



INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
19 DECEMBER 2008

SPEECH BY THE MANAGING DIRECTOR & CEO, JULIAN SEGAL

Thank you, Chairman.

Ladies and gentlemen, I would like to start by providing a little more detail on our financial results for the year ended 30 September, 2008.

As you heard, EBIT, NPAT and operating cash flow all increased by more than three times on the result achieved in 2007.

For the first time, sales revenue exceeded \$2 billion and, in fact, came close to reaching \$3 billion, helped by 3 ½ months contribution from Dyno Nobel.

It is worthwhile noting that manufacturing contributed 89 per cent or \$790 million of total fertiliser earnings, clearly demonstrating the value of our 'Own the product' business strategy.

Our strategy to develop our trading business also delivered fine results with Southern Cross International recording profit growth of \$42 million, in line with favourable market conditions.

The continuing success of our business efficiency programme, which now encompasses the entire company under the Velocity banner, demonstrated the value of the lowest cost base component of our strategy.

The business efficiency target for Velocity, which is managed from our offices in Salt Lake City, is US\$204 million in efficiency improvements and US\$200 million in capital reduction by 2011. This is on top of the A\$143 million in sustainable business improvements achieved under the Tardis 1 and Tardis 2 efficiency programs.

Taken together, I am proud to say that these results confirm the validity of the strategy adopted by the Board and management of your company in 2005.

The highlight of the 2008 year was the successful integration of Dyno Nobel into Incitec Pivot. This was a fine achievement considering the acquisition was concluded only on 16 June this year.

Dyno Nobel is performing to our expectations and contributed \$110 million in EBITDA in 3½ months. We are delighted with the performance of the business to date.

While we continue to monitor and evaluate recent resource sector announcements, I note that this is a predominantly US dollar business acquired when the Australian dollar was approaching parity with the US dollar.

Another major milestone of the 2008 financial year was Incitec Pivot's announcement in July of the construction of a 330,000-tonne capacity ammonium nitrate plant at Moranbah in Queensland.

This plant is ideally situated to service demand in the growing Queensland metallurgical coal market.

In October, I visited Moranbah to inspect progress and meet the construction team and can report that this huge and complex project is taking shape.

Incitec Pivot has produced a Sustainability Report for 2008, which will replace the previous Health, Safety, Environment and Community reports. It will be available on our website shortly.

This year we introduced a new environmental monitoring system to meet the challenges of the Government's National Greenhouse and Energy Reporting Guidelines and to enhance monitoring, reporting and management of our water consumption and waste management.

The energy and emissions reporting that the new system will deliver will also prepare us for the forthcoming Carbon Pollution Reduction Scheme.

While, as a chemical company we have a carbon footprint, we also have a strong record of energy minimisation at our manufacturing sites. Water usage is another a key challenge for industry, and Incitec Pivot has led the way in using recycled water.

I am proud to say that in 2008 we won two awards for water management at our Gibson Island nitrogen facility in Queensland, a safety award at Diavik in Canada and an environmental award for Dyno Nobel in the US.

We have also been proactive in introducing environment-friendly fertilisers – such as Green Urea™, ENTEC® and Biophos® - in Australia.

I would now like to report on the successful capital raising Incitec Pivot conducted in November and December 2008. You will be aware that the offer was in two parts – initially an accelerated pro-rata entitlement offer for institutional investors followed by the same offer to retail investors over an extended period.

In light of prevailing turbulence in debt capital markets, the principal purpose of the entitlement offer was to provide IPL with sufficient funding, in conjunction with other committed financings, to refinance the A\$800 million balance of the A\$2.4 billion, 12-month bridge facility by May 2009.

The offer received overwhelming support from IPL's existing institutional shareholders. Participation by eligible institutional shareholders was approximately 99 per cent by number of shares available, resulting in gross proceeds of A\$819 million.

The institutional leg concluded our primary objective requiring A\$800 million.

At the time of announcing our offer, I explained that we wanted to treat all shareholders equally by giving retail investors the opportunity to participate on identical terms to the institutional shareholders. This resulted in the raising of \$83 million through the retail offer, and I thank all those shareholders who participated.

As most shareholders will be aware, there has been unprecedented volatility in global fertiliser pricing. In recent months, changes in supply and demand patterns have seen global benchmark prices drop sharply.

This coincided with a period which has seen most Australian fertiliser suppliers in the position of holding large inventories of product purchased when global prices were high.

Recently Incitec Pivot has been able to lower wholesale prices in line with reductions in global pricing. Last week we announced a wholesale price reduction for urea and other nitrogen-based products, and this week we were able to announce substantial cuts in the price of ammonium phosphates.

We believe that the new pricing provides an opportunity for farmers to access competitively priced-product while ample stocks are currently available.

The volatile nature of the international fertiliser market makes it difficult to put a definitive position on the direction of fertiliser prices in the future. Suffice to say that global prices have been falling recently because major fertiliser-using nations, such as Brasil and India, have stopped purchasing on the international market.

It is unlikely that we will see these countries, together with North America, return to the markets before February/March 2009, the end of the Northern Hemisphere winter. This development will impact on both global and Australian pricing.

As for our Explosives business at Dyno Nobel, we continue to monitor the implications of cutbacks announced across the global mining sector. In the meantime, we are focusing on the controllables in our business, including the efficient and optimal operation of our plants and the delivery of our Velocity program.

Before closing, I would like to report that your company, after the acquisitions the past two years, is well positioned to manage the volatile global economic environment.

We have extended the range of nitrogen products we manufacture and now sell both explosives and fertilisers into the hard and soft commodity sectors. This diversifies our markets and spreads our activities across many geographies.

In Australia we provide a strong fertiliser manufacturing base to underpin the international competitiveness of our farmers. This is becoming increasingly important as significant new opportunities emerge for Australia's farm products in the developing economies of China, India and South East Asia.

In the US, we are the biggest supplier of commercial explosives in the world's biggest market and also sell into Canada and Mexico. We are No 2 in the explosives market in Australia.

Our explosives products are also used in other countries to extract the minerals produced by the resources industry.

We can accurately say we play an active role in supplying an ever-growing population with the fundamentals of life, including food, shelter, clothing, power and transport.

I am proud of Incitec Pivot's performance and make no apology for our success. The world needs strong and sustainable fertiliser and explosives manufacturers capable of weathering the economic storms that are bringing down many companies.

Of course, none of our success would have been possible without having a great team of people. Incitec Pivot people today operate in many countries, using many languages, observing a wide range of religions and contributing to a rich variety of cultures.

However, we all share our common company culture of getting things done – in the safest possible manner.

Please enjoy the festive season and take care at this hectic time of the year.

Thank you.

Julian Segal
Managing Director & CEO