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## Media Statement – Tuesday, 9 May 2006

### Incitec Pivot makes major growth move

Incitec Pivot Limited today announced that it had agreed to purchase Southern Cross Fertilisers, Australia's only producer of ammonium phosphate fertilisers, from BHP Billiton for \$165 million.

The transaction strengthens Incitec Pivot's position as Australia's leading fertiliser manufacturer and supplier and significantly boosts the company's export sales.

"The complementary nature of the two businesses makes Incitec Pivot and Southern Cross logical partners," said Incitec Pivot's Managing Director and CEO, Julian Segal.

"Bringing these two successful enterprises together is a sensible and timely outcome for both companies and Australia's farmers."

Following Orica's announcement today that it was selling the bulk of its shareholding in Incitec Pivot through a fully underwritten global institutional bookbuild, Incitec Pivot announced it will recommend to shareholders a selective buy-back of Orica's remaining holding in the company.

As a result of these announcements, a 48-hour halt in trading in Incitec Pivot shares on the Australian Stock Exchange was put in place today. Trading will resume on Thursday 11 May 2006.

Incitec Pivot's buy-back proposal will be set out in an explanatory memorandum to be distributed to Incitec Pivot shareholders later this month.

The buy-back will be subject to shareholder approval at a General Meeting. Shareholders will be advised of the date of this meeting when the explanatory memorandum is circulated.

Incitec Pivot's Chairman, John Watson AM, said Orica's decision to exit its 70 per cent holding in Incitec Pivot would broaden the company's shareholder base and allow shares in the company to trade more freely on the ASX.

"This capital restructure is the natural next step in the evolution of Incitec Pivot," he said.

Orica's support had enabled Incitec Pivot to establish a strong platform based on rigorous financial discipline, positioning the company well to pursue the next stages of its business strategy.

"Incitec Pivot will now have increased flexibility to react promptly to business opportunities for increasing shareholder value," Mr Watson said.

## **Purchase of SCF**

Regarding the purchase of Southern Cross, Mr Segal said that the ammonium phosphate fertilisers DAP and MAP produced by Southern Cross would complement the existing superphosphate and urea product range Incitec Pivot manufactures and distributes.

“The Southern Cross transaction, combined with our current restructuring program which will deliver \$34 million in savings annually, ensures Incitec Pivot has a sustainable platform for the future,” he said.

The purchase of Southern Cross, which became part of BHP Billiton when it acquired WMC Resources in July 2005, is expected to be earnings positive for Incitec Pivot in the first year.

The purchase satisfies Incitec Pivot's investment return criteria of 18% return on net assets and will be fully debt-funded.

On completion of the transaction, Incitec Pivot is expected to generate annual revenue of \$1.4 billion from total annual fertiliser sales of 3.4 million tonnes.

## **Standalone business**

Incitec Pivot plans to operate Southern Cross as a standalone business while integration plans are finalised.

A significant portion of Southern Cross's MAP and DAP production will continue to be wholesaled on the domestic market through Hi Fert, and exports to the Asia-Pacific region through Mosaic will be maintained.

Southern Cross's vertically integrated operations include a phosphate mine, fertiliser manufacturing plant and the dormitory township of Monument at Phosphate Hill, 1000km south-west of Townsville, a sulphuric acid plant at Mt Isa and port facilities at Townsville.

The fertiliser plant has an annual capacity of almost one million tonnes of MAP and DAP. The mine has estimated phosphate rock reserves of 85 million tonnes, equivalent to a mine life of 30 years.

The transaction is conditional on the vendors completing a scheduled maintenance shutdown of operations at Phosphate Hill and Mt Isa and also on the Australian Competition and Consumer Commission not raising any objections.

Once these conditions are satisfied, Incitec Pivot expects the acquisition to be completed in July 2006.

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