



INCITEC PIVOT LIMITED – ANNUAL GENERAL MEETING
20 DECEMBER 2007

SPEECH BY THE CHAIRMAN, JOHN WATSON, AM

Ladies and gentlemen, the 2006/07 financial year demonstrated dramatically how much your Company's performance has improved.

The business has truly been transformed in the four years since I spoke at the first Annual General Meeting of the Company in its present form.

In the year to 30 September 2007, compared to the previous year, Incitec Pivot's earnings before interest and tax (EBIT) increased 148 per cent, net profit after tax (NPAT) excluding individually material items was up 145 per cent and earnings per share (EPS) rose 175 per cent.

This was an excellent result in a year of extreme difficulty for many in the agricultural industry in Australia. It vindicated the strategy adopted by the Company to create a strong and viable business, regardless of seasonal climatic conditions.

The 2002/03 financial year which I reported on four years ago ended with Incitec Pivot shares trading at \$18.80. At the end of the most recent financial year on 30 September, our shares traded at \$85.54.

In 2006/07, Incitec Pivot delivered total shareholder return (TSR) of 242 per cent through exceptional share price growth and fully franked dividends of 300 cents per share.

These successful outcomes are a tribute to the performance and spirit of all employees in the Incitec Pivot team.

In 2007, two key strategic initiatives contributed to the sustainable transformation of your Company – the continuing success of the 'Tardis' efficiency program and the integration of Southern Cross Fertilisers (SCF).

The efficiency program was the first step in the new strategic direction to ensure that our business has the lowest possible cost base.

'Tardis' has delivered a total EBIT benefit of \$104 million since its inception and has improved our competitiveness in the market place.

The acquisition of SCF in 2006 was a coup and its successful integration has delivered great benefits. In 2006/07, Incitec Pivot's ammonium phosphate plant at Phosphate Hill reached nameplate capacity for the first time on its way to achieving record annual production of 978,000 tonnes.

As well as supporting Incitec Pivot's position as a domestic supplier, the SCF acquisition opened new export opportunities, leading to the establishment of our trading business, Southern Cross International (SCI).

Through SCI we have the opportunity to export our manufactured products during times of soft domestic demand, thus increasing the cost-effectiveness of our plants.

Ladies and gentlemen, we can see how the strategy adopted in 2005 has transformed the business.

To build on this foundation, we must continue to focus on the fundamentals, while also identifying and analysing potential growth options.

There are a number of organic growth opportunities which can drive shareholder value, including plant upgrades and de-bottlenecking. There are also greenfield expansion prospects such as those in Aceh and Brunei.

Additionally, we are alert to the potential for mergers and acquisitions that meet our financial hurdles. We recognise that any potential acquisition must provide upside growth beyond present market value.

On the question of our 13 per cent investment in Dyno Nobel, we are working to understand the implications of that company's announcement last week to halt its new ammonium nitrate plant in Queensland.

We will also be looking closely at the Project Imagine information Dyno Nobel released this morning.

While our strategic progress is unfolding, the business still has maintained the domestic focus of previous years. We are conscious of the necessity to work with our business partners to satisfy the needs of farmer customers.

We recognise that they contribute very strongly to our business and that we must never lose sight of the importance of the domestic market. The Board has followed closely the customer-focused Fresh Approach project, a new and mutually beneficial way of working with our business partners.

Having been a farmer for many years myself, I have a strong affinity with our farmer customers and know well the impact that severe drought can have on our rural communities.

Incitec Pivot believes that, as a significant company in the Australian agricultural industry, we have a responsibility to the communities that support us.

Recognising the pressures many families are facing as a result of the drought, we undertook with *beyondblue* and other community organisations such as Rotary to stage a series of depression awareness forums in regional Australia.

Forty communication forums and 33 Incitec Pivot staff training sessions were conducted as part of this program. In August, I was fortunate to represent the company at a community forum at Cootamundra attended by some 650 people.

I witnessed a number of people talking about very personal issues and receiving advice from local medical professionals. The powerful message for those experiencing depression is that they are not on their own and help is available from professionals and support organisations.

I believe this program is one of the best community support initiatives Incitec Pivot has instigated in the 10 years I've been involved with the Company.

Another area where we have made a contribution to our communities is in environmental management. This year as part of the integration of SCF, we created new Health Safety Environment and Community (HSEC) standards based on the best of Incitec Pivot and SCF.

This has been the catalyst for improving safety and environmental outcomes across our plants. To demonstrate the seriousness of our commitment to safety, the environment and our communities, this year the Board established a dedicated Committee to strengthen its involvement.

Much of the credit for delivering environmental improvements and closer community relations must go to our employees at a local level.

Looking wider afield, the major global environmental issue is climate change. The Board is greatly advantaged by having a new director, John Marlay, inform our discussions on this critical issue.

John, as well as being chief executive of a significant manufacturing business, was invited to join the Prime Ministerial Task Group on Emissions Trading which met during 2007.

As we address issues such as the environment, we draw on one of the six corporate Values adopted by Incitec Pivot – in this case, 'Care for the community and our environment'.

Together, the Values define the company's culture and drive everything we do. They were created by our employees themselves and presented to the Board earlier this year for endorsement.

Currently, employees throughout the Company are involved in discussion forums so everyone can contribute to Living the Values in the workplace.

Before closing, I would like to comment on two resolutions being put to you.

The first is the proposal in Resolution 4 to increase the pool from which non-executive directors can be paid from \$1 million to a maximum of \$1.4 million.

The last time the non-executive directors' fee pool was increased was in 2003. That year, after the merger, shareholders approved an increase from \$600,000 to a maximum \$1 million.

This year, it is proposed to increase non-executive directors' fees to bring them in line with the fees paid by companies of similar market capitalisation.

Given the IPL Board is relatively slim with two executive directors and five non-executive directors, the Directors considered that as part of the growth agenda it needs to be in a position to attract and retain directors of appropriate skill and experience and possibly increase the number of non-executive directors.

Turning to Resolution 5, that the Remuneration Report be adopted, I would like to say that both the performance-based remuneration incentives for executives – the Short Term Incentive Plan (STI) and the Long Term Incentive Plan (LTI) – are fully explained in the Annual Report.

It is important to note that both the plans are designed to promote and reward individual performance which contributes to the overall performance of the company, which as you know was very pleasing in 2007.

The STI Plan involves an at-risk cash bonus for achieving specific business targets set annually.

The LTI Plan recognises the performance of executives for their contribution to company performance which delivers the sustained growth of shareholder value.

The LTI performance measure is based on TSR, which you know was a creditable 242 per cent in 2007 as a result of exceptional share price growth and fully franked dividends of 300 cents per share.

Our team has delivered outstanding shareholder value and it is important that the company adopts strategies and policies that retain, attract and motivate quality people.

Finally, I want to thank my fellow directors, the management team and our employees. The directors are a group of very generous spirited people who contribute expertise, insight and commitment to the Board's decision-making and are playing a major role in Incitec Pivot's success.

I would also like to pay special tribute to our Managing Director & CEO, Julian Segal, his team of executives and all of our employees around the country for demonstrating professionalism and commitment to achieving our very high goals.

Ladies and gentlemen, I hope you enjoy the festive season. Please take care of yourself and your families as we unwind from one hectic year and recharge to start another.

Thank you.

John Watson, AM
Chairman