

INCITEC PIVOT LIMITED AGM 17 DECEMBER 2004

**ADDRESS BY MANAGING DIRECTOR AND CEO
GREG WITCOMBE**

Introduction

Thank you, John. I, too, warmly welcome shareholders to the annual general meeting of Incitec Pivot Limited.

This is the new company's first full year, so it is appropriate that I start by commenting on the successful conclusion of the merger, which was first proposed in 2001.

As you know, the union was formalised with the launch of Incitec Pivot Limited on 1 June 2003.

Success of merger

At last year's annual general meeting I spelled out the three key aims management was focusing on to integrate the two formerly competing businesses into one dynamic new company:

We described the first main aim as "creating one company".

Today I can advise that over the past 18 months we have successfully laid the foundations of a strong Australian agribusiness with its own distinct identity.

The second key objective was to maintain our leading market position.

This was a huge challenge, but thanks to the support of our business partners in the marketplace, we have held our strong leadership position.

Our third challenge was to secure \$30 million in annual merger synergy savings. As the Chairman has reported, we have achieved this also.

Ladies and gentlemen, today I feel very comfortable saying we have successfully completed the merger.

Financial performance

Incitec Pivot delivered above-budget financial performance in 2004, our foundation year.

As the Chairman reported, net profit after tax (NPAT), excluding significant items, was \$80.9 million compared with \$35.1 million in the previous year.

Earnings before interest and tax (EBIT), excluding significant items, was \$121.9 million, a 62 per cent increase on the combined EBIT for the separate businesses in 2003.

I'd like to take a moment to explain the three key drivers of this better-than-expected performance in a flat and highly competitive market.

First, there was the positive impact of the captured business efficiencies of \$50.6 million before tax, including the merger synergies previously mentioned.

Second, a strong contribution from our manufacturing operations saw manufacturing profit increase by almost \$30 million.

And finally we retained the support of our distribution partners and our farmer customers to hold our leading position in the East Coast fertiliser market.

Operations

In 2004 Incitec Pivot fertiliser sold approximately 2.9 million tonnes of fertiliser, an increase of one per cent of the combined sales of the former businesses in 2003.

Sales were essentially flat because of continuing dry conditions in many areas.

Approximately half of this total tonnage was produced at our five manufacturing facilities located at Geelong and Portland in Victoria, at Gibson Island in Queensland and at Newcastle in New South Wales.

This product was distributed through our 17 primary distribution centres, 27 regional service centres and 42 Big N sites that stretch from Cairns in far north Queensland to Scottsdale in Tasmania and Port Lincoln in South Australia.

Our comprehensive retail network of about 800 independent dealers and agents played an essential role in supplying our fertilisers to farmer customers in all segments of agriculture.

Safety Health and Environment

The past year saw the company's focus on safety, health and environment performance deliver improved results in a number of key areas.

One of the principal workplace safety measures we employ is the number of recordable injuries to employees or contractors.

"Recordable" injuries are those which result in absence from work, restriction of normal work activity or require medical treatment.

In 2003, the former businesses reported 23 recordable injuries. In the 2004 year this was significantly reduced to 13 recordable injuries.

Our environmental performance has also improved, and we are continuing to work hard to make sure we meet or exceed all regulatory requirements and, most importantly, community expectations.

Securing the future

Just before the end of the 2004 financial year, Incitec Pivot entered agreements that secure the long-term future of our fertiliser manufacturing plants at Gibson Island in Brisbane.

The 10-year agreements are for the supply and transport of natural gas, the key feedstock in the production of ammonia, urea and ammonium sulphate fertilisers.

The agreements will take effect in the second half of 2007 on the expiry of Incitec Pivot's current gas supply contract.

They secure competitively priced gas for Gibson Island until 2017 and strengthen Incitec Pivot's position as a low-cost producer and the only Australian company manufacturing urea,

Looking further afield, in September we also announced that we are part of an international consortium conducting a detailed feasibility study into the construction of an ammonia/urea manufacturing complex in Brunei.

The Brunei Economic Development Board selected our consortium – in which we are equal partners with Mitsubishi Corporation and WestSide Ltd - from a global field of proponents.

The proposed plant would be the largest urea manufacturing operation in Asia and equal to the largest operating in the world today, capable of producing 1.2 million tonnes of urea a year.

I'm pleased to say that Incitec Pivot would have majority offtake rights for the plant's output and would use its expertise to operate and maintain the manufacturing complex.

If the project proves viable, it will fit comfortably with our strategy of being a world-competitive fertiliser supplier into the Australian market. It would complement ammonia and urea production at our Brisbane plant.

We are investigating this project against a background of global urea demand that is growing at more than three million tonnes per annum.

However, shareholders can be assured that Incitec Pivot will only proceed as a partner in the project if it meets our rigorous investment criteria.

Our customers

One of our current priorities as a company is to improve customer service.

To this end we have embarked on a comprehensive program across Incitec Pivot to increase customer satisfaction by improving our account management processes from order-taking to delivery, invoicing and cash collection.

Our commitment is to have simple business processes that are straight-forward, reliable and make it easy for customers to do business with us.

We have already introduced some improvements and will keep rolling out others. Our aim, of course, is not simply to be the biggest supplier, but to use our size and strength to be the best.

We've proven with safety, health and environment that step improvements can be achieved.

We now want to replicate this success with improved customer service performance.

Elders-Landmark-HiFert corporate consortium

Shareholders will have heard the announcement that Elders, Landmark and HiFert are joining forces to compete in the retail fertiliser market.

Although this move has been rumoured for some time, it is too early to quantify what the outcome in the market might be. However, it is inevitable that there will be some impact on our business.

Obviously we have plans to manage this development and they will unfold in due course.

It can be said that, as always, change brings opportunity. For us the obvious opportunity is to capitalise on the change of dynamics to further develop our wide network of independent dealers and agents.

Across the industry and within Incitec Pivot, independent fertiliser distributors handle the vast majority of sales to farmers. They are the farmers' proven preferred suppliers.

As we go forward we will continue to work closely with our independent dealers spread across the regional cities and towns of southern and eastern Australia.

What will not change is that Incitec Pivot will retain its position as the country's leading fertiliser business.

Our position is underpinned by our ability to offer the lowest cost for fertiliser delivered on-farm, our scale, our strong local manufacturing presence and our comprehensive logistics network.

In the end, it is the farmers of Australia who will decide what fertiliser they want to use, according to the traditional measures of price, quality and service.

I am confident that if we keep improving our quality and service, they will keep choosing our brands as they have done for many years.

Outlook for 2005

Like all agribusinesses that are subject to the uncertainties of the weather, we are very cautious about making specific forecasts.

However, given reasonable seasonal conditions in 2005, we expect to again deliver good returns to shareholders.

With our strong balance sheet we will be more active this year evaluating opportunities for growth. Having said that, any proposal we will consider will need to meet our strict criteria for investment.

Alternatively we have the option of returning cash to shareholders.

In closing I would like to thank the Board for its support and our employees for their dedication, teamwork and commitment to building Incitec Pivot into Australia's leading agribusiness.

Ladies and gentlemen, on behalf of all the Incitec Pivot team please accept our good wishes for Christmas and the New Year.

And please take care at this busy time of the year, especially those who are returning home to the country.

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