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ASX Announcement - Monday, 1 November 2004

Incitec Pivot makes solid start in foundation year

Successfully merged agribusiness Incitec Pivot Limited has made a solid start in its first full reporting year by recording a net profit after tax (NPAT) of \$80.9 million excluding significant items.

This is a 77 per cent increase on the combined NPAT of the two component businesses. It was produced on fertiliser sales which increased one per cent on that of the pre-merger businesses to 2.9 million tonnes, generating total revenue of \$1.14 billion to 30 September 2004.

NPAT, including significant items of \$5.8 million after tax in merger costs, was \$75.1 million.

"Such a strong financial result in a highly competitive fertiliser market still recovering from the drought highlights the inherent strength of our business," said Managing Director and CEO Greg Witcombe.

"The result was built on significant efficiency gains, including merger synergies, and a strong contribution from our manufacturing operations."

Incitec Pivot declared a final dividend of \$1 per share, producing a total dividend of \$1.29 per share, which represents 100 per cent of the year's profit and is fully franked.

For shareholders who held their investment for the full financial year, total shareholder returns – 20 per cent in capital growth plus 8.2 per cent in dividend yield – amounted to a noteworthy 28.2 per cent.

Mr Witcombe said this was a pleasing outcome for all shareholders, particularly the more than 30,000 farmer shareholders who retained their investment in the company, many of whom regularly buy Incitec Pivot fertilisers.

Good capital management enabled the company to end the year with net cash of \$20.8 million on the balance sheet, compared with net debt of \$74.4 million in 2003.

Looking to the future, Mr Witcombe said that production at Incitec Pivot's key manufacturing plant in Brisbane had been secured with the signing in September of 10-year natural gas supply agreements to take effect in 2007.

The company was also pleased to be part of a consortium investigating the feasibility of a world-scale ammonia/urea plant in Brunei. A decision on whether to proceed with the project would not be made until late 2005.

"With the merger successfully bedded down and our first full financial year behind us, we now have the base to deliver sustainable improvements and to investigate all opportunities for growth that meet our strict investment criteria."

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