

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

Chairman's Address to Shareholders at 2017 AGM

In accordance with the Listing Rules, I attach a copy of the Chairman's Address to Shareholders for release to the market.

Yours faithfully



Daniella Pereira
Company Secretary

Attach.

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.