Incitec Pivot Limited
INNOVATION ON THE GROUND

ASX RELEASE

2020 ANNUAL GENERAL MEETING – 18 DECEMBER 2020

CHAIRMAN'S ADDRESS, BRIAN KRUGER

There is no doubt that 2020 has been a very challenging year due to COVID-19, which as we all know too well has had an unprecedented impact on businesses and communities around the world.

I'm incredibly proud of our response which put the safety of our people, customers and communities first. We were proactive in our response, adapted to changing circumstances and we worked hard to continue to service our customers across the essential resources and agricultural sectors without interruption.

In the face of the pandemic, our business performance has proven to be resilient.

However, we were impacted by a number of factors outside our control, including global commodity pricing. There was also a softening in demand in North America which was due to COVID-19 related temporary shutdowns of some of our customers' mining operations in the first half of the year.

We decided to take early and decisive action to improve our financial position through our equity raising in May. We received strong support from both institutional investors and retail shareholders – successfully completing a $600m institutional placement and raising almost $58m from our share purchase plan. The equity raising has significantly strengthened our balance sheet, making our business more resilient and giving us the financial flexibility to continue to deliver our strategic agenda.

Overall our Company reported Earnings before Interest and Tax, excluding Individually Material Items of $374.5m for FY20, an increase of 23% compared to FY19.

A standout in the result is the solid performance from our Dyno Nobel explosives business. Operating in two of the best mining markets in the world, the business provides our customers with premium technology that is improving productivity, safety and environmental impacts at their mine sites.

Our Incitec Pivot Fertilisers business also saw a significant improvement in earnings, thanks to much better weather conditions for farmers on Australia's east coast during the last eight months of the year. The business also benefited from the absence of one-off weather and other events that occurred in FY19.

Our Net Debt/EBITDA ratio is now 1.4x, down from 2.8x, largely reflecting the proceeds of the capital raising, as well as strong operating cash flows.

No dividends were declared in FY20, reflecting the unprecedented nature of COVID-19 and the focus of your Board on retaining balance sheet strength in these very uncertain and volatile times. We are committed to the resumption of dividend payments in FY21, in line with our normal dividend policy.

We've seen improvements in our return on invested capital, despite considerable commodity price headwinds. There's more work to do and ROIC progress will be driven from improving the earnings and cash generation of our existing asset base and from the investment decisions we make in the future.

Despite the challenging year, the team has made significant progress on our strategic agenda with improvements in manufacturing performance and the continued adoption of our premium technology by customers.

In April we concluded the strategic review of the fertilisers business which looked at possible outcomes – a sale, a demerger, or a decision to retain and invest in the business. Given the extraordinary market uncertainty caused by COVID-19 part way through the review process, we determined that retaining the fertilisers business was the best outcome for our shareholders. The business has a clear strategic agenda for the future which is focused on delivering stable distribution earnings and driving growth from new value-added products and soil health services and solutions.

This brings me to Executive remuneration.

Consistent with last year, no payments have been made under the Short-Term Incentive plan because the Zero Harm performance condition and the financial STI gate were not achieved.

For next year, the financial STI gate has been modified to cap the payment in cases of significant financial shortfall, rather than reduce it to zero. This is to motivate executives on their controllable performance in times when external factors significantly impact the ability to achieve our financial goals.

Turning to the long-term incentive plan, there was partial vesting of performance rights emanating from achievements against strategic initiatives.

We have retained the ROIC metric in our long-term plan for the 2020 to 2023 performance period, which – along with other performance measures under the long term and short incentives – provides good alignment between shareholder value and the need to retain and motivate key talent.

I will make some further comments on remuneration when we come to that item of business.

Turning now to progress on our commitment to manage climate change.

Since 2015 we have been focused on reducing our emissions intensity and we have achieved a 10% reduction in emissions intensity per tonne of ammonia against a 2015 baseline.

This year the Board endorsed an absolute reduction target of 5% in our global greenhouse gas emissions by 2026 from our 2020 baseline. This medium-term target is the equivalent of 200,000 tCO2e or the equivalent of more than 43,000 passenger vehicles being driven in a year.

Our absolute emissions reduction target follows the adoption of our Climate Change Policy last year which reaffirms our support for the international Paris Climate Agreement and sets out how the management of climate related issues is integrated into our Company's overall strategy.

We are very conscious of the need to address longer term ambitions for a decarbonised future. As part of our investigation into emerging and future technology breakthroughs required to address this, during the past year we completed a solar hydrogen feasibility study, which Jeanne will talk more about later.

We continue to engage with a wide range of stakeholders as we continue to progress our commitment to decarbonisation pathways, including those of our customers.

Further work will occur in 2021 and we are committed to ensuring our business is sustainable and competitive as we work toward decarbonisation solutions.

We are also progressing our commitment to increase the diversity of our workforce so our workforce can better reflect the communities in which we operate. We have a stretch target to increase gender diversity by 10% year-on-year to reach 25% by FY22. In FY20, women made up 18% of our global workforce, a slight improvement on last year.

Our commitment to indigenous employment continues, with indigenous Australians making up around 3% of our workforce.

We have made a number of changes to our Board composition over the last year. I'm delighted that George Blitz has agreed to join our Board as a non-executive director. George brings to our Company extensive experience in the industrial chemicals sector, particularly in North America, which will be of significant benefit to our company, and you will hear from him later in the meeting

Our two other most recent non-executive director appointments, Xiaoling Liu and Greg Robinson, served their first full year on the Board in 2020 and have added considerable commercial and operational experience, as well as deep knowledge of the energy and mining sectors that are obviously very relevant to our Company.

I also want to take this opportunity to thank two of our Board members - Joseph Breunig, who stepped off from the Board during the year, and Rebecca McGrath, who will be retiring from our Board at the end of this AGM after serving as a director for 9 years. I thank both Joseph and Rebecca for their outstanding contributions to our Board during their tenures and wish them all the very best for the future.

In closing, I want to thank Jeanne, the Executive Team and the many dedicated people across our global operations for their hard work and commitment during extraordinary times. The team has worked tirelessly to put safety first while continuing to deliver for our customers.

The Board is optimistic for the future and confident your Company is well-positioned to deliver improved performance in 2021 and beyond.

I am now pleased to hand over to Jeanne Johns, our Managing Director & CEO who will speak in more detail on the Company's performance over the past financial year and our strategic agenda moving forward.

MANAGING DIRECTOR & CEO's ADDRESS, JEANNE JOHNS

Thank you, Brian.

Good morning and welcome to our shareholders and others joining us virtually via today's webcast.

Before I start, I'd like to acknowledge the Traditional Owners and Custodians of the land, sea and waters from where I am joining you today. For me, that is the peoples of the Kulin Nation. I also acknowledge the Traditional Owners and Custodians of the various lands from which you're all joining this meeting today, and I wish to pay my respects to Elders past, present and emerging.

I would also like to acknowledge Chairman Brian Kruger, my fellow Directors, the executive leadership team and all our employees.

I'm delighted to be here this morning to talk with you as Managing Director & CEO about our business, its performance, and strategy for the future at our first virtual AGM.

It's just one of many firsts during this unprecedented year - which has seen us respond to the challenges of the global pandemic. Our business has been incredibly resilient, and we have kept our people and customers safe, while continuing to operate.

As we've responded to COVID-19, we've used our embedded safety focus and strong risk management capability to our advantage. We quickly implemented COVID-19 controls across our global operations which ensured our ongoing support and supply to the essential resources and agricultural industries, both here in Australia and in the US, and other markets we serve.

There's never been a more important time to live our number one value and priority throughout our business – Zero Harm. We have a clear commitment to Zero Harm for our people, our communities and all our stakeholders.

I want to start by acknowledging a tragic incident in April. Two people, including one of our employees died in a multi-motor vehicle accident. It happened on a public road in South Carolina and the tragic loss of life was a stark reminder of the ongoing importance of embedding Zero Harm as our number one priority across our global business.

When we look at the broader safety metrics, we delivered significant improvements in key safety measures. Two years ago, we refocused our efforts on Zero Harm and set ourselves a Total Recordable Injury Frequency Rate target of 0.70 by FY21. I'm really pleased we've not only delivered this target a year early but exceeded it, with a recordable rate of 0.57. This is our lowest on record. We've also seen a significant reduction in process safety incidents, down to 24 compared to 33 last year.

Zero harm applies as much to our impact on the environment as it does to safety and this has continued to be a focus in FY20, with a reduction in notifiable environmental incidents from three last year to one this year.

I'll turn now to sustainability more broadly.

We continue to progress our important sustainability agenda and our commitment to being a good corporate citizen, in line with societal expectations. I'm pleased to share that since our FY20 results, we have improved our score to an A level in MSCI's environmental, social and governance ratings. We were also again included this year as a constituent of the FTSE4Good Index Series, recognising our strong environmental, social and governance practices.

As Brian mentioned, we have committed to a medium term, 5% absolute reduction in our global GHG emissions by 2026 from our 2020 baseline. This is an actionable and accountable goal and is included in key executives' remuneration incentives to ensure projects required to achieve this target are progressed.

We have a longer-term aspiration to find decarbonisation solutions in our hard-to-abate industry. It is an exciting opportunity to use our core skills to help find solutions to combat climate change, one of the biggest challenges facing the world today.

We have recently completed a $2.7m study looking at the feasibility of ammonia production from industrial-scale solar hydrogen at Moranbah. This study is an important contribution to building valuable knowledge for the development of renewable hydrogen in Australia.

The report is currently being reviewed by the Australian Renewable Energy Agency - ARENA - and while there is a lot more work to be done to make it a commercial reality, we will continue to investigate potential partnerships and pathways towards its use.

We will also continue to develop premium technology solutions to help our customers reduce emissions from use of our products; reducing our Scope 3 emissions. Our premium technology Delta E delivers up to a 20% reduction in product being used in a blast – avoiding entirely the emissions required to produce the excess product.

In November, I became a founding CEO of the Climate Leaders Coalition to help drive progress in creating a low carbon future for Australia. As part of this important coalition, I will work with other CEOs to share and learn from each other as we progress our own business initiatives to reduce emissions. The Coalition will help play a role towards a low emissions future for Australia, while also ensuring long term economic sustainability

Now I'd like to turn to our business performance for FY20.

Our business has proven to be resilient, with Earnings before Interest and Tax increasing 23% from last year to $375m, despite the net negative $100 million impact from commodity prices and currency impacts. Our manufacturing performance was significantly improved following some major interruptions last year, with underlying improvements being driven by our Manufacturing Excellence strategy.

Our explosives business has strategically located assets in two of the best mining markets in the world – the US and Australia.

Earnings before Interest and Tax from Dyno Nobel Americas was down 1% to $231 million, reflecting structural declines in the coal market, as well as the temporary impact of COVID-19 on some customer mining operations. Margins in the US business continue to be strong, reflecting the value of our premium technology.

Dyno Nobel Asia Pacific delivered Earnings before Interest and Tax of $149 million, down 17% on last year. Volumes in our Australian business held up well. Earnings were impacted by the previously announced re-contracting of our Moranbah foundation customers, as well as lower earnings from Indonesia. Pleasingly, we are seeing good momentum from technology as our sophisticated mining customers in Australia are increasingly adopting our technology into their mining operations.

Turning now to our fertilisers business. And as Brian mentioned, during the year we made a decision to retain and invest in the business following a strategic review.

Pleasingly, the fertilisers business returned to a profit this year, reporting earnings before Interest and Tax of $26m, with improved weather conditions from February resulting in strong sales volumes, offset by the impact of historically low commodity prices. As we move into FY21, we are continuing to see favourable agricultural conditions and are focusing on value-add products and services to increase distribution margins. On the manufacturing side of the business, we are looking to build on the record FY20 second half performance at Phosphate Hill, with the plant expected to benefit from the firming of the commodity cycle.

Turning now to our strategy and the future.

Despite the challenges of COVID-19, we've made very good progress on our broader strategic agenda. We remain focused on our key strategic growth initiatives that have the potential to deliver significant upside in earnings. Our end markets are resilient, and we are well positioned to benefit from a recovery in commodity pricing from there long term lows.

Given the low commodity prices, as well as the impacts of COVID-19, we took decisive action during the year to reduce our cost base. Our Response Plan delivered $20m in FY20 and we expect it to deliver a total benefit of $60m by FY22.

We continue to leverage our premium technology offering to support our customers and grow market share.

Our technology is designed to be easy for our customers to adopt in their mining operations as well as deliver meaningful improvements in mine productivity, safety and environmental impacts. Our generation 4 Electronic detonator systems - combined with our Delta E technology - has underpinned our market leading position in the US and in Australia and continues to enable us to attract the highest quality customers.

Our business growth will come from the acceleration of technology adoption and upgrades among new and existing customers.

We are focused on pursuing low capital, high return opportunities that leverage our technology platform. A good example is the successful commissioning of an emulsion plant in Chile, the largest copper market in the world. Initial customer trials have been very favourably received and we're confident our technology will deliver blasting results superior to any other in the marketplace.

Setting ourselves up for improved manufacturing performance, our manufacturing excellence strategy is on track to deliver our target uplift in earnings of up to $50m by FY22.

We have already successfully completed two of the four turnarounds for FY21 in a COVID-19 safe way – with the Waggaman plant scheduled to be brought down in January 2021 to commence its turnaround.

Our fertilisers business is well placed to benefit from any firming of the commodity cycle and the growth of new value-add products and services in precision agriculture.

Our focus will be on executing against these priorities to position us for significant earnings upside in the future.

Now I'd like to turn to our leadership team and acknowledge Frank Micallef whose retirement as our CFO after 10 years in the role was announced in June. I would like to sincerely thank Frank for his contribution, leadership and support.

As we go into FY21 I'm really pleased with the strong leadership team we have in place. With a strong financial background, CFO Nick Stratford brings significant business operating experience and strong commercial acumen to the role. Dr Braden Lusk – who stepped into Nick's previous role as DNA President has extensive on-the-ground experience and networks from his time working in and advising the US mining industry, combined with deep understanding of our differentiated technology offerings. We also welcome Michele Mauger to the Executive Team as Chief People Officer, bringing with her more than 25 years international experience.

Before closing, I would like to thank Brian Kruger and the Board for their continued support, wise counsel and leadership during this unprecedented year.

Finally, I'd like to thank our team around the world for their incredible hard work, adaptability and resilience during the past year. Our team has navigated significant change while continuing to provide exceptional service to our customers and all our stakeholders.

We've taken decisive action in response to the pandemic and your Company is well positioned to be stronger and more competitive in the future.

Thank you, I'll now hand back to Brian.