

**ADDRESS BY GREG WITCOMBE
MANAGING DIRECTOR AND CEO
INCITEC PIVOT LIMITED
19 DECEMBER 2003**

People the key ingredient

Thank you, Chairman, for that overview of the first months of Incitec Pivot.

At the outset it is worth reinforcing that many mergers are unsuccessful. Some never get off the drawing board. Others fail at implementation.

While it is still too early to declare the merger process completed, we are now well advanced in combining the two former businesses.

I believe we can say with confidence that the merger to date has been successful and that we are well placed to deliver the merger benefits promised to shareholders.

To give you a feeling of how far we have come, it is worth reviewing our progress against the three key merger priorities that we set for Incitec Pivot on day one, 1 June 2003. Our key aims were to:

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- Create 'one company';
- Deliver the synergies; and
- Retain market share

Creating 'one company'

Creating 'one company' describes the challenge of building a single, unified business with its own distinct identity from the "twin personalities" of the Pivot and Incitec Fertilizers operations.

This is our opportunity to select the best of everything from the former organisations and to blend them together into a stronger enterprise, Incitec Pivot.

One of the main benefits of the time gap between the merger proposal and the final shareholder vote was that we were able to complete a significant amount of pre-planning work prior to the merger date.

We started the new company on 1 June with the senior executive team in place and the top 50 leadership positions in the organisation already filled.

We moved quickly to establish the corporate office in Melbourne. These two steps provided a springboard to move quickly to capture the available merger benefits.

We also settled on the corporate brand and logo that would be the face of Incitec Pivot. It was an all-new and "fresh" image that didn't attempt to draw on the design elements of the former logos.

We went to considerable pains to ensure that on 1 June our major sites, our office stationery, our website, our internal intranet and many of our vehicles were identified with the new logo.

This sent a strong message about “who we are” to our customers, but equally importantly it gave employees a unifying symbol they could identify with.

I can also report today that after six and a half months, a strong ‘one company’ spirit is already evident throughout Incitec Pivot. A good example of this has been the way our employees have worked together to integrate our computer systems.

This huge project has touched almost all of our 800 employees – from the factory floor, to our people working in distribution centres, to our sales force and corporate centre employees in areas such as finance.

Because we are moving to a single company-wide integrated information technology system, teams from across the whole organisation were formed to develop the system design.

Our employees worked tirelessly – often away from home in another State – to ensure that we delivered a robust system. The system is now up and running and, after the bedding-in period is completed, we will start to see efficiencies in the first quarter of the new calendar year.

I am confident that the “can do” attitude displayed throughout this project will become a characteristic of Incitec Pivot in the future.

We believe that people really are the key ingredient that differentiates high-performing companies from those that achieve only mediocre results.

For this reason a series of workshops involving all of our employees is in progress to build on the “one company” spirit and create the foundations for the next stage of Incitec Pivot’s development.

At these workshops, employees examine the company’s strengths and define the values that will underpin the way that Incitec Pivot conducts its business in the future. To date this exercise has produced rewarding results and a great sense of teamwork.

In summary, I believe we have made very good progress in building our new consolidated company.

Delivering the synergies

One of the main drivers of the merger has always been the prospect of unlocking cost savings from combining the two businesses, and this is the second of our three merger priorities.

You will recall that the target figure for these synergy savings was \$30 million per year. This is a significant financial benefit and we have been very determined from the outset to ensure that we fully capture this value.

Our approach has been to develop a comprehensive and detailed plan to put rigour into the process of identifying and delivering these savings.

At a micro level, the plan comprises 173 implementation projects and, to date, 86% of these projects have been completed. We have announced that we achieved \$6.1 million in synergy savings in the company’s first four months, an annualised rate of more than \$18m.

Now, just two months into the new financial year, the savings on an annualised basis are running at a rate of \$20 million.

Accordingly I can now say with confidence that we are on track to deliver savings at an annualised \$30 million rate by the end of the current financial year.

Retaining market share

The third priority in our merger program was to retain our leading share of sales in the market for fertilisers on Australia's East Coast.

Naturally, there were concerns that competitors might consider us vulnerable during the merger process and move to capture some of our market share.

However, I am pleased to say that our sales and marketing teams maintained their customer focus during this critical period and have retained the support of all agents and dealers in our distribution network.

The combined efforts of our people and our business partners has resulted in Incitec Pivot maintaining its strong leadership position in the markets in which it competes.

This is a very pleasing result and demonstrates the support for the new company among our distribution partners. Of course, it is still early days and we must keep our eye on the ball if we are to maintain this position over the longer term.

Turning to our results, I would like to comment on our safety performance and also on some key financials.

Safety and the Environment

At the heart of our corporate and personal culture is an unwavering commitment to safety, health and the environment (SH&E).

We believe all injuries are preventable, and this attitude is summed up in our safety vision which is familiar to all employees: 'No Injuries to Anyone. Ever'.

I am pleased to report that total recordable injury cases across the two merged businesses fell 47% in 2003 – down to 23 from the 49 recorded in 2002 and a dramatic improvement on the 2001 figures.

However, this performance is a long way from our safety vision and we are targeting a significant improvement in safety performance in 2004.

With regards to our environmental performance, as the Chairman has already referred to, this is an area that I see as one of the key priorities of my management team and of me as the CEO of Incitec Pivot.

I am also of the very firm belief that not just the community, but also our employees demand nothing less than the highest level of performance in this area and we work tirelessly to improve our performance. Much has been done but much still remains to be done.

Financials

Before significant items, net profit after tax (NPAT) of \$35.1 million was recorded to 30 September 2003.

This result covers eight months of the former Pivot business and four months of the newly formed company. Given the effect of the prolonged drought on volumes and margins, I consider this a good result in light of the difficult trading environment.

Total significant items after tax were \$53.7 million including \$49.9 million of merger related costs. The major merger costs were, transaction and implementation costs, employee redundancies site clean-up and rationalisation costs that included asset write-downs

We ended the financial year with a strong balance sheet. Net assets were \$648 million (compared with Pivot's \$232 million in 2002) and Net debt was \$74 million (\$81 million in 2002).

Gearing (measured by net debt to total capitalisation) was 11 per cent, down from 35 per cent in 2002, reflecting strong business cash flow, increased equity on issue and the sound balance sheet of the merged business.

That's a brief summary of our performance to date. But what about the future?

Competitive advantages

I firmly believe that Incitec Pivot is well positioned to be a strong business in 2004 and beyond because of the significant competitive advantages created by the merger:

- Firstly, as we are Australia's leading fertiliser manufacturer and distributor, we have the scale to underpin our position as the country's lowest delivered-cost supplier.
- Our wide geographic base and involvement in all farming sectors gives us a balanced exposure to Australian agriculture.
- Our quality manufacturing and logistics assets across eastern and southern Australia give us unequalled capacity to meet seasonal demand for farm nutrients.
- Our product range, key site locations, focused customer service and scientific back-up ensure farmers get the precise nutrients they require.

And finally,

- Our people are skilled, experienced and motivated and have been reinvigorated by the merger and the 'one company' pride that is building across the organisation.

I am confident that these positive factors will support competitive returns to shareholders over the medium term as we firmly establish the new company and look for opportunities to grow.

Outlook for 2004

Turning to our performance expectations this financial year, our outlook is for improved earnings, which will be underpinned by the delivery of the merger synergies that I mentioned earlier.

The early signs are for improved weather patterns in 2004, while we can expect a mixed impact from such factors as the exchange rate and commodity prices.

Given that two-thirds of our profit is made in the second half of the financial year, we need to be cautious about making predictions.

Our prime focus for 2004 remains on bedding down the merger – achieving one company, delivering the synergies and holding our leadership position in the market.

Summary

In summary, this has been an exciting period for everyone at Incitec Pivot. I believe we have made a great start towards building Australia's best-performing agribusiness on the strong foundations we inherited from our founding companies.

Considering the start-up market environment of the worst drought in 100 years, I am proud of the achievements of the newly consolidated team.

Our merger is on track and the building process will continue throughout the current financial year.

I extend my sincere appreciation to a supportive and knowledgeable Board, to my dedicated and hard-working colleagues in all parts of the business and to our customers both in our distribution network and farmers.

Please have a safe and enjoyable festive season.

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