

Incitec Pivot Limited

Office of the Company Secretary

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The Manager
Company Announcements Office
Australian Securities Exchange
Level 4, North Tower
Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir or Madam

Electronic Lodgement

Managing Director & CEO's Address to Shareholders at 2016 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.

Incitec Pivot Limited

ANNUAL GENERAL MEETING - 16 DECEMBER 2016

SPEECH BY THE MANAGING DIRECTOR & CEO, JAMES FAZZINO

Thank you Chairman and good afternoon to those joining us in Melbourne and on the call today.

This is my 8th presentation as Managing Director & CEO and I am pleased to present my perspectives on IPL's 2016 results, discuss strategy and then comment briefly on the outlook for 2017.

I look forward to answering your questions later and meeting you personally at the conclusion of formal business.

Safety

Let me start with safety which, as the Chairman has already mentioned, is the first priority in IPL. Safety is the most important aspect in the delivery of our strategy, as it represents our right to operate. Ultimately, Zero Harm is all about preventing significant injuries and fatalities and, in terms of process safety management or PSM, preventing major events at our plants.

Reviewing IPL's safety metrics over a balanced scorecard shows a significant improvement in performance over the last 5 years, with a 45% improvement in the Total Recordable Injury Frequency Rate and an 80% reduction in injury severity rates over that period.

In terms of PSM, we saw a 52% reduction in process safety incidents in 2016.

Another outstanding achievement was the 5 million hours worked without a Lost Time Injury during the construction of our Louisiana Ammonia plant. This is a world class outcome for any major construction project globally.

Overall, we have seen a step change in safety performance; however, in saying this, we will never be satisfied and Zero Harm remains our number one priority at all times.

2016 Financial Results

Turning to the 2016 financials, as the Chairman has already reported, 2016 was a difficult year. Reported NPAT was \$128M, down \$271M on 2015. NPAT included Individually Material Items of \$167M after tax, relating to the Gibson Island plant impairment and restructuring costs. At an operating level, EBIT before Individually Material Items declined by \$148m to \$428m.

The 2016 result is a story of: what happened outside IPL; the external impacts which were extremely tough; compared to what happened inside IPL - what we call “controlling the controllables” - which was outstanding.

Let me touch briefly on both the external and internal impacts:

External impacts:

Outside IPL, cyclical and structural influences impacted EBIT by \$231m; in particular declines in the global resources industry, and falling international fertiliser prices which were at cyclical lows during 2016. For example, Urea and DAP fertilisers reached 10 and 12 year lows respectively in the year.

Internal impacts:

On the internal impacts, we have deep experience in managing through the cycle and we recognised these external challenges early and took action quickly, with a focus on “controlling the controllables”.

Accordingly, we were able to partially offset the external negatives by \$71m through BEx productivity improvements across the Company.

As a result, when I look at the numbers, I'm proud of the way our people responded to external challenges in 2016.

Business Overview

I would now like to provide an overview of our business performance in 2016.

Earnings in Asia Pacific Explosives were broadly flat. This was a very good performance in an oversupplied market and reflects the quality of our Bowen Basin assets which service the world's premier metallurgical coal mining region.

The Fertilisers business saw a recovery in margins, which was a great result in an environment of falling prices.

In our Americas Explosives business, domestic earnings were also broadly flat which was a good result given the structural change in US coal markets.

In relation to manufacturing, the Chairman touched on Gibson Island earlier and we will continue to assess opportunities in the coming year for gas supply post 2018.

With respect to our other manufacturing assets, production records were achieved across the portfolio in 2016:

-) Moranbah manufactured 345,000 metric tonnes of Ammonium Nitrate – the plant's best year ever. This is a terrific outcome if you consider this was achieved during the final year before its first maintenance turnaround since commissioning.
-) Also in its final year pre-turnaround, Cheyenne and the team produced record ammonia output.
-) Phosphate Hill produced more than one million tonnes for a second consecutive year. This was achieved despite a train derailment that affected operations.

These are just a few of the manufacturing team's accomplishments during the year.

BEx:

Continuous improvement in our manufacturing and operational performance is driven by our Business Excellence methodologies or BEx, which was again a key contributor to the 2016 results.

BEx generated net productivity improvements of \$55m. Cumulative BEx productivity benefits are now \$162M since we launched the program in 2013. Importantly, the BEx numbers we report are after we allow for cost escalations of around ~\$45 million per annum.

The key take away is that, through BEx, we have built a business system that drives year on year productivity improvement across multiple facets of the business and ensures sustainability.

In addition, we announced the BEx Organisation Focused Improvement plan (OFI) at half year in response to the rapidly deteriorating external outlook at that time.

As the Chairman has mentioned, this program has a goal of driving a \$100 million step change in cashflow by the end of 2017 comprising \$80 million in costs and \$20 million in capital spending, with \$16 million delivered in 2016.

The program aligns our cost base to market realities and positions IPL for satisfactory returns at the bottom of the cycle and exceptional returns at the top.

The OFI program is a great example of the ability of IPL to take action early and use BEx to adapt to changes in our markets ahead of time. As part of the OFI, we restructured the business over a four-month period and are now implementing our plan to deliver over 600 initiatives across the Group.

The cost of implementing the \$100million OFI is \$90million which is less than a one year payback.

Diversity

Our financials are critically important to our future business performance and so are our people who are our most important asset as they navigate the many challenges of running a global business.

As our Company continues to grow, Diversity is critical in making it a better business now and in the future. Our vision is to be an inclusive and accessible organisation that embraces diversity.

We are some way along this gender diversity journey, with one third of my leadership team now comprising women; however, we still have a long way to go. To this end, we have implemented internal programs and have joined with external organisations to close the gap.

Internally, our own program - My Potential - provides leadership for our emerging female leaders. So far, 64 women have completed the My Potential program. As a result of this program, we have promoted 65% of participants into either more senior positions or into roles with a substantially increased scope.

Externally, we work with the National Association of Women in Operations to create linkages between our women and other women in non-traditional roles and industries. Further, as a member of the Male Champions of Change group, I am working on an initiative that addresses everyday sexism on the workplace as part of the MCC agenda.

Strategy

Louisiana:

Moving to strategy, the completion of construction and the successful operation of our world scale Ammonia plant in Louisiana is 2016's obvious highlight. The project was constructed safely, on time and below budget and with a demonstrated capacity to operate at nameplate production.

This is an exceptional achievement, and very few companies either in Australia or globally have achieved this outcome. When benchmarked against major construction

projects throughout the world by a global management consultancy, our project was found to be in the top 2% in terms of safety, on-time delivery and within budget.

Future direction:

In a broader context, our Company Strategy is anchored around our exposure to the world's two largest economies: China and the United States. This gives us a new world/old world balance. We look to leverage discontinuities in these economies through our core nitrogen chemical manufacturing competencies.

For example, Moranbah leverages the urbanisation, industrialisation - and now consumerisation - of China through our ammonium nitrate manufacturing expertise. Louisiana's ammonia plant leverages America's shale gas revolution through our Ammonia manufacturing expertise. Our new Louisiana complex is our 7th ammonia plant and our 10th nitrogen facility, globally, and we now operate in 13 countries globally.

Obvious discontinuities for the future include the digitalisation of the industries in which we operate including using big data to drive new sources of customer value and to radically change the way we operate our manufacturing plants.

The development of our strategy over the past decade has seen the transformation of IPL from a Southern Australian fertiliser cooperative to a global diversified industrial chemicals company.

Given the composition of IPL's business portfolio today, I believe that we are ideally placed due to the balance and the diversification we offer in terms of both geography and end market exposure.

From a geographic perspective, approximately half of the Group's earnings are derived from Asia Pacific and, with the addition of our Louisiana ammonia plant, the other half will be derived from North America.

In a world where the dynamics of international trade are changing, our commercial exposure and our manufacturing footprint in the United States, is especially compelling.

Looking at our end markets and including the contribution from our Louisiana plant, approximately 50% of IPL's exposure will be linked to explosives, approximately 30% to industrial chemicals, and the remaining 20% to fertilisers.

As well as market opportunity and risk diversification, we are now strategically well placed in terms of options in relation to the future direction of the Company. Through Louisiana we have built critical mass in the US which allows us to pursue further industrial chemicals diversification. Explosives and industrial chemicals are global industries and the strength of our positions in Asia Pacific and North America provide strong foundations for future growth in new countries.

Notwithstanding this, we recognise that we have made two significant and successful investments of around \$1 billion each in Moranbah and Louisiana over the last five years so we clearly understand that we need to earn the right to grow by leveraging our privileged assets to drive returns to shareholders. This will start with de-leveraging the balance sheet in 2017.

2017 Outlook

Turning to the outlook we are cautiously optimistic for 2017 and beyond.

Explosives:

Our North America explosives business is positioned to benefit from both the continued growth in the US economy and changes in the political landscape as they affect the infrastructure, coal and iron ore industries.

Starting with infrastructure, you may have noticed that our Quarry and Construction or Q&C business comprised 13% of Group revenue in 2016 and is far and away the largest contributor to US earnings. As I said in our full year results presentation, the Q&C market is on track to return to growth rates experienced over in 2014 and 2015, particularly as the US\$305Bn highway spending bill that President Obama signed into law in December 2015 moves from the engineering phase to the construction phase.

Following the US election, the prospects for this sector are even more promising given President-elect Trump's recently stated agenda on repairing and renewing infrastructure throughout the US.

The prospects for the Coal and Iron Ore segments are also positive. Tariffs on Chinese steel will continue to benefit our customers in US iron ore.

In the coal segment, the structural decline in the US coal industry appears to have stabilised, with Wood Mackenzie, a global energy consultancy, predicting improved volumes in 2017. The longer term outlook for coal also appears more positive under a Trump administration with a more responsive regulatory environment and the acknowledgement that coal will continue to play an important role in America's energy mix.

In speeches during the election campaign, President-elect Trump highlighted the benefit of America's energy advantage over the rest of the world and talked of policies that will accelerate this advantage. Our Louisiana plant directly leverages this advantage and would be a beneficiary of any changes.

It is important to note that with the right policy settings and with strategic leadership, Australia has the same potential as the US to be an energy superpower with abundant supplies of coal, gas and renewables to service both Australian households and industry as well as export demand.

In the Asia Pacific, our explosives business will continue to generate stable returns underpinned by Moranbah and is well placed to benefit from continued Asian demand for Bowen Basin Met coal and Pilbara iron ore.

Industrial Chemicals:

Turning to our Industrial Chemicals business, this part of our business will be a significant driver of earnings, with the ramp of Louisiana in 2017, 2018 and 2019.

As we disclosed at the full year results, we expect the 2017 average Louisiana plant uptime of about 80% of nameplate, with the first half below that level and the second half moving towards 100%. This means that, over the course of the year, the plant will be off 20% of the time and on 80%.

Since taking control of operations in mid-October, through to the end of November, the plant produced 72,000 short tons of ammonia. For the first two months of operation, the plant has averaged just above 80% - which is a good result.

In terms of pricing, ammonia's long term correlation to oil means that the potential exists for improved pricing in 2017.

Fertilisers:

For fertilisers, recent increases in oil and urea make me cautiously optimistic for global nitrogen prices in the medium term and I would note that urea prices are up 15% since the end of our financial year.

Also, ABARES prediction for a record Australian wheat crop in 2016 combined with strong rainfall over Winter and Spring will provide farmers with the well-deserved outlook for some good seasons in the future.

BEx:

Turning to the controllables in 2017, the success we've experienced to date with BEx makes me confident that the \$80M in costs and \$20m in capital savings targeted through the OFI program by the end of 2017 are well within reach. What this means is that, all things being equal, we will deliver an incremental \$64m of earnings in 2017 on top of the \$16m delivered in 2016.

And we have "line of sight" on further savings, with the Phosphate Hill interim gas contract announced last year with QGC commencing in January – just two weeks away. This contract bridges IPL to the commencement of long term gas supply to Phosphate Hill via the new Northern Territory Gas pipeline. The 10-year gas supply will come through a new pipeline which is an excellent example that solutions to Australia's energy challenge can be achieved through the leadership of a Company like IPL working with Governments. The end result is new gas and a new gas supplier into Eastern Australia.

In terms of outlook, put simply, cyclical businesses cycle; and today's lows in commodity prices will create tomorrow's highs. We are managing positively through

current challenges and I'm confident that we are well placed to capitalise on the upturn because of the action we have taken over recent years in terms of our successful development projects to service the world's two dominant growth engines – the US & China – and in terms of the productivity and efficiency foundation we have established.

In conclusion, your Company is very well placed for the future, and I have no doubt, the best years for the Company are ahead.

Conclusion

I would like to thank my fellow Directors for their strategic input and governance during the year. In particular, I would like to pay tribute to John Marlay for the significant role he has played in IPL's transformation to a global diversified industrial chemicals company over the last ten years.

John, thank you for your support and wise counsel which has been greatly appreciated and I wish you, Judy and your growing family the very best for the future.

I also want to pay tribute to my Executive Team and our 4,500 people globally, who delivered a solid result in 2016 in the face of such difficult external markets. You have my admiration for your commitment to IPL and ability to deliver.

Thank you for your time, and I look forward to hearing your questions shortly.