

Incitec Pivot Limited

Office of the Company Secretary

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The Manager
Company Announcements Office
Australian Securities Exchange
Level 45, South Tower
Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir or Madam

Electronic Lodgement

Managing Director & CEO's Address to Shareholders at 2011 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



Kerry Gleeson
Company Secretary

Attach.

Incitec Pivot Limited

INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING **20 DECEMBER 2011**

SPEECH BY THE MANAGING DIRECTOR & CEO, JAMES FAZZINO

Thank you, Chairman.

Ladies and Gentlemen.

Consistent with the presentation by the Chairman, I want to address some highlights of the 2011 Result and take you through our strategic journey over the past couple of years and to outline our directions for the future. In essence, I want to put some further detail around the strategic vision for Incitec Pivot.

First I will start with our core value of 'Zero harm for everyone, everywhere'. Safety is our first priority and the key metric in IPL.

Our goal is zero injuries and while our Total Recordable Injury Frequency Rate is trending down, there were still 93 injuries in 2011 and clearly this is not where we want to be.

We know what zero harm looks like. More than 80 percent of our sites were free of recordable injuries during the year. A highlight was the Moranbah construction project which has achieved more than two and a half million hours free of Lost Time Injuries – an outstanding performance for the construction industry in Australia and the standard we need to achieve everywhere.

Moving to the financial and operational highlights, I concur with the Chairman's comment that our performance in 2011 was a good result. A feature was our continued financial discipline producing a strong balance sheet with \$1.3 billion of committed long term debt facilities undrawn at 30 September. Another important metric is cash flow which was up 35 percent to around \$720 million.

All businesses delivered double digit earnings growth which is an outstanding result in the economic environment and a credit to our people. As the Chairman mentioned, Dyno Nobel produced a record profit while Incitec Pivot Fertilisers delivered EBIT growth of 34 percent. I was also pleased with the continuing progress of our Trading businesses, Quantum and Southern Cross International, which are making substantial contributions. In manufacturing, we continued our focus on risk and reliability which is critical to customer satisfaction through the timely delivery of quality products.

Notwithstanding our solid performance, when I review the result, I know we can do better. We have, what I call, a 'gap to perfect'. I am confident that we can close that gap with the right strategy and great people.

Let me spend some time on the strategic journey taken by Incitec Pivot since I was appointed CEO in 2009. I will reflect on where we have been and where we are going. 'Where we have been' has been about 'strengthening the base business' and 'sharpening the strategic focus'. Where we are going is focused on 'core strategy-driven growth'.

Looking first at where we have been. When I took over as CEO, the world was in the middle of the Global Financial Crisis. My prime responsibility and my first priority was to strengthen and secure the base business. The initial action was to increase our focus and commitment to Zero Harm across the business and to make a step change in the leadership capability of managers and supervisors throughout the business. I have a firm belief that strong leadership drives both safety performance and employee engagement. They are the foundations of any good business.

Next we strengthened the balance sheet by increasing the diversity and tenor of our debt book. We recognised the continuing volatility in global markets and so we acted to take refinancing risk off the table which was a critical step.

When I became CEO, we had recently acquired the Dyno Nobel business. So it was important to deliver on the acquisition-promise to our shareholders. As mentioned earlier, in 2011, Dyno Nobel reported a record profit. This result was underpinned by the Velocity program which is delivering annualised benefits of US\$204 million, as promised. Velocity is a further example of the benefits to the business of a program driven by strong leadership and delivered by quality people.

The acquisition of Dyno Nobel also provided the critical mass for our nitrogen manufacturing portfolio and highlighted the opportunity for improvement in our manufacturing performance. Accordingly, we embarked on a reliability journey across all of our manufacturing plants. Improvements are being delivered over a number of years as we progress through shut down cycles. The first step of this journey was to centralise the reliability and shut down teams which has seen improved performance across our plants.

So we successfully delivered the initial priority – securing the business, post GFC.

Next, I conducted a review of our corporate strategy to test if it was still valid for 'the times' – recognising that the world economy had been shaken by the GFC. Also, we considered that a corporate strategy needs to evolve over time based on ever-changing market dynamics. Following the review, we resolved to sharpen the strategic focus of the business.

At the highest level, the review reinforced that we had the right strategy in aligning ourselves to the industrialisation and urbanisation of Asia, particularly China, through hard and soft commodities. The review also identified what needed to change and this was our strategic approach. We now think of Incitec Pivot in terms of a portfolio of businesses and a portfolio of business models.

In this context, we restarted the Moranbah project last year. This project alone will transform our Asia Pacific explosives business. I'm happy to say the project is approaching 90 percent complete.

Next we focussed on aligning ourselves with those customers who are the leaders within their industries, who operate at the bottom of the cost curve. Their sustainability through the commodity cycle underpins the volumes and viability of our business. As an example, we have signed long term contracts with global mining companies in the US and Australia.

Finally, we took a number of steps to optimise our North America business based on an outlook of the fundamentals for that economy and the implications for our operations. This resulted in idling two ammonium nitrate plants based on the supply and demand balance. In addition, we assessed our channels to market and are currently restructuring the business to align cost to serve with value delivered.

We have successfully delivered on 'sharpening the strategic focus' – notwithstanding that, of necessity, strategic focus is under constant review.

The next phase of the strategy is to pursue growth opportunities which align with our core strategy and leverage all elements of the business model.

We're focused on driving sustainable earnings-per-share growth for shareholders at returns aligned to our strict financial hurdles and not on simply making the company bigger.

The most compelling source of value in any business is driving earnings from the assets you already own. This will always be our first focus. This is our journey of Business Excellence – or BEx. I will talk a little more about that shortly.

Another priority is to stay focused on execution in the Americas business. Our business in North America provides critical scale, because it is still the largest explosives market in the world. We can then leverage into other markets. In the medium term, we will also benefit from any upturn in the US economy because of the actions we have taken to optimise this business. Benefits will come from margin expansion as demand increases and through improved customer responsiveness. We have seen this in agricultural markets over recent years but not, so far, in explosives markets. Additionally, we will look for further opportunities to participate in the nitrogen value chain.

Following this, we will pursue debottlenecking and minor expansion opportunities in our existing plants with the obvious examples being at Moranbah and Phosphate Hill. At Moranbah, the first milestone is to get the plant commissioned and then to ramp up production to the 330 thousand tonne-per-year nameplate level. With respect to Phosphate Hill, we are putting in place the building blocks to underpin production at the current 950 thousand tonne-per-year nameplate level. We will then expand beyond this level.

We have a compelling range of options to grow shareholder value – not just to grow the company. We run our business based on financial discipline. This means that if we cannot find projects which meet our investment metrics we will return cash to shareholders.

Let me tell you a little more about BEx. It is not a program with a finite timeframe. It is moving our people to a new way of doing business based upon the principles of the well-established Lean system and also on research into socio-technical systems. As the Chairman said, BEx will transform Incitec Pivot and create a long-term, year on year productivity lever in the business – something that many Australian companies are struggling with.

As I noted earlier, my review of our 2011 result identified a ‘gap to perfect’ – be it in manufacturing, in the supply chain, in our customer facing processes or in our support functions. This gap has been confirmed by the assessments we’ve completed under BEx.

BEx puts the simple test to every action: Would the customer pay for that? So while BEx applies across the whole organisation, it will essentially turn our company ‘on its head’. By this I mean that if we identify that value is created on the shop floor, on mine bench or in the farm field, the role of leadership changes from managing to instead providing support to those who add the value.

I am confident that our pathway of ‘core strategy-driven growth’ is building the platform for solid results into the future which will provide shareholder value year-on-year.

In looking to the future for our businesses, we have a positive outlook for global agriculture. Food demand is driven by changing diets as peoples’ income improves and more significantly, by population growth. The global population exceeded 7 billion on 31 October. On the supply side, the world is simply not growing enough food. In 2011, grain consumption is projected to exceed production. This is the eighth time this has occurred in the last twelve years.

Similarly, for Dyno Nobel, we remain positive about continued demand from China for raw materials to support the urbanisation process. While growth in China may fluctuate from year to year, we believe the demand profile will remain positive for the long term.

In relation to 2012, for our fertilisers business, we expect a continued recovery in fertiliser demand from the drought, although global fertiliser prices will continue to be volatile. For Dyno Nobel, we see continued growth in the Asia Pacific resources industry and subsequent demand for explosives. In North America, given the economic uncertainty, we will continue to focus on executing on our strategy. For 2012, year-to-date, we are seeing continuing earnings momentum. We are on budget and, I might add, that we don't budget to stand still. Pleasingly, we've seen both volumes and prices above those in the previous corresponding period.

Finally, I want to thank John and the Board as well as my colleagues in the Executive Team and all employees at Incitec Pivot for their support and commitment during the past year. I firmly believe that it is our people who make our business what it is, through commitment to the Values, and who provide our competitive advantage, through leadership, skill and dedication. I am confident that our people delivering on our strategy and by all of us aiming to be the best in the world at everything we do, we will close that gap to perfect.

May I take this opportunity to wish everyone a safe and happy festive season and New Year.

Thank You.

James Fazzino
Managing Director & CEO