



INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
23 JANUARY 2006

SPEECH BY THE MD & CEO, JULIAN SEGAL

Thank you, John, and welcome shareholders.

As you know, this is my first Annual General Meeting of Incitec Pivot. I look forward to our discussions, both in the formal part of the meeting and later over a cup of tea.

Before I report on the company's 2005 financial year, I'd like to tell you of an amusing incident which took place on my first day at Incitec Pivot last June.

When I first went to the head office at Southbank, I was introduced to employees by my predecessor, Greg Witcombe, at a staff get-together.

To break the ice and to let my new colleagues know that I understood the impact of the weather on our business, I said jokingly: "You make the fertiliser and I will organise the rain."

A short time later, outside the window, three near-naked young men – completely coincidentally, I might add - performed a rain dance on the median strip as the traffic streamed by in all directions.

It turned out that the trio was more interested in promoting a new brand of men's underwear than growing crops or pasture. But in the depths of the drought, we saw their performance as a positive omen.

The break did come in most areas. It was extremely late, but it did rain for many farmers.

Ladies and gentlemen, I cannot seriously take credit for the rain any more than I can take credit for creating Incitec Pivot by merging our two former businesses.

That was the work of Greg Witcombe, his management team and dedicated employees across the eastern and southern states of Australia.

I see my job as building on this foundation to create a sustainable business that delivers value to all stakeholders, in particular shareholders and customers.

I would now like to turn to the performance of your company in the financial year ended 30 September 2005.

As a result of seasonal conditions and a changed competitive landscape, fertiliser sales volumes were down eight per cent to below three million tonnes.

This and margin erosion reduced sales revenue five per cent to \$1 billion and \$74 million. Net profit after tax before significant items was significantly down, at \$37.6 million.

As I acknowledged in the Annual Report, this was clearly a disappointing performance.

So, you are entitled to ask: "What did you do about it?"

The answer is that when the impact of the trading situation became clear, as the financial year progressed, management took decisive action to restore the company to a sound footing.

This took the form of a company-wide restructure to reduce our fixed costs by \$30 million annually.

Every part of Incitec Pivot came under the spotlight to determine how savings could be made without impacting on customer service.

As the Chairman reported, this included reducing the size of the Board. It involved the consolidation of our key operating divisions, reducing the number of executive managers and tightening the overall staffing level by some 100 positions.

To achieve this we had to streamline our systems and processes so that we can be both lean and responsive to market needs. We have fewer people, so we must be smarter in the way we go about our business and have the right tools to do so.

One key to achieving this long-term sustainability, and to manage the vagaries of agribusiness, is to have the lowest fixed-cost base in the industry.

By this, I do not necessarily mean we should be the cheapest supplier of fertiliser. Rather, we should have the lowest cost base that gives us the flexibility to remain competitive - in product quality, reliability and service as well as price - despite seasonal and market conditions.

With the company-wide restructure we embarked on in 2005, we are already well down the path to becoming the most efficient supplier in Australia.

By year-end on 30 September 2005, we were almost half way to achieving our objective of taking the \$30 million in costs out of the business by our self-imposed deadline of 2007.

But even when we do achieve our efficiency objectives, we will not be backing off our focus on costs because we have an additional element to our strategy.

We express this additional goal by adding the term “unassailable” to our plan to become the lowest cost base supplier.

By this we mean we will permanently build-in the efficiency advantages we are achieving.

Not only will this ensure we can continue to deliver value to our customers year in year out, it also signals our determination to retain our market leadership for the long term.

Speaking of the market, I know you will be interested to know Incitec Pivot’s strategy to deal with the significant changes brought about by the establishment of ELF.

Our approach is straight-forward. We will ensure our products are delivered to farmer customers by the most efficient means possible relative to the product quality, service and availability they require.

Under this multi-channel distribution strategy, we will sell through agents, independent dealers and, when it makes commercial sense, through corporate dealers.

We will also sell direct to growers when our channel partners alone cannot deliver the most effective service.

In every transaction, our focus is on ensuring value for our farmer customers and business partners, as well as for Incitec Pivot and its shareholders.

We firmly believe that value, not just volume, is the most appropriate measure for stakeholders to judge our success.

As you know, I have been with Incitec Pivot for a relatively short time.

But it has been long enough for me to understand the underlying strengths of the business, even in a difficult year.

One of these strengths is the enterprise and application of our employees, many of whom are also shareholders.

Some are here today and I would like to thank you and your colleagues at work in five States. I am impressed with your knowledge and drive.

To all shareholders, I thank you for maintaining your investment and interest in Incitec Pivot. We have a sound foundation to build on.

And, although our recent focus has been on the two-pronged initiative to cut costs and build our positioning in the market, we are keeping alert for growth opportunities.

To this end, we have a small team dedicated to strategy and business development which is seeking new ways to build our business.

At the conclusion of the meeting, along with the other members of my Executive Team, I look forward to speaking with you personally about any matters concerning your company.

In the meantime, there is just one thing I'd like to add. And that is to say that, despite my good fortune in being in the hot seat when the break came, there was one element I overlooked.

It rained all right, but as many croppers know first-hand, the dust of the drought turned to machinery-bogging mud in some areas.

My oversight was not to learn how to make it stop raining. With tongue firmly in cheek, I can tell you that I'm working on this aspect of my skill base.

Ladies and gentlemen, thank you for listening.