Incitec Pivot Limited
ABN 42 004 080 264
70 Southbank Boulevard
Southbank Victoria 3006
GPO Box 1322
Melbourne Vic 3001
Tel: (61 3) 8695 4400
Fax: (61 3) 8695 4419
www.incitecpivot.com.au

ASX Announcement – Tuesday, 9 May 2006

Incitec Pivot announces the acquisition of Southern Cross Fertilisers and share buy back from Orica

Incitec Pivot Limited (Incitec Pivot) announced today that it has entered into an agreement with BHP Billiton to acquire Southern Cross Fertilisers Pty Ltd (SCF), Australia's largest manufacturer of ammonium phosphate fertilisers, for $165 million (including transaction costs).

Orica Limited (Orica) announced today its intention to selldown its 70% shareholding in Incitec Pivot by an underwritten institutional placement of at least 78.6% of its holding (being 55% of shares on issue) such placement to take place over the next 48 hours ("Orica Selldown").

In addition, Incitec Pivot will undertake, subject to shareholder approval, a selective buyback of Orica's residual holding, at the bookbuild price achieved for the Orica Selldown, up to a maximum total consideration of $165 million.

Acquisition of Southern Cross Fertilisers

SCF is the largest producer of ammonium phosphate fertilisers in Australia and the only domestic manufacturer of di-ammonium phosphate ("DAP") and mono-ammonium phosphate ("MAP"). Its share of the domestic ammonium phosphate supply market is estimated to be approximately 43%.

SCF's MAP/DAP operations at Phosphate Hill in Queensland are vertically integrated from mine to production, making it the only fertiliser production facility of its kind in Australia, and one of very few globally. The mine has estimated phosphate rock reserves of 85 million tonnes, equivalent to a mine life of 30 years.

SCF is a natural extension of Incitec Pivot's core manufacturing capability and the integration of ammonium phosphate manufacturing operations complements Incitec Pivot's distribution network.

SCF is expected to generate an 18% Return On Net Assets ("RONA"), and to be significantly earnings accretive, from year one.

The acquisition, which is expected to complete by the end of July, is conditional on the ACCC not objecting to it and also on completion by BHP Billiton, at its cost, of a scheduled maintenance shutdown at Phosphate Hill and Mount Isa.

Exit of Orica as Majority Shareholder and Selective Buyback of Residual Orica Holding

The Directors of Incitec Pivot are supportive of Orica's decision to exit as majority shareholder of the Company and believe it will result in significant benefits for Incitec Pivot's remaining shareholders. The selective buyback will provide earnings per share improvement for shareholders and results in a more efficient capital structure, given it will be fully debt funded.

The Incitec Pivot directors believe the equity changes will:

- Enable better access to the capital markets to fund growth initiatives; and
- Will broaden the Company's shareholder base enabling the shares to trade more freely on the ASX. In addition, the Company is likely to be considered for inclusion in the S&P/ASX 200 Index which is expected to drive investment by index funds and further enhance liquidity.

The selective buyback is subject to approval by shareholders, excluding Orica and shareholders associated with Orica, at a General Meeting, currently scheduled for late June / early July. An Explanatory Memorandum detailing the implications of the selective buyback will be mailed to all shareholders by the end of May / early June.

In addition to the buyback resolution, the Company will also propose a resolution at the General Meeting to adopt a new Constitution which will be fully compliant with the requirements of the Corporations Act and the ASX Listing Rules. The existing Constitution is compliant with the ASX Listing Rules with the exception that the Company obtained a waiver from ASX permitting certain directors to have terms of office in excess of 3 years.

In conjunction with the proposed exit of Orica as majority shareholder, the commercial supply agreements entered into with Orica at the time of the merger in 2003, have been secured into the future. These arrangements include an ammonia swap and sale/purchase agreement with Orica which is underpinned by an agreement for Orica to have a first right to acquire the Gibson Island manufacturing operations if Incitec Pivot chooses to sell these assets in the future. In addition, Incitec Pivot and Orica have entered into an agreement addressing the transition arrangements in respect of shared services currently provided by Orica to Incitec Pivot.

As a result of the changes, Incitec Pivot's Managing Director and CEO, Julian Segal, who was on secondment to Incitec Pivot from Orica, resigned from his employment with Orica and is entering into a Service Agreement with Incitec Pivot on similar terms.

Trading Halt

In order for the Orica Selldown to occur in an orderly manner and for the market to absorb the information on this, the buyback and the acquisition, Incitec Pivot's shares have been placed in a trading halt and will resume trading at the earlier of the announcement of the outcome of the Orica Selldown and the opening of the market on Thursday, 11 May 2006.

Financial Impact of Transactions on Incitec Pivot

The combined transactions are expected to result in significant improvements in earnings per share and deliver a more efficient capital structure. Following the transactions, Incitec Pivot is expected to have an

EBIT to interest coverage in excess of 5 times, providing it with sufficient flexibility to take advantage of other growth opportunities.

The Company plans to continue to target an average dividend payout ratio of 65-75% of net profit after tax through the cycle and will frank dividends to the maximum extent possible.

Credit Suisse advised Incitec Pivot on the capital restructure involving Orica's exit as controlling shareholder and has provided underwritten debt facilities for both the acquisition of SCF and the selective buyback. Macquarie Bank Limited advised Incitec Pivot in relation to the acquisition of SCF.

Kerry J. Gleeson
Company Secretary