Incitec Pivot Limited

INNOVATION ON THE GROUND

ASX RELEASE

2019 ANNUAL GENERAL MEETING – 20 DECEMBER 2019

CHAIRMAN'S ADDRESS, BRIAN KRUGER

Firstly, can I say that I'm honoured to be addressing you for the first time as your Chairman, following my appointment in July. My appointment followed two years as a Board member where I had the privilege of working closely with our former Chairman, Paul Brasher.

Paul made an enormous contribution and I would like to acknowledge his service over 10 years which saw him guide us through a period of significant change, including the construction of our world-leading ammonia manufacturing plant at Waggaman in the USA, as well as the appointment of our Managing Director & CEO, Jeanne Johns in October 2017. He really has left a fantastic legacy for us to build on.

Moving now to the overall performance of the business. There is no question it has been a challenging past 12 months. Jeanne Johns will go into more detail on the events that impacted our results but, as you know, many were beyond our control, including the Queensland flood and subsequent rail outrage; and the severe drought still crippling Australia's east coast.

- We reported a Net Profit After Tax for Fiscal Year 2019 of $152.4 million, after non-recurring items of $140 million. This compares to $347.4 million in 2018.
- Despite the lower profit result, we completed our $300 million share buy-back during the year and declared a final dividend of 3.4 cents per share, which was 30% franked; with total dividends for Fiscal Year 2019 of 4.7 cents per share.
- This represents a payout ratio of 50% of Net Profit After Tax.

While it was a difficult year, we are still confident our strategy will deliver sustainable returns for our shareholders.

When it comes to our Dyno Nobel explosives business, what really stands out to me is that we have very high quality, well located assets in the two best mining markets in the world – the US and Australia.

And we have a premium technology platform that is second to none. We have never seen greater demand from mining customers for technology solutions that will drive improved productivity, safety and environmental performance in their operations.

Some of our major contract wins in Australia during the year were great testaments to the value our customers place in our technology offering.

During the year, the Board visited a number of customer sites in the US and saw first-hand how our people are using our premium technology to deliver solutions to our customers in the mining, and quarry and construction sectors. It was terrific for us to hear directly from our customers about how highly they rate both our people and the technology behind our products and services.

We also believe there is significant upside from improving our manufacturing performance. Our new manufacturing excellence strategy is expected to deliver significant earnings uplift by fiscal year 2022, by improving reliability in our biggest manufacturing plants. Delivering on this new manufacturing strategy is a key focus for your Board and Management team.

Turning to executive remuneration, we have continued to align outcomes with company performance and shareholder expectations. This year's remuneration outcomes reflect the challenging year our Company has had and the subsequent impact on results. No payments have been made under the Short Term Incentive and there was a partial 20 per cent vesting of the Long Term Incentive.

Kathryn Fagg who is the Chairman of our Remuneration Committee will address you on the key features of the remuneration framework and this year's outcomes later in the meeting.

I want to move now to the fertiliser strategic review. As we announced in September, we're conducting a strategic review of our Asia Pacific Fertilisers business.

The review will assess how we can best realise value from our fertilisers business for our shareholders and other stakeholders, through the sale of the business, a demerger of the business, or, by retaining the business as part of the IPL Group and investing in its future.

We now have a formal process underway to explore market interest which will help us to properly assess the best outcome, with an expectation of finalising our position during the second half of this fiscal year.

During the year, the Board has continued its focus on those areas that are most material to the sustainability of the business, as well as the environment and the communities in which we operate.

Hopefully, you have had the opportunity to read the Sustainability Report contained in our Annual Report, but we also have available for you today a handout which summarises our sustainability performance and provides examples of some of our initiatives.

During fiscal year 2019, the Board endorsed the Company's Climate Change Policy and, importantly, acknowledged the mainstream science on climate change. The Policy puts on record our support for the international climate agreement - the Paris Agreement - and our belief that carbon pricing can be an effective tool to reduce greenhouse gas emissions.

We have also committed to acting in accordance with the Taskforce on Climate Related Financial Disclosure requirements when it comes to reporting on the risks and opportunities of climate change.

Together with our customers and suppliers, we continue to look at how we can more effectively manage the challenges of climate change.

Embedding this work into our daily operations is vita,l and the Climate Change Policy formalises the integration of our approach to climate change into our business strategy.

Of course, the safety of our employees and the communities in which we operate is a key part of our sustainability efforts and Jeanne will report on our safety performance during her address.

As you are aware, we have two new directors standing for election this, year. I'm delighted that Xiaoling Liu and Greg Robinson have agreed to join the Board as new non-executive directors. Xiaoling and Greg bring to our company extensive operational expertise, global perspectives and senior executive experience. Both have valuable experience working in the mining sector and understand the needs of our customers.

Xiaoling has extensive experience in mining and resources, manufacturing, logistics, supply chain and engineering. Greg has extensive experience in the domestic gas market, mining operations, resources, strategy, capital projects, finance and risk. Xiaoling and Greg will speak in more detail about their backgrounds later in the meeting.

I also want to take this opportunity to thank our Board member, Kathryn Fagg who will be leaving her position on our Board at the end of this AGM. Kathryn has been an extremely valuable Board member over the past five years and has done a stellar job in chairing the Remuneration Committee since December 2016. We wish her the very best for the future.

In closing, I want to thank the many dedicated people across our global operations for their hard work and commitment as they focus day-in, day-out on delivering for our customers.

In particular, I would like to thank our Managing Director & CEO Jeanne Johns and the Executive Team for their leadership in 2019. I know they have all worked incredibly hard to respond to the challenges they faced during the year.

Whilst this year has been a difficult one, the Board is optimistic for the future and confident your company is well-positioned to deliver significantly improved performance in fiscal year 2020 and beyond.

I am now pleased to hand over to Jeanne, our Managing Director & CEO who will speak in more detail on the Company's performance over the past financial year and our strategic agenda and focus for 2020.

MANAGING DIRECTOR & CEO's ADDRESS, JEANNE JOHNS

Thank you, Brian.

Good morning and welcome to our shareholders and others joining us here in Melbourne, as well as via the webcast. I would also like to acknowledge Chairman Brian Kruger, my fellow Directors, the executive leadership team and all our employees.

As we come to the end of another year, albeit a very challenging one, I'm delighted to be here today to talk with you as Managing Director & CEO about our business, its performance, and strategy for the future.

I want to begin by talking about our commitment to Zero Harm for our people, the communities we work in and all our stakeholders.

Zero Harm of course remains the number one value and priority right across our business and a tragic accident last year provided us with a stark reminder of why it is so important. The accident happened in the US and involved one of our Dyno Nobel vehicles on a public road. Tragically, two passengers in the other vehicle died. We were all deeply saddened by the event and the impact on the family and the broader community, as well as on our own team.

This tragedy emphasises the importance of Zero Harm and we will continue our relentless efforts to embed and live Zero Harm across all our businesses and all our activities.

When we look at the broader safety metrics, as you may remember, in Fiscal Year 18 we set a goal for a step change in our workforce Total Recordable Injury Frequency Rate - aiming to achieve a rate of 0.7 by 2021. This focus led to a 15% reduction in this important safety metric during the last Financial Year, putting us half way to reach our goal. Going forward, in addition to the recordable rate, we are placing an even greater focus on process safety, the environment, and improved learning from all events.

Zero Harm applies equally to our impact on the environment and it is disappointing that we saw a rise in significant environmental incidents last financial year.

While it's worth noting that all three of these incidents relate to historical events that have now been addressed, we know we can do better. We will increase our focus on the environment in fiscal year 2020, with improved reporting of the smallest of incidents. This will provide us early warning and the ability to prevent these environmental occurrences.

Turning now to our financial results. Clearly, fiscal year 2019 was disappointing and unusual - due to nonrecurring events, many of which were beyond our control. Our EBIT result, excluding Individual Material Items, was $304 million, after $197 million of non-recurring items. This compares to an EBIT of $557 million the previous year.

The largest of the non-recurring events was the one in one-hundred-year flood in northern Queensland which prevented the third-party rail operator from servicing our Phosphate Hill plant, resulting in a three-month shutdown and impacting our EBIT by $115 million.

We also had some challenges with our manufacturing performance, particularly at our Waggaman and Phosphate Hill plants. We are confident that our manufacturing excellence strategy is addressing these issues.

Our fertiliser business was also adversely impacted by the longest drought in living memory affecting parts of New South Wales and southern Queensland. The drought had a significant impact on our customers, resulting in lower fertiliser sales volumes and impacting our EBIT by $34 million last year.

Looking at the performance of our individual businesses - I'd like to start with our Dyno Nobel Americas had another strong result in its explosives business, increasing explosives EBIT by 13% in Aussie dollar terms to $194 million. This result was underpinned by continued growth in the Quarry & Construction sector – which now accounts for 40% of our volume. We are still seeing strong demand from our customers for our premium technology, allowing us to grow market share while growing margin. The explosives business in the US is well-positioned to continue to deliver earnings growth above market rates - due to our organisational capability, our well-established technology platform and our strategically located assets.

Turning now to our Asia Pacific explosives business, our fiscal year 2019 EBIT was $179 million, down $25m, largely due to the impact of the renewal of our long-term foundation customer contracts and, as noted last year, the impact of our Western Australian supply contract.

The retention of our foundation customers was a key achievement during the year, which also included the establishment of a 5-year strategic technology alliance with one of the largest miners in the world. This will see ongoing technology development on the ground that is easy-to-use, practical, and meets customer needs. We are expecting to see earnings upside in the medium term from the re-based business, as we drive our technology offering in the region.

The fundamentals underpinning the Australian explosives market, remain strong. The accelerating adoption of premium technology by the mining industry is driving strong demand for our electronic detonators and unique emulsion delivery systems.

Moving to our fertiliser business, our headline result was clearly very disappointing, with a loss of $80 million. This was due to the impact of significant non-recurring events, with the biggest being the Queensland floods I previously mentioned which resulted in a $115 million impact. Once normalised for non-recurring impacts, EBIT for our fertiliser business was a profit of $68 million, down from $105 million the previous year. The business was impacted by increased gas prices and the devastating drought.

I want to acknowledge the severe impact that this drought has had on so many of our Australian farmers, many of whom have been our valued customers over many decades.

Clearly, the big upside in our fertilisers business will come when the drought breaks and global commodity prices recover, but these are things not in our control. We're focusing on what we can control and to leverage and improve the base business. This includes value chain optimisation and investing in capabilities to create new products and solutions in precision agriculture.

As Brian has detailed, we announced a strategic review of our Fertilisers business in September 2019, which has three potential outcomes – a sale, demerger or retain and invest in the business. We are progressing this in line with the plan and are now testing market interest to properly assess the best outcome for all of our stakeholders. The review will be a key focus throughout fiscal year 2020.

Looking ahead, the fundamentals of our business remain strong and we have made good progress on our strategic agenda during the year. I'd like to highlight two of our key strategic value drivers which will be critical for our success over the coming years.

The first driver is manufacturing excellence, where we are well underway implementing our new manufacturing excellence strategy. It has been designed to deliver $40 to $50 million earnings uplift by 2022.

This time frame is required because, while many improvements are already being made, the full benefits of the strategy will only occur once we have executed a full cycle turnaround across our four major plants.

Already, we've shifted our focus from short record production sprints to reliable production every day. We're aiming to improve consistency across all our plants so we can provide our customers with reliable volumes, day in and day out and run our plants more efficiently.

We've re-focused resources, improved our organisational capability, and adopted world-class processes in order to deliver the improved reliability.

Turning to technology – our technology is helping our mining customers improve their environmental impact, including reducing Green House Gas emissions, delivering better safety outcomes and improving productivity. Our world-class technology platform has been deliberately designed to be adaptable and easy for our mining customers to adopt.

Our Australian explosives business grew electronic detonator sales by 54% this last financial year and, in the Americas, we've grown premium emulsion sales 34% compared to the previous year. The combination of our Delta E emulsion delivery system and DigiShot Electronic detonators is an unrivalled premium technology offering in the market. And longer term, we will take this unparalleled offering and link it to a full technology solution, using digital control and automation.

We saw our technology in action just this week here in Australia. We achieved a record blast with more than 8,100 detonators fired in a single shot, which we believe is a world record.

It's also pleasing that, as we get into closer collaboration with our key customers, it further reinforces our technology road map and how well it aligns with their needs.

Our fertilisers business likewise continues to develop new and innovative products. In 2019, we launched our patented eNpower which reduces leaching for horticulture and sugar cane application, supporting farmers improve nutrient management and sustainable farming practices.

Another key achievement this year was securing a new gas supply contract through to 2022 for our Gibson Island plant, providing certainty to our customers and valued employees. It is important to recognise the Queensland Government for their assistance with new gas tenements dedicated for domestic use. But, however welcome this reprieve is, it does not solve the gas problem on the east coast of Australia. More will need to be urgently done to ensure manufacturing jobs are retained and to support ongoing investment in Australian manufacturing.

We will continue to focus on how we partner with the Federal and the Queensland Governments on initiatives and policies that create a functioning and competitive domestic gas market. These will include a gas reservation policy, including a "use it or lose it" philosophy, and an ability to trigger the Federal Government's Gas Security Mechanism when prices escalate, indicating a domestic supply shortage.

Also, in 2019, we developed our Climate Change Policy to formalise our integrated approach to climate change across our strategic value drivers. This policy sets out our commitment to reducing our carbon footprint through our manufacturing excellence strategy, as well as helping our customers reduce theirs through the use of our premium technologies.

An example of this is our Delta E technology and delivery system. Which provides greenhouse gas reduction up to 30%, due to its enhanced efficiency and blasting.

Looking at longer term possibilities, we are partnering with the Australian Renewable Energy Agency to conduct a feasibility study into using sunlight at scale to make hydrogen feedstock, replacing natural gas.

Before closing, I would like to thank our former Chairman, Paul Brasher and director Kathryn Fagg, who is retiring at today's meeting, for their guidance and support. I am looking forward to continuing to work with our new Chairman, Brian Kruger in the upcoming year as well as our two new board members Xiaoling Liu and Greg Robinson.

Finally, I'd like to thank our team for all their hard work during the year and the support of our shareholders and customers. Your executive team and all our employees have worked tremendously hard in the past year to put in place the strategic underpinnings for the future success of the business.

I want to acknowledge their effort and commitment to creating value to you, our shareholders. As we move into 2020, I'm looking forward to working with our customers and all our stakeholders as we progress our strategic agenda and build shareholder value.