

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 2014 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

INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING **19 DECEMBER 2014**

SPEECH BY THE MANAGING DIRECTOR & CEO, JAMES FAZZINO

Thank you Chairman.

I am pleased to present to our shareholders this afternoon.

There are two areas I would like to cover today:

- First, to briefly recap IPL's 2014 results, a year in which we delivered a good result in the face of challenging markets, which I consider is a real testament to our people.
- Second, I would like to talk about IPL's strategy and some of the principles we consider in setting the medium to long term direction of the Company.

Let me start with the 2014 results.

Safety

As the Chairman noted in his address, the highlight of the result was in safety or, as we call it, Zero Harm. To deliver our 2016 TRIFR milestone two years ahead of our target is a very satisfying result. Importantly, we have achieved a step change in the severity of injuries with a 45% reduction in our lost time injury rate.

Despite this significant improvement, we will continue our focus on our goal of Zero Harm, because we believe that no injury is acceptable. We know "zero" is achievable because 90% of our sites globally were injury free in 2014.

You may ask why shareholders should be interested in safety?

Aside from the commitment we make to our people and their families about safety at work, I firmly believe that the best performing companies are those who also have an outstanding safety performance. This is because the leadership, systems, processes and culture required for world-class safety must also exist for all other aspects of a company's performance.

Financials

In terms of the Group's financial performance, the key financial takeaways from the 2014 result were:

- Underlying NPAT, which increased 21% to \$356 million,
- EBITDA or trading cash flow, which was up 15% to \$742 million
- Our balance sheet, which is in great shape, with gearing measured by Net debt to EBITDA at 2 times.

This was reflected in shareholder returns with dividends up 17%.

In terms of execution:

- We delivered earnings growth in all our businesses which was a solid outcome given the back drop of challenging mining and agricultural markets globally;
- Importantly, we delivered by focusing on the factors that are in our control, such as
 - (i) Ramping up production at our Moranbah plant and exiting the year at full rates;
 - (ii) maintaining tight capital management;
 - (iii) focusing on cost efficiency and, in particular, by using BEx, our continuous improvement system, to drive profitability.

All of this was done, while maintaining our absolute focus on customers.

Now let me give you a brief overview of the business highlights.

DNAP

The standout performer was Dyno Nobel Asia Pacific which, as the Chairman has noted, recorded a 25% increase in earnings growth.

It is here that we see the value the Moranbah investment has brought to the Group. In 2014, the plant produced around 300,000 tonnes of AN, \$115 million in earnings and \$158 million in EBITDA. The Mornabah result was a \$59 million increase on 2013.

Moranbah is now delivering a healthy return on shareholders' funds and has transformed the Dyno Nobel Asia Pacific business – from a trader of ammonium nitrate to a fully integrated explosives business that operates across the entire explosives value chain – from gas to rock on ground.

DNA

Across the Pacific, earnings in our Dyno Nobel America's explosives business rose by 10%. A notable feature of the DNA result was the BEx contribution of \$13 million.

Fertilisers

Turning to Fertilisers, this business increased EBIT by 9%, which was a sound performance in the context of drought and global prices. BEx was also a solid contributor to this result with \$7 million in efficiencies.

BEx

You will have heard me mention BEx or Business Excellence several times. BEx delivered a total of \$62 million in sustainable benefits in 2014. However, it is important to recognise that to simply 'stand still', we need to generate some \$35 million in sustainable savings to cover the relentless rise in the cost of doing business. Accordingly, \$27 million net benefits hit the bottom line.

I am personally very proud of the BEx achievements. As you know, we began the BEx journey four years ago. It took foresight and courage from the Board and Executive Team to invest in productivity to drive long term shareholder value at a time when others were cost cutting to drive short term earnings.

So how does BEx deliver?

Let me give you an example. Three years ago, I was considering a recommendation from management to close our plant at Wolf Lake in Illinois due to underperformance. Today, Wolf Lake is a model site in terms of safety, productivity and efficiency; a turnaround story which has been underpinned by the leadership of everyone on site.

That is what BEx is about:

- It is about investing in our people to give them the skills to drive productivity
- It is about empowering those who do the work to improve the way they work
- It is about embedding a business model which ensures benefits are sustained and which drives year on year productivity improvement rather than one off cost cutting;
- And it is about all of our 5,000 employees globally working on ways to improve the way we work each day.

Strategy

Now let me turn to IPL's strategy.

The objective of IPL's strategy, first and foremost, is to deliver competitive returns to our shareholders.

Our view is that to deliver above average returns two things need to be present:

- (i) First, a market dislocation or imperfection – essentially an opportunity. However, given the efficiency of markets, these dislocations can quickly disappear, so timing is everything. Attractive returns are only available to first movers, and projects are not replicated.
- (ii) Second is superior execution to monetise the opportunity, which is where BEx becomes a key enabler of the strategy.

IPL's two major growth platforms, which the Chairman has already referenced, are leveraging two significant market dislocations:

(i) First the industrialisation and urbanisation of China.

Our Moranbah ammonium nitrate plant investment was driven by the demand for Bowen Basin metallurgical coal into Asia

(ii) Second, the re-industrialisation of the US driven by the energy revolution.

Our Louisiana ammonia plant is capitalising on low cost gas, a world class regulatory regime and a low cost and productive construction industry in the USA

Importantly, both of these opportunities leverage IPL's core capability in nitrogen based chemical manufacturing.

With regard to Louisiana, this is a great project. When fully operational, Louisiana will drive a step change in the earnings of DNA. We have benefitted from our decisiveness and have the classic "first mover" advantage:

- First, in securing a brownfield site
- Second, in locking in a lump-sum turn-key contract with the world's premier Ammonia technology provider and plant constructor in KBR
- Third, achieving approvals within six months due to the support of the Louisiana Government
- Finally, locking in offtake arrangements with Transammonia and Cornerstone Chemicals

Importantly, the project fundamentals are better now than when we sanctioned the project. At the end of my presentation, we will show a short video to give you a brief overview of the progress of our Louisiana project.

In closing, I want to thank Paul and my fellow directors for their advice and support during 2014.

I also want to say a special thanks and pay tribute to Tony Larkin. As Paul mentioned, Tony is retiring from the Board today.

Tony and I have been colleagues for more than 15 years working together at Orica where Tony was the Finance Director and then at Incitec Pivot, when Tony joined the Board at merger in 2003, after chairing Incitec Limited. He has been a trusted and wise counsel for me professionally over those years. His contribution to Incitec Pivot as a director has been substantial. He was involved in several company-defining decisions including the acquisition of Southern Cross Fertilisers, the acquisition of Dyno Nobel and the project developments at Moranbah and Louisiana. Thank you, Tony, and all the best for your future.

I also want to thank the Executive Team and the broader leadership group. Finally and most importantly, I want to pay tribute to all the 5,000 employees throughout the Incitec Pivot Group globally. I am privileged to lead such a fine group of people.

Let me take this opportunity to wish to you all a safe and happy festive season.

Thank you and we will now show the video of Louisiana.