



INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
20 DECEMBER 2006

SPEECH BY THE MD & CEO, JULIAN SEGAL

Thank you, John.

My first full year as Managing Director and CEO of Incitec Pivot has confirmed to me the underlying strength of the business.

The major transforming events, as outlined by the Chairman, positioned the Company to deliver its strategy of being the supplier with the lowest cost base in the fertiliser industry.

I am pleased to say that the financial results for 2005/06 clearly demonstrate the success of our strategy.

In particular, the major cost-saving restructure launched in 2005, when I joined the company, played a crucial part in delivering significantly improved earnings in the 2005/06 year, despite poor prevailing seasonal conditions.

The restructure was designed to reduce the underlying cost base sufficiently to allow acceptable returns, even in a poor year, as a means of managing seasonal fluctuations.

The magnitude and timing of the cost savings achieved to date deserve special mention. We promised a step change by reducing the fixed cost base by \$20 million in 2005/06, yet we were able to deliver cost savings of \$30.1 million before tax, a 50 per cent improvement on our target.

The cost savings were achieved through a combination of initiatives, including improving efficiencies in our manufacturing and logistics operations.

In the future, we expect phase one of the efficiency program to deliver sustainable savings of \$38 million per year.

On top of this, we have targeted a further \$83 million in cost efficiencies in phase two of the program, which includes efficiency improvements in manufacturing and a major supply chain optimisation program.

The cost-reduction program, together with efficient manufacturing, a focus on value not just volume and financial discipline, contributed to the 2005/06 financial results.

Our expanded manufacturing capacity means that 70 per cent of the product we sell in 2007 will be made in our own plants.

From 1 August 2006, when Southern Cross Fertilisers joined Incitec Pivot, the newly acquired operations contributed positively to earnings. From day one, the SCF business also generated a return on net assets (RONA) above our 18 per cent investment target and was earnings per share accretive from day one.

An overall RONA for the business of 18 per cent was achieved in 2005/06, two years ahead of the target we set in 2005.

Continued financial discipline saw gearing held to 42 per cent, which was within the target range and one year ahead of plan following the regearing associated with the SCF purchase and the share buy-back.

In 2006, three new appointments were made to the Company's Executive Team. Alan Grace was appointed as General Manager SCF Integration, James Whiteside was appointed as General Manager Supply Chain and Trading and Mark Drew, formerly of SCF, was appointed as General Manager Sales and Customer Service.

In addition, a number of other former SCF personnel were appointed to high-level, Company-wide roles, demonstrating the calibre of our new colleagues.

In 2005/06, Incitec Pivot continued to maintain its focus on health, safety and the environment. Tragically, however, during the year the Company experienced its first fatality at our primary distribution centre at Mackay.

This is unacceptable and we are taking all possible steps to prevent this ever occurring again. Following the tragedy, safety audits were conducted at all of our sites and all employees attended workshops to reinforce our safety focus.

In respect of the environment, the decision was taken to cease single superphosphate production at Cockle Creek in New South Wales by September 2009. The decision to close the plant will enable rehabilitation and future sale of the site.

Since year-end, we have closed our Wallaroo distribution centre in South Australia to allow remediation and ultimate development of the site to proceed.

I am proud to report that our Company has achieved full accreditation with the fertiliser industry's national training and accreditation program, Fertcare[®]. This confirms our ongoing commitment to take a responsible approach to fertiliser handling, advice and application.

During 2005/06, the Incitec Pivot brand was further strengthened in the market place and new products came on line to boost our offering to farmers. For instance, FertTerms Plus[™] was introduced to offer farmers more flexible deferred payment options.

The Company also launched the new Entec[®] treatment, which stabilises horticultural fertilisers, as well as Green Urea[®] fertiliser, which allows more efficient nitrogen application.

Already in the current financial year, in conjunction with Nufarm and CSBP, we have assisted in the development of new technology that will allow farmers to apply specially formulated herbicide and our Easy N[®] liquid fertiliser in a single pass.

This will save farmers time, labour, fuel and wear and tear on machinery.

Looking to the future, in addition to continuing our efficiency drive, one of the top items on our agenda in the present year is the scheduled maintenance of our ammonia and urea plants at Gibson Island.

This is a huge exercise involving 1,000 employees and contractors over four weeks at an estimated total cost of \$43 million, and is necessary to ensure the efficient operation of these plants until the next scheduled maintenance shut in five years time.

We will also be focusing on completing the integration of SCF into the Incitec Pivot Group and this will continue to assist our performance in the current year.

We will remain alert for growth opportunities that similarly meet our established investment criteria.

In the year to date, we benefited from a delayed sugar season which saw fertiliser sales pushed into the 2007 year.

In addition, the summer cropping season got off to a sound start, especially in sorghum, following a poor winter plant in these regions.

However, de-stocking as a result of the drought reduced spring demand for our fertilisers in the pasture market.

The SCF business continues to contribute positively to our performance as the integration process proceeds on course.

Broadly, this leaves IPL's overall performance in line with our expectations for this time of the year, despite the difficulties being experienced by many end-use customers as a result of the drought.

As always, we will be closely watching closely the weather conditions for the winter crop plantings as this continues to have a major impact on our results.

In closing, I sincerely thank my Incitec Pivot colleagues for their untiring efforts in a challenging and fast-changing environment. Together, I know we can continue to get things done.

Julian Segal
Managing Director and CEO