Incitec Pivot Limited

ANNUAL GENERAL MEETING - 16 DECEMBER 2016

SPEECH BY THE CHAIRMAN, PAUL BRASHER

Introduction

As you are all aware, 2016 has been a year of market challenges, with the Group's financial performance largely reflecting the global decline in fertiliser prices and the structural and cyclical changes in some of the end markets for our Explosives business. I don't intend to go into a lot of detail about that. You will have read the detail in the Company's annual report and we will be happy to address any questions you have later in the meeting. Instead, I would like to paint you a picture of how our Company is placed as we move into 2017 and beyond. I will then hand over to James Fazzino, our Managing Director and CEO, who will talk a little more about the Company's 2016 performance and will also summarise our strategy going forward.

Safety Performance

As always, I begin with our number one priority – Safety.

When we embarked on our five year safety strategy in 2012, our Total Recordable Injury Frequency Rate or TRIFR (which is the number of recordable injuries per 200,000 hours worked) stood at 1.38 and we set a target to reduce that to less than 1.0 by the end of the 2016 financial year. We achieved this target a year early in 2015, and, pleasingly, we were able to record a comparable performance in 2016 with our TRIFR standing at 0.76.

Equally pleasing was the improvement in our Lost Time Injury Frequency Rate and the Employee Lost Day Severity Rate. In the last 12 months, these two key safety metrics improved by 61% and 70% respectively. This is an exceptional result.

Standing here and reciting performance against our various targets, there is a danger of safety appearing to be a slightly sterile numerical exercise. In fact it is much, much more than that. Safety is an integral part of our culture and practices everywhere at Incitec Pivot; it is the single most important thing for every person in this Company and it is something about which none of us can ever become satisfied or complacent.

A safety culture really comes to life when you see it on site, as I did, for example, at various stages of construction of the WALA ammonia plant in Louisiana. Picture that site in the middle of the Louisiana summer. People working long hours in stifling protective gear, forty degrees plus in the shade, incredibly humid, hundreds of people working with heavy equipment in a comparatively small area, simultaneous dangerous pieces of construction work occurring at multiple levels, one on top of the other. Yet by the end of the project, five million hours had been worked without a single lost time injury. That is safety in action – it is a credit to our people and to KBR, our construction contractor, and it is what we want to replicate at every one of our sites.

Financial Performance

Let me now move onto the Company's financial performance for the year, and how we are positioned going into 2017.

The structural and cyclical shifts we saw last year flowed deep into all our markets during 2016.

The Fertilisers business bore the impact of higher gas prices and lower global commodity prices, particularly Di Ammonium Phosphate and Urea, which, on average, were 23% and 29% lower than in 2015.

In the Explosives business, we shared the pain of many of our major customers, including those affected by what now appear to be structural changes in the United States coal market.

Despite management taking decisive action to reduce the impact of these adverse movements through BEx principles applied via our Organisation Focussed Improvement Program, the Group's result was a reduction in underlying Earnings Before Interest and Tax (EBIT) to $428 million, compared with $576 million in 2015.

Net Profit After Tax (NPAT), excluding Individually Material Items (IMIs) and minority interests, was $295 million, compared with $398 million in the prior year.

The State of the Company

So where does that leave your Company positioned?

Let me describe for you some of the foundations that have been laid and why I believe we head into the future in excellent shape.

- Firstly, we enter 2017 with WALA, the recently commissioned ammonia plant in Louisiana. It was a fantastic performance to complete that $850 million plant on time and on budget, an achievement almost unique when you look at the history of major construction projects around the world in recent years. WALA has a nameplate capacity of 800,000 metric tonnes of ammonia, all of it pre-committed by way of offtake agreements, and we expect it to run at an average of about 80% capacity in 2017. In its own right, it will be a significant cash generator. Equally importantly, it is further evidence of our rebalancing of IPL operations towards the United States, where we remain very optimistic about the future based upon cheap gas and excellent assets and opportunities. When WALA is operating at full capacity in 2018, something like 50% of the Group's revenue will be from the United States.

- While we were justifiably focussing much attention on WALA, our management team continued to drive our other manufacturing plants to greater levels of sustained performance. Major sites, such as Phosphate Hill, Moranbah and Cheyenne, all operated at or close to record levels of production during 2016.

- During the year, we announced new gas contracts for Phosphate Hill, which will reduce gas input costs to that plant by $20 million in 2017 and a further $35 million per annum from the commencement of supply from the new Northern Gas Pipeline, which runs from the Northern Territory to Mount Isa.

- Unfortunately we have not yet been able to identify reasonably priced gas for our Gibson Island plant when supply under the current contract ceases in 2018. We will continue to pursue this as part of our ‘Save Gibson Island’ campaign, but in the meantime have taken an impairment charge of $150 million to write the Gibson Island assets down basically to land value.

- Management has responded to our changed environment by initiating an organisational restructure, under the heading of our Organisation Focussed Improvement Program, which will take $80 million of costs and $20 million of capex annually out of the business.

- Our balance sheet remains strong, with leverage at 30 September 2016 well inside the target range of less than 2.5x Net Debt to EBITDA, notwithstanding the Louisiana ammonia plant spend. Our strategy in relation to debt is to maintain credit metrics that are commensurate with investment grade credit ratings, since investment grade ratings add shareholder value in the form of access to cheaper debt and enable us to enter into contracts such as the long term Phosphate Hill gas contract, which I referred to earlier. Pleasingly, we have maintained our investment grade credit ratings through the period of the Louisiana plant’s construction and during a challenging period of the fertiliser price cycle. We continue to stress test our credit metrics against a range of possible scenarios going forward and believe we are very well placed.

- And last, but by no means least, we have 4,500 high calibre staff right across the Group who are committed to the success of IPL.

With all these factors now built into our base we are well positioned to allow us to consolidate through the current environment and are poised to take advantage of opportunities in the future.

Remuneration

In looking towards the future, we have made some important changes to our short and long term incentive structures, which you will have seen described in our Remuneration Report. One of these, to which I will draw your attention, is the inclusion of a “return on equity” measure into our long term incentive program.

One of the keys to our future success will be our ability to drive returns from our major production facilities, while at the same time retaining a prudent balance sheet. We believe it is important that management pursue testing objectives in the way of increasing returns and are rewarded when they achieve these. I will be happy to take questions on any aspects of our remuneration arrangements when we come to Proposed Resolution 4 on the meeting agenda.

The Board

I want to take this opportunity to thank my fellow directors for their valuable contribution to our Board discussion and debate this past year. I especially want to acknowledge and thank John Marlay, who will retire as a director of the Company at the conclusion of today's AGM.

John has been an outstanding director and a font of wisdom, drawing upon his many years of experience in heavy industrial companies.

John, thank you for your support and contribution over the past ten years, and we wish you and Judy the very best in your future endeavours.

The Board, through the Nominations Committee, is currently conducting a search for a new non-executive director and will be prioritising candidates with appropriate experience from the United States. This will complement our existing mix of diversity around the Board table, and will support the continued growth of the Company's earnings from the US. We hope to be in a position to announce a new appointment in early 2017.

I also want to thank James Fazzino and his Executive Team, who have shown outstanding leadership during a difficult year.

Finally, I want to give thanks to the entire IPL global workforce. They are a fantastic team, who have dug deep and contributed in so many ways, especially through embracing the IPL safety and continuous improvement culture. They are all truly living the Company Values and continue to remain concentrated on controlling the things we can control.

Closing

In closing, the Board believes our strategy remains sound, the foundations going forward are strong and we are well-placed to continue to respond to global market conditions.

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

I would now like to hand over to James Fazzino, Managing Director & CEO.