



INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
20 DECEMBER 2006

SPEECH BY THE CHAIRMAN, JOHN WATSON

Ladies and gentlemen, welcome to Incitec Pivot Limited's fourth Annual General Meeting.

It's hard to believe that it is just three years since we gathered at Incitec Pivot's first AGM on 19 December 2003.

Only eight months before that, Pivot shareholders gathered to vote on the proposal to join forces with Incitec Fertilizers.

It is part of history that on that occasion, Pivot shareholders – some of whom I recognise are here with us today – overwhelmingly supported the merger.

Since then, our company has made many significant, some would say remarkable, achievements.

For the benefit of those who have joined as shareholders more recently, I would like to touch on some of the highlights of recent years.

I will do this by tracking the value of shares in the company, which I think you would agree is one of the most practical measures of the success of your investment.

Four months before the merger, one buyer was offering \$5.15 per Pivot share, raising this to \$9.05 after the details of the merger were announced.

To provide Pivot shareholders with an opinion on whether the merger proposal was fair and reasonable, an Independent Expert engaged by Pivot at the time estimated the value of the shares to be in a range of \$10.42 to \$12.53.

When IPL shares first listed on the ASX on 28 July 2003, the closing price was \$14.52, well above the upper limit forecast by the Independent Expert.

Five months later, on the day of our first AGM, the shares closed at \$15.71.

On the day of our second AGM – 17 December 2004 – the closing price was \$21.62.

Ladies and gentlemen, I cannot tell you what our shares will close at today. However, they were \$32.73 at the close of business on the ASX yesterday.

Putting all this together, the facts are:

- IPL's share price has risen \$18.21 or 125% since listing on the ASX
- The price is \$20.20 or 160% higher than the upper range of the Independent

Expert's 2003 estimate.

- Yesterday, a former Pivot shareholder could have sold their shares at a 500% or \$27.58 premium on the private investor's off-market offer in late 2002.
- During this time, each IPL share accrued a total of \$3.03 in dividends, all fully franked, in addition to the pre-merger Pivot special dividend of \$1.40.

Of course, because of the significant change in ownership structure earlier this year, many shareholders have not been part of the company for long enough to take advantage of all these benefits.

But I know those who have shared IPL's journey since the Pivot days will reflect on these events with a smile. Thank you for your loyalty.

Now, moving to more recent history, I would like to review for you IPL's performance in the 2005/06 financial year, which ended on 30 September.

In a company-transforming year, IPL completed a major cost-focused restructure, separated from its former majority shareholder, Orica, and expanded significantly by acquiring Southern Cross Fertilisers Pty Ltd (SCF).

Incitec Pivot's restructure, which started in the 2004/05 year, was part of a Company-wide cost-efficiency program. This underpinned improved financial performance in 2005/06.

The focus on costs continues and is now embedded in Incitec Pivot's culture to secure its position as the lowest cost base fertiliser supplier in Australia.

On 9 May 2006, Orica announced its intention to sell the 70 per cent shareholding it obtained in Incitec Pivot at the time of the merger in 2003.

The first phase of Orica's exit, the sale of 56.5 per cent of Incitec Pivot's shares to investment institutions, was completed on 10 May.

The sell-down was heavily over-subscribed at \$21 per share, demonstrating investors' confidence in Incitec Pivot.

At the same time, Incitec Pivot announced its plan to buy back the remaining portion of Orica's holding at \$21 per share and for those shares to be cancelled, subject to shareholder approval.

Simultaneously with these announcements, Incitec Pivot announced its proposal to purchase from BHP Billiton the Queensland based manufacturer, SCF.

As you know, on 6 July, Incitec Pivot's shareholders voted overwhelmingly to support the buy-back proposal and this was completed on 11 July. The acquisition of SCF completed on 1 August.

With these events, Incitec Pivot is a now fully integrated fertiliser company and a truly independent listed company with its shares freely available for trading. Incitec Pivot's

destiny is now in its own hands.

As a result of these developments, Incitec Pivot achieved the liquidity in its share register and scale of market capitalisation to be admitted to Standard and Poor's ASX 200 Index on 15 September 2006.

This was appropriate recognition for the strategies adopted by the Board and management and the dedication of the workforce to implement them in a fast-changing environment.

A measure of the success of the strategies Incitec Pivot has pursued is that in 2005/06 profitability increased 73 per cent to achieve Net Profit After Tax (NPAT), excluding individually material items, of \$82.8 million.

This enabled your Directors to declare a final dividend of 81 cents per share, taking total dividends paid for 2005/06 to \$1.03, a 45 per cent increase on 2004/05. This is in line with the Board's continued policy of distributing surplus funds and franking credits to shareholders when available.

Total shareholder returns almost doubled in 2005/06 as a result of the increased total dividend, the \$165 million share buy-back and a 64 per cent increase in the share price from \$15.82 to \$25.87 between 1 October 2005 and 30 September 2006.

That this performance was delivered in poor seasonal conditions is testimony to the soundness of the strategy to achieve a cost base that allows the business to achieve acceptable returns even in a difficult trading year.

Regarding the composition of your Board, the only change during the year was the resignation of John Chesterfield as a non-Executive Director following the exit of Orica as a shareholder.

I would like to thank John for his professional and knowledgeable contribution and also pass on my appreciation to other Directors for their positive input during the year.

To fill the vacancy created by John Chesterfield's departure, the Board undertook a rigorous external process to identify the qualities a new Director would require to complement the existing Directors' experience and skills.

This comprehensive research was not completed until after the Notice of Meeting for this Annual General Meeting was prepared and mailed out to you. However, today I am pleased to announce that the Board, taking into account the independent external analysis, unanimously decided to appoint John Marlay as a non-Executive Director of the Company, with effect from the conclusion of this meeting.

John has extensive experience as a Director and in senior management. He has been the Chief Executive Officer of Alumina Limited – a company with market capitalisation of \$7.3 billion and ranked around 35th in the ASX 200 - since its formation in 2002. Formerly, he held senior roles at WMC, Pioneer International, James Hardie International and Esso Australia.

The Board considers that John has the skills and expertise to make a valuable contribution to Incitec Pivot. As required by the Company's Constitution, John will resign at the next General Meeting of shareholders and, if eligible, will offer himself for re-election.

Of course, IPL's success in the past year would not have been possible without the loyalty of our distribution partners and the support of farmers, many of whom are also shareholders, who use our products.

I would also like to acknowledge the role of IPL's employees – many of who are also shareholders through participation in the company's Employee Share Ownership Scheme - in Incitec Pivot's outstanding success in 2005/06.

This team's determination to turn the Company around has been most impressive, especially given the unfavourable weather conditions and the competitive nature of the market.

While it has been a successful year for Incitec Pivot, we are acutely aware of the impact of the continuing drought in most regions.

We know the amount of stress the drought – aggravated recently by the bushfires in some areas – has caused many farmers and their families. Sometimes this ends in tragedy.

So, as a company, we were very pleased two days ago to announce our backing for a new rural mental health initiative called 'Don't Beat About the Bush' launched by beyondblue, the national depression awareness network.

The campaign is designed to encourage potential depression sufferers to seek help and increase awareness of the array of support services now available.

Our funding will enable beyondblue to train our front-line field staff, along with field staff from our dealers and agents, to recognise depression and where potential sufferers can seek help.

Our assistance will also enable the staging of farmer forums dealing with depression in up to 60 rural centres.

IPL and its predecessors have a long history of helping rural communities in times of need and we are proud to return a favour to those who have helped our business grow.

Thank you for listening, ladies and gentlemen. Please take care over the Christmas period on the roads, on the farm or on holiday.

Whether you live in the city or the country, let's hope we can celebrate with decent drought-breaking rain in 2007.

Thank you.

John C Watson, AM
Chairman