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 2013 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

<u>INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING</u>
<u>19 DECEMBER 2013</u>

SPEECH BY THE MANAGING DIRECTOR & CEO, JAMES FAZZINO

Thank you Chairman.

I'm pleased to present to you this afternoon and would like to start by outlining the progress we have made through 2013 in building for the future of IPL. As Managing Director & CEO, my role is to develop our business strategy and then drive delivery of that strategy.

During 2013, we made critical decisions on strategy and made substantial progress on our performance culture. While I recognise that 2013 was a challenging year for financial performance - mainly as a result of external factors - I am very confident that we have the right strategy in place and the right people to execute on that strategy.

However, it was also a year in which we suffered the very sad loss of two work colleagues. Any year with such tragic events is a failure. It illustrates that we must be more determined than ever to drive our Zero Harm culture.

Our aim is to achieve world class standards in our approach to safety. World class is a total recordable incident rate of less than one. In 2013, we saw that a focused drive on zero harm can result in fewer injuries with our incident rate reducing to 1.16, which was an improvement on the previous year. But, clearly, we must continue to improve to achieve the only acceptable outcome which is Zero Harm. We know what Zero Harm looks like because 86% of our sites globally were injury free in 2013.

I will now take a brief look at the financial performance, which has been covered in detail in our Annual Report and the Full Year Results material.

In 2013, our NPAT after adjusting for the 2012 Moranbah unfavourable contract liability release was down 18% to just under $300 million. Clearly, 2013 was a challenging year. From an external perspective we were impacted by a high Australian dollar, low global fertiliser prices and a decline in demand for resources. These external factors negatively affected 2013 EBIT by $160 million. To a lesser degree, the result was also impacted by unscheduled plant outages, particularly at Phosphate Hill.

For our global explosives business, earnings grew by 3%. Earnings in the Dyno Nobel Asia Pacific business rose by 15%, fuelled by growth from our new ammonium nitrate plant at Moranbah. This growth was partially offset by a decline in the Dyno Nobel Americas business due to softening coal production in the US.

For our Australian Fertiliser business, earnings were down by 37%, largely due to the combination of falling global fertiliser prices and the strong Australia Dollar. On a positive note, earnings in the Australian fertiliser distribution business recovered, growing by 4%.

However, a more simple measure of performance is Operating Cash Flow and, if we take a year-on-year comparison, we have seen only a 1% decline. This is an exceptional result in such a difficult environment.
Another highlight was the management of working capital where we finished the year with average Trade Working Capital to sales of 9.5%, down from 13.9% in 2012. Importantly, we finished the year with our balance sheet in great shape; we have $1.7 billion in undrawn committed headroom in financing facilities.

In looking to the future, our Dyno Nobel Asia Pacific business will continue to benefit from the ramp up of production from our Moranbah Ammonium Nitrate Plant in Queensland. In our Dyno Nobel North America business, we expect moderate growth consistent with the improving US economy.

In looking to the medium-term, the Moranbah plant will provide the foundation for earnings growth for the Asia Pacific business into the future. Also, during the year, we commenced construction of a world-scale ammonia plant in Louisiana. Moranbah and Louisiana are two projects which will really turn the dial for IPL.

Moranbah is currently operating at an annualised rate of 300,000 tonnes a year and is on track to move to nameplate production of 330,000 tonnes in 2015. At full production, the Moranbah plant will double the earnings of our Dyno Nobel Asia Pacific business.

Our ammonia plant in Louisiana, when completed in 2016, will double the earnings of our Dyno Nobel North Americas business. What is clear about Louisiana is that we do have a significant “first mover” advantage and that it would be extremely difficult to replicate this project today in terms of capital cost, access to a brownfield site, timing, risk and returns.

Both the Moranbah plant and the Louisiana project were predicated on two long term global trends which anchor our Corporate strategy. We look for market dislocations that drive above-trend returns. We have identified two global trends: the industrialisation of Asia, in particular China, and the shale gas revolution in the United States.

Another key strategic element is that we look to leverage our core nitrogen chemical manufacturing capability to capitalise on these global market dislocations. We seek to develop projects which fit our priority of being close to the core of our existing business. By definition, growth projects that are close to the core are typically lower risk.

In a practical context, this means that the Moranbah plant is producing explosives for the metallurgical coal mines which feed China’s blast furnaces. Louisiana is capitalising on the shale gas revolution in the US which is revitalising the North American economy because of the availability of competitively priced gas.

Both Moranbah and Louisiana are close to the core and therefore lower risk. Both are fully integrated – backed to gas – which means that both are low cost and the offtake from both plants has been fully sold-out reducing market risk. This strategic combination drives compelling returns.

Our task is to execute on the strategy through maximising returns from our current businesses and ensuring delivery on our medium term investments, in particular, Moranbah and Louisiana.

During the year, we progressed the systems to support our people to execute on strategy through our business improvement program, BEx, and through a continuous focus on efficiency. We saw the benefits of BEx again in 2013 producing another $39 million in sustainable productivity gains. This is an outstanding result and further demonstrates the legitimacy of our faith in our people. We have also maintained our focus on costs with an overhead reduction program which is on target to provide $20 million in annual cost savings. Of this, $12 million in benefits will be delivered in 2014. One-off implementation costs will be approximately $10 million.

In terms of our Fertilisers business, earlier today we announced that we have signed a gas supply agreement for our fertiliser plant at Phosphate Hill in Queensland to 2016.

There is no doubt that we are in a challenging period in respect of bottom-of-the-cycle global prices for fertilisers, a stubbornly high Australian dollar and the rising cost of doing business in Australia. However, Fertilisers is a quality business and I believe that it is important to look through the cycle. We maintain our confidence in the long-term global agriculture thematic, which is based upon meeting the rapidly increasing food demands of the growing middle class in Asia.

This was certainly the case in 2006 when we took a through-the-cycle decision to purchase Phosphate Hill for $165 million. That plant has been highly profitable, returning almost $1.6 billion in earnings.

As I have said, a key element of our strategic execution is to leverage our core nitrogen manufacturing capability. A crucial factor is operational reliability. During the year, we restructured our global manufacturing team to give primacy to our engineering expertise by focusing our manufacturing priorities in two areas: the Strategic Engineering function and the Operational function. The Strategic Engineering function will embed world class manufacturing models and processes and set the operational and maintenance parameters for all plants. The Operational function is responsible for operating the plants on a day-to-day basis within the parameters set by the Strategic Engineering function. A key focus will be to operate the plants using BEx.

As you are aware, Alan Grace was appointed earlier in the year as President Strategic Engineering. I'm pleased to advise that Steve Dawson has been appointed President Manufacturing Operations effective 1 January 2014. Steve is an engineer with an extensive background in the resources industry in Australia and internationally. Since joining IPL with the acquisition of Dyno Nobel in 2008, Steve has led Dyno Nobel Asia Pacific and has transformed this operation into a leading sales and distribution business.

I'm also pleased to advise that Simon Atkinson has been appointed as President of Dyno Nobel Asia Pacific and Global Technology. Simon has extensive commercial and finance experience and, since 2010, has been President of Dyno Nobel International, leading the development of new markets in Latin America, Europe, China and South Africa.

I want to take this opportunity to thank the Chairman and my fellow Board members as well as my colleagues on the IPL Executive Team for their support. Most importantly, I thank our 5200-employees. I am proud to lead such a team of quality people.

Also, I want to join with the Chairman in thanking and farewelling Allan McCallum. The Annual Report simply records Allan as having been appointed as a director in December 1997. This doesn't capture Allan's central role in the formation of this Company as well as his immense contribution to agri-business in Australia, which has been recognised with numerous awards by his peers. On a personal note, I want to thank Allan for his counsel and friendship over the decade that I have been with IPL.

In closing, I want to summarise our strategic growth horizons. Strategy is about making choices. Having made our choices, our focus is on executing on the strategy.

The first horizon is all about execution in our existing businesses and in maximising returns from the assets that are already in full production. Key themes are cash conversion, BEx and overhead reduction.

The second horizon is to deliver on our major growth projects. These are the ramp up of Moranbah to full production and the construction and start-up of the Louisiana ammonia plant.

In the third horizon, our focus will be to de-leverage the balance sheet and increase cash returns to shareholders, either through higher dividends or through capital returns.

In conclusion, let me wish all of you a safe and happy holiday period.

Thank you.