



**INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING**  
**20 DECEMBER 2007**

**SPEECH BY THE MANAGING DIRECTOR & CEO, JULIAN SEGAL**

Thank you, John.

I would like to say at the outset how personally gratifying it is to lead a quality team which has delivered record results for our Company, our shareholders and our communities.

Looking at the financials, we had Net Profit After Tax (NPAT) of \$205.3 million compared with \$46.7 million in 2006. Earnings Before Interest and Tax (EBIT) were \$312.5 million compared with \$126.2 million last year.

The 2006/07 financial results were driven by record production, the delivery of 'Tardis' efficiency benefits, continued financial discipline, and strong global fertiliser prices.

The results also reflect the successful integration and operation of Southern Cross Fertilisers and the growth of our trading operations.

Significantly, these results confirmed the power and effectiveness of the four legs of the business strategy:

Leg one is Lowest Cost Base. This continuous drive for high productivity and efficiency will secure our place in having the lowest cost base in our industry. So that we can produce a satisfactory return even in a difficult year.

The 2006/07 financial results exemplified this. The total EBIT benefit of the 'Tardis' efficiency program since its inception is \$104 million plus a \$155.5 million reduction in working capital.

Making efficiency sustainable is on-going at Incitec Pivot and we will continue to explore opportunities to ensure we maintain our cost efficiency.

Leg two of our strategy is Own the Product. This capitalises on our recognised manufacturing competence and the quality of our assets. 81 per cent of 2006/07 EBIT was made in manufacturing.

Our manufacturing competence was underscored by the success of the Gibson Island maintenance shut, 'Reset 07', which was achieved on time, on budget and with an exceptional level of safety performance.

The third leg is Trading Business. This part of the strategy aims to build on our already established trading business, Southern Cross International, by developing domestic, regional and global trading in products manufactured by Incitec Pivot and sourced from other manufacturers.

In the 2006/07 financial results, trade sales increased by 736,000 tonnes to 972,000 tonnes with export of product balancing the fluctuating domestic demand.

The trading business increased its contribution to \$12.4 million this year. We opened new export markets into regions such as Latin America, India, Pakistan and New Zealand.

The fourth and final leg of our strategy is Supply Chain. Our business involves the transport of millions of tonnes of raw materials and product by ship, train and truck.

Every time we reduce the transport cost per tonne by \$1, it is multiplied by millions of tonnes. As mentioned, this year we achieved a \$155.5 million reduction in trade working capital and further ways to improve efficiency are always being considered.

We recognise that the drought and economic conditions made the year a difficult one for the business partners involved in the distribution of our products, as well as for farmer customers.

To improve our distribution model, Incitec Pivot has introduced new arrangements for working with our business partners.

The new arrangements, which we have called 'Fresh Approach', commenced on 1 December.

Fresh Approach introduces a new pricing model, as well as new reward arrangements which recognise the value contributed by our business partners.

In addition, as part of the Supply Chain Engine leg of our strategy, we have undertaken work in improving forecasting to meet seasonal demand.

In 2007, Australia saw a rise in fertiliser prices driven by international forces. The price of fertilisers is dictated by global demand for food, feed, fibre and fuels.

Let's look at each of these drivers.

With the world's population growing by 200,000 people every day or 96 million people a year, rising demand for food is a fact of life.

The demand for feed for livestock is also increasing, as people in countries like China and India change their diets to include more complex proteins such as beef, pork and chicken in line with rising incomes.

Fibre production has been increased to meet the clothing requirements of a growing population.

With fuel, the demand for biofuels to substitute for oil has seen a huge leap in corn production, particularly in the United States where 80 new ethanol plants were built last year alone.

In each of these four F's, fertiliser demand increases as farmers turn to fertilisers to increase productivity on limited available land. This drives up fertiliser prices.

In the year ahead, I expect global demand for fertilisers to continue to put pressure on international and domestic fertiliser prices. Prices continued to rise in the first quarter of the 2008 financial year and are now at record levels.

I feel confident that the effectiveness of our business strategy, with the Lowest Cost Base, Own the Product, the Trading Business and our Supply Chain Engine, will position us well to continue to create shareholder value.

As the Chairman reported, a key area of focus for the Company in 2007 was Health, Safety, Environment and Community (HSEC). Although we continue to see improvements, it will always be an area of attention as we aspire to 'Zero Harm for Everyone, Everywhere'.

In 2007, safety performance improved and notably the overall potential severity of injuries reduced.

Additionally, the Company introduced a new HSEC management system, together with new policies and procedures specifically designed for our operations.

Given the critical national issue which we all face living in the world's driest inhabited continent, the reduction in our use of town water has been an environmental success story for Incitec Pivot this year.

I was delighted to host the now-Premier of Queensland, Hon Anna Bligh, to Gibson Island during the year to officially open our new \$1 million desalination plant.

This plant is one of a number of water-saving projects at the Gibson Island plant, which together will require a \$7 million investment.

Together, the desalination plant and a reverse osmosis plant to treat and recycle process and stormwater have reduced our call on Brisbane's water supply by up to 2.5 million litres a day.

In addition, there are water-saving projects completed or underway at a number of our other sites, including Geelong, Portland and Phosphate Hill.

Other important environmental issues for us are climate change and the responsible use of fertiliser to avoid run-off impacting on waterways and coastal ecosystems.

As well as looking to improve performance at our plants, we have developed new products for farmers which slow the release of greenhouse gases from fertiliser and reduce the impact of nutrient run-off.

On the production front, I am pleased to advise that, as of last night, full production has resumed at our Gibson Island urea plant.

Production stopped as a result of the failure of a pressure vessel. An insurance claim is being progressed.

Looking back over the year, my deep appreciation goes to the entire Incitec Pivot team for delivering an outstanding performance.

I would like to thank the Board and the Executive Team for their continued commitment, advice and support.

Also, I'm pleased to welcome Paul Barber to our Executive Team as General Manager – Australian Fertilisers.

Paul brings extensive marketing and customer experience in the agriculture sector and will be a great asset to our business.

Finally, right across the Company, Incitec Pivot is a team on the move and is prepared to seize opportunities and take on challenges.

When I visit the sites, I see people everywhere with a spring in their step. At the heart of this renewed spirit is the adoption across all levels of the organisation of the Own.Breakout.Deliver values, which guide our individual and corporate behaviour.

Created 'by our employees, for our employees', Own.Breakout.Deliver captures our unique spirit and, I am quite sure, gives us a competitive advantage.

Through our Values, we are well on the way to creating a responsible and responsive culture that embodies the quality and determination of our people. We will draw on this spirit in the coming months and years.

Thank you.

**Julian Segal**  
**Managing Director & CEO**