019.

The NPAT impacts of this will only be evident in FY20 and FY21 and may be able to be mitigated to some extent by other commercial arrangements in Western Australia.

And of course, it goes without saying that securing affordable gas for Gibson Island continues to be a major focus for the management team.

In relation to the Americas, which contributed more than half of our earnings in 2017, the economic recovery is continuing in the right direction.  As I recently relocated from the U.S., I saw first-hand that the construction activity was continuing at pace, and this bodes well for our Explosives and our Quarry & Construction business.

In Industrials Chemicals, a sector well known to me, future earnings will be dependent upon global ammonia and Henry Hub natural gas pricing and the operation of the plant.  I enjoyed returning to New Orleans recently to visit our new Waggaman plant and meet the management team who are running the plant and working hard on improving reliability.  They are already achieving great things, operating at an average of 105 percent of name plate from the start of the 2018 financial year.

In Fertilisers, the Australian agricultural sector is well placed, having had good seasonal weather conditions over the last year in many parts of the East Coast.  Our Phosphate Hill plant's 6-week turnaround starting in mid-March 2018 and running through late April is a key deliverable. I was up there last month, and the team is very focused on safely achieving this commitment.

**Conclusion**

In summary, our focus in this financial year is on looking for organic growth opportunities that play to our strengths and core competencies.

I'm excited about leading the team to drive more value through our world class technology to create customer value, while making sure we stay disciplined on cost, on capital and on delivering strong and sustainable returns to our shareholders.

Thank you, and I will now hand back to our Chairman to continue with the formal business of the meeting.