ASX ANNOUNCEMENT: 14 Nov 2011

CEO & CFO on FY11 Results & Outlook

Incitec Pivot Limited

Open Briefing with CEO James Fazzino and CFO Frank Micallef

Incitec Pivot Limited
Level 8, 28 Freshwater Place
Southbank, Victoria 3006

In this Open Briefing®, James and Frank discuss:

- **Strategy and growth opportunities**
- **Initiatives for ongoing productivity improvement**
- **Operating outlook for 2012**

Open Briefing interview:

openbriefing.com
Incitec Pivot Limited today reported net profit of A$463.2 million for the year ended September 2011, up 13 percent from the previous year. Before individually material items (IMIs), net profit was A$530.1 million, up 20 percent. What has been IPL's progress in the strategic program you put in place when you were appointed CEO?

MD & CEO James Fazzino
I took over as CEO in 2009, in the middle of the GFC. Accordingly, my first priority was to secure and strengthen the base business. The first step was to increase our focus and commitment to zero harm across the business and make a step change in the leadership capability. I believe strong leadership drives excellent safety performance and employee engagement, which are the foundations of any good business.

Next we strengthened the balance sheet by increasing the diversity and tenor of our debt book. There continues to be volatility in global markets and so reducing the refinancing risk has been critical.

When I became CEO, we'd recently acquired the Dyno Nobel business and so we focussed on delivering the acquisition promise to our shareholders. In 2011 Dyno Nobel delivered a record profit, underpinned by the Velocity business efficiency program which was delivering annualised benefits of US$204 million as we exited 2011.

The acquisition of Dyno Nobel also provided the critical mass for our nitrogen manufacturing portfolio and highlighted the opportunity for improvement in manufacturing performance. Accordingly, we launched a reliability improvement program across our manufacturing plants. This will deliver improvements over a number of years as we progress through shut-down cycles. The first step of this journey was to centralise the reliability and shut-down teams which has seen improved performance across our plants in 2011.

The next priority was to review our corporate strategy to test if it was still valid given the events of the GFC. Our strategy has evolved over time and will continue to evolve into the future based on ever-changing market dynamics.

The review reinforced that we have the right strategy in terms of aligning ourselves to the industrialisation and urbanisation of Asia through hard (explosives) and soft (fertiliser) commodities and following the review, we sharpened the strategic focus of the business; we now think of IPL in terms of a portfolio of businesses and business models.

As a result we restarted the Moranbah project which will transform our Asia Pacific explosives business. I'm happy to say the project is approximately 86 percent complete and within forecast budget and schedule.

Next we focussed on aligning ourselves with those customers who are the leaders in their industries and who operate at the bottom of the cost curve; their sustainability through the commodity cycle underpins the volumes and viability of our business. For example, we've signed long-term contracts to supply Peabody Coal in the Powder River Basin in the US and a major iron ore producer the Pilbara in Western Australia.

Finally, we've taken a number of steps to optimise our North America business based on a fundamental outlook for that economy and the implications for the supply/demand balance in our business. This resulted in idling two of our ammonium nitrate (AN) manufacturing facilities in North America. In addition, we assessed our channels to market and are currently restructuring to align cost to serve with value delivered.

The next phase of our strategy is to pursue growth opportunities which align with our core businesses and leverage all elements of the business model.

openbriefing.com
What are the growth opportunities for IPL? Are you looking at acquisitions to support future growth?

MD & CEO James Fazzino
We're focused on driving sustainable EPS growth for shareholders at returns aligned to our strict financial hurdles and not on simply making IPL bigger. The most compelling source of value in any business is driving earnings from the assets you already own, and this will always be our first focus. This is what our Business Excellence journey (BEx) is all about.

Another opportunity to grow value is in our Americas business which provides both critical scale, given North America is still the largest explosives market in the world, as well as leverage into other markets. In the medium term we'll benefit from any upturn in the US economy given the actions we've taken to optimise the business. Benefits will come from margin expansion as nitrogen demand increases (which we've seen in agricultural markets over recent years but not in explosives markets) and as we further participate in the nitrogen value chain.

Following this we'll pursue debottlenecking and minor expansion opportunities in our existing plants, with the obvious examples being at Moranbah and Phosphate Hill.

At Moranbah, the first milestone is to get the plant commissioned. Next we'll increase production to the 330,000 tpa nameplate level. Through BEx, production will push beyond this level as we drive operational efficiency – in the same way as we have at our other plants, but in a shorter time frame. This in turn will reveal the physical bottlenecks in production which we'll then address with capital projects.

With respect to Phosphate Hill, we're putting in place the building blocks to underpin production at the current 950,000 tpa nameplate level and then expand beyond that. We secured a seventh rail service late last year that gives us the flexibility to ship more tonnes and catch up after rain events. In June we approved capital of A$50 million for a third phosphoric acid filter train that will allow us to process more varied rock feedstock and increase phosphoric acid production.

In terms of new projects, our strategy is to invest where we can directly leverage the industrialisation and urbanisation of Asia (particularly China). Examples of typical projects we'll pursue are our A$40 million Pilbara emulsion plant and larger projects like our potential New South Wales AN plant.

Central to our thinking will be maintaining our strict financial discipline: we'll pursue only the right projects and ultimately if we can't find reinvestment opportunities that exceed our hurdles we'll return excess funds to shareholders.

openbriefing.com
You achieved a transactional Australian dollar exchange rate of US$0.91 in 2011, US$0.12 better than the average spot rate. With the Australian dollar remaining strong, what is your hedging program for 2012 and beyond?

CFO Frank Micallef
We continue to actively manage the Group's currency risks and have significant cover in place for 2012. We have 95 percent of our estimated transactional exposure relating to the sale of fertilisers covered at a rate of US$0.96 cents or better, inclusive of premium costs, participating in favourable, or downwards, moves in the Australian dollar to US$0.93 cents in the first half of the 2012 financial year and to US$0.88 cents in the second half.

Further, we've also put in place a foundation level of cover for the 2013 financial year. At the moment we have 25 percent of our estimated transactional exposure for 2013 covered at 9 cents below the average spot rate where the average spot rate is equal to or greater than US$1.09; at US$1.00 where the average spot rate is between US$1.00 and US$1.09; and with full participation at spot rates where the average spot rate is below US$1.00.

This cover structure may change as we continue to actively manage our hedging portfolio and look for opportunities to increase our level of protection for 2013 and beyond.

openbriefing.com
Incitec Pivot recently announced a feasibility study into the construction of an AN plant on the site of its fertiliser facility on Kooragang Island in New South Wales. What is the rationale for looking at this option and how might the scale and cost of such a plant compare with your

330,000 tpa Moranbah plant, which is nearing completion? Could not projected AN demand be serviced more economically by expanding Moranbah?

MD & CEO James Fazzino
The proposed project would supply New South Wales thermal coal customers, support our existing regional business in Asia and also service agricultural urea ammonium nitrate (UAN) demand, noting that Kooragang Island is well placed to serve agriculture markets.

The announcement of the feasibility study was in response to initial customer discussions. The plant would provide customers with choice and de-risk the supply of AN via the security of an additional supplier.

The proposed plant has been sized at 300,000 tpa which is current world scale. Unlike Moranbah, the project won't include ammonia production but will use imported ammonia. Importantly for the local community and like Moranbah, the plant would use state of the art technology, employ the highest safety provisions and operate to strict environmental standards. Achieving government approval and community support for the project are key milestones.

The capacity of the Moranbah plant, which is located in the Bowen Basin in Queensland, is already sold out. Separately, we're in the very early stages of looking at expansion options for Moranbah to meet new demand in the Bowen, Surat and Galilee Basins.

I don't want to speculate on the cost of a Kooragang Island plant: that's what the feasibility study will tell us. The study will cost A$25 million and be complete by the fourth quarter of 2012. If we proceed, beneficial production would start in 2016.

Ultimately, it will be our customers who will determine whether the plant gets built. We'll only proceed if it's substantially sold out from day one on long-term contracts and, importantly, if it meets our strict financial targets.

openbriefing.com
In 2011, IPL invested A$10 million on its new business efficiency program "BEx". What is the expected total cost of BEx, what are the expected earnings benefits and time frame for their delivery? Will you identify the benefits in future profit releases?

MD & CEO James Fazzino
BEx is not a program, it's about moving to a new way of doing business based on lean principles. BEx will transform IPL and create a long-term, continuing productivity lever in the business – something many Australian companies are struggling with.

The first phase of BEx will enable us to harness the potential of our people and the second phase will enable us to revisit our production processes and IT systems, bringing alignment across the entire business to drive productivity.

The assessments we've completed under BEx so far confirm there's a significant "gap to perfect" across the business – be it in manufacturing, the supply chain, in our customer facing processes or in our support functions. Although since 2005 our business efficiency programs, through Tardis and Velocity, have delivered significant financial benefits, there's much more to be done to build on this base. BEx involves engaging all of our 5,000 employees in continuous improvement by involving them routinely in managing and controlling their work and in formally identifying and solving problems and opportunities.

BEx will turn IPL on its head, with the shop floor or mine bench recognised as the place where value is created in the business and the role of leadership changing from managing to supporting the value adders.

Initially the focus will be in manufacturing, where we'll create our own "IPL production system" that will change the way we run our plants globally, creating standard work, focusing our attention on eliminating waste and improving flow (or removing bottlenecks).

We'll move the focus to the supply chain in late 2012.

The A$10 million spend on BEx in 2011 covered initial set up costs. We'll spend a further A$35 million in 2012. A significant portion of the spend will be on employing around 170 people – around 4 percent of our global workforce – to focus on continuous improvement or more accurately, free up and back fill our existing people so they can coach the entire organisation through the change and ongoing improvement. This will be an ongoing investment in productivity.

In 2012 we'll be putting in place the foundations for BEx, so we're not planning on generating any material return. We'd expect to break even in 2013, with benefits from 2014.

We'll give regular updates to the market on our "lean" journey in our results presentations.

openbriefing.com
Including the BEx investment, corporate costs totalled A$45.7 million in 2011, up from A$26.8 million. Will this level of corporate costs be ongoing? To what extent will BEx be applied to corporate costs as well as to the operating businesses?

CFO Frank Micallef
The underlying costs of running the corporate centre were flat year on year.

The increase in costs included A$10 million in costs associated with BEx, which will increase to A$35 million in 2012 and stay at this level thereafter. Benefits, when they begin to accrue from 2013, will be booked in business unit results.

We also had an additional A$4 million in long-term incentive costs in 2011, reflecting an increase in a non-cash accounting expense representing the valuation of the 2011/2013 scheme based on a Black-Scholes option pricing model.

In addition, corporate costs included A$5 million in expenditure on evaluating growth projects. This will continue into the future as we look to grow EPS. It represents the critical work that ensures projects meet our strict financial criteria before significant commitments are made – the "check before the cheque".

openbriefing.com
In 2011 IMIs totalled A$66.9 million after tax, up from A$32.3 million, comprising A$46.4 million of costs related to Velocity and A$39.6 million of non-cash impairment costs related to the sale of US drilling businesses, offset by A$19.1 million profit on the sale of land. Will

there be further IMIs relating to Velocity in 2012 and will the implementation of BEx result in IMIs?

CFO Frank Micallef

The Velocity charges represent the final instalments of IMIs relating to these activities. Velocity is now complete, and while incremental benefits will continue to flow though in 2012, there won't be any further IMIs in relation to the program or the related manufacturing and distribution restructuring in our Dyno Nobel Americas (DNA) business. In total we incurred US$187 million in implementing Velocity for forecast annual benefits of US$204 million.

The Velocity program and related manufacturing and distribution restructuring were both finite programs to improve the Dyno Nobel businesses. As they were significant but not ongoing expenses, they were reported as IMIs in accordance with accounting standards.

However, BEx is different in nature from the Velocity program as it's ongoing and will change the way we run our businesses indefinitely. For that reason, while we're likely to provide the market with some information around spending on implementing BEx, that spending won't be reported as IMIs.

openbriefing.com

EBIT in the DNA business was A$173.8 million for 2011, up 6 percent, driven primarily by higher nitrogen pricing on agricultural products and by the Velocity benefits. How is DNA positioned nearer term given the continuing weakness of the US economy?

MD & CEO James Fazzino

The 2011 result was a record one for DNA, with US dollar denominated earnings up 21 percent to US$179.4 million. To put this in context, 2007 earnings were US$131 million at a time when US construction was at its peak. Since 2007, volumes in the quarry and construction segment, our most attractive market, have declined by over 40 percent.

The 2011 result highlights the improvement in the quality of earnings and underlying cost base that Velocity and a focus on execution have brought to business.

We still see DNA as being well positioned in the long run. The US is still the world's largest economy by a factor of almost three. For example, the US produces more manufactured goods than China, Japan and Germany combined. Importantly, the US population is getting younger relative to other countries, meaning that it should be better able to deal with government debt than others.

While we've right-sized the business under Velocity, we've retained our ability to benefit from the inevitable recovery in the US economy in the medium term. Excluding the contribution of AN exports in 2010, we saw growth in AN volumes of 5 percent in North America 2011, which was above our trend view of around 2 percent, reflecting a recovery from the destocking cycle that occurred in late calendar 2009.

In the short term, we expect the US economy to slowly improve, although the road to recovery is likely to be bumpy, assuming a second global financial crisis doesn't occur. This means that volume growth will be modest, with short term earnings improvement largely internally generated.

openbriefing.com
Dyno Nobel Asia Pacific (DNAP) booked EBIT of A$195.4 million, up 11 percent, with the A$11 million negative impact of weather events partly offsetting the benefits of a A$20.0 million reduction in the cost to supply Moranbah foundation customers and A$10.0 million from Velocity. Can you comment on the trend in volumes over the second half? When do you expect growth to resume?

MD & CEO James Fazzino
About 40 percent of our volume is supplied to Queensland metallurgical coal customers in the Bowen Basin. Mines were severely impacted by flooding in the first half of 2010. Importantly, wet blasting conditions drove a switch to higher value explosive emulsions.

We sell about a third of our volume into Western Australia, with our major market being iron ore in the Pilbara. Western Australian volumes were up by 9 percent and we're delighted to have been chosen as preferred supplier by a major iron ore mining company in August. This underpins our business in the Pilbara and our Port Hedland emulsion plant slated for commercial production this time next year.

We continued to win new business in Indonesia with growth supported by investments in on-site emulsion plants.

The current year will be a transition year for the business with Moranbah the catalyst for earnings growth in subsequent years. We supplied 63,000 tonnes to foundation customers in 2011. Assuming normal weather conditions, we expect to supply 100,000 tonnes in 2012, including 50,000 of manufactured product, 250,000 tonnes in 2013 and 300,000 tonnes in 2014.

openbriefing.com
How will the start of beneficial production at Moranbah impact the accounting for the unfavourable contract liability in the current year and going forward? What will be the cash impact?

CFO Frank Micallef
As disclosed in our 2010 full year Open Briefing, the release of the provision is governed by Australian Accounting Standards (AAS). At the time of our acquisition of Dyno Nobel AAS required us to recognise a liability reflecting our estimated losses on supplying AN under the previously agreed Moranbah foundation contracts over the period 2008 to 2019, discounted to net present value. AAS require the liability to be unwound as we fulfil our obligations under the foundation contracts and the amount released each year won't vary, irrespective of the date beneficial operation is achieved. As a reminder, the provision release schedule is reproduced below.

Actual losses incurred in 2012 in meeting customer contracts until the Moranbah plant comes on line will continue to be charged against profit and separately disclosed.

Financial Year	Provision unwind $m	Actual cost incurred $m	EBIT Impact $m	Discount Unwind (Interest Exp) $m	Profit before tax $m	Tax effect $m	NPAT Impact $m
2008	9.0	(9.0)	(0.0)	-	(0.0)	0.0	(0.0)
2009	61.6	(43.2)	18.4	(1.8)	16.6	(5.0)	11.6
2010	85.4	(24.0)	61.4	(9.7)	51.7	(15.5)	36.2
2011	83.9	(4.0)	79.9	(16.0)	63.9	(19.2)	44.7
2012	81.1	TBD	TBD	(21.1)	TBD	TBD	TBD
2013	66.1	-	66.1	(21.4)	44.7	(13.4)	31.3
2014	68.8	-	68.8	(26.3)	42.5	(12.8)	29.7
2015	73.6	-	73.6	(32.1)	41.5	(12.5)	29.0
2016	80.5	-	80.5	(39.0)	41.5	(12.4)	29.1
2017	89.2	-	89.2	(47.2)	42.0	(12.6)	29.4
2018	100.2	-	100.2	(57.1)	43.1	(12.9)	30.2
2019	16.1	-	16.1	(9.8)	6.3	(1.9)	4.4
Total Liability recognised	**815.5**			**(281.6)**			

openbriefing.com
Incitec Pivot Fertilisers (IPF) booked EBIT of A$128.8 million in 2011, up 15 percent, primarily reflecting a 46 percent increase in US dollar urea prices and 9 percent lift in tonnes sold, offset by a stronger Australian dollar and a 20 percent reduction in urea production at the Gibson Island plant as a result of a planned maintenance turn-around. With commodity prices having dropped from recent highs, what is the outlook for fertiliser demand?

MD & CEO James Fazzino
Historically, food demand hasn't been correlated to world economic growth. Rather, it's been driven firstly by population growth – and I note global population exceeded 7 billion on 31 October – and secondly by changing diets – which is driven by economic development, and of late the industrialisation and urbanisation of China and India, and the consumption of more animal protein.

Further, food demand is relatively price inelastic. Once diets change to more complex foods, the switching point back to more basic foods is high.

On the supply side, the world is simply not growing enough food, with 2011 grain consumption projected to exceed production, the eighth time this has occurred in the last 12 years. Two levers in solving this shortfall are the use of GM technology and increasing the intensity of cropping, both of which drive higher fertiliser application.

So over the medium term we have a positive outlook for food demand and therefore agricultural commodity prices.

For the east coast of Australia in 2012, we expect continued recovery in fertiliser demand from the 2004 to 2009 drought, particularly in the pasture segment. Water availability in key markets in the Darling Downs and allocations along the Murray Darling River system remain positive and farmer cash flow will be strengthened by what's looking like a good 2011 harvest. As always, this view assumes normal weather events.

openbriefing.com
Southern Cross International (SCI) booked EBIT of A$323.9 million, up 46 percent, primarily due to the A$198 million benefit of an increase in the average US dollar DAP price, offset by a A$38 million increase in production costs and the A$33 million negative impact of a higher

Australian dollar. How indicative is 2011 of SCI's ongoing cost base and in light of the start-up of the Ma'aden DAP plant in 2012, how do you see prices trending in the year ahead?

MD & CEO James Fazzino

The largest impact on costs at Phosphate Hill has been the rising Australian dollar combined with higher fixed costs reflecting Australian mining industry inflation. We estimate that the plant is in the second quartile of global producers on the cost curve, meaning that it remains very competitive, particularly in its footprint.

We don't forecast DAP prices, however like any commodity there will be volatility in pricing during the next financial year.

openbriefing.com

What scope do you have to mitigate ongoing increases in costs, particularly mining inflation and costs for skilled workers, across your operations? Will current cost inflation pressures have a material impact versus your cost and return forecasts for the Moranbah plant?

MD & CEO James Fazzino

IPL operates in regional Australia and above-inflation cost outcomes are likely to persist. The issue is in our manufacturing operations, where cost outcomes above global inflation push our plants up the global cost curve and impact their global competitiveness. This is exacerbated by the strong Australian dollar.

The only way to mitigate these cost pressures is to match them with productivity improvements, which is what BEx is all about.

Our Moranbah model included an allowance for mining inflation. Retention of skilled labour is also an issue. We've addressed this at Moranbah by changing the employee value proposition to residential employment rather than fly in/fly out. We've acquired and built 77 houses at a cost of A$35 million with another six currently being built at an additional cost of approximately A$2.5 million. This will provide the additional benefits of being seen to be part of the local community and ensuring real-time coverage of our operations.

openbriefing.com

Xstrata has announced the closure of its copper smelter at Mt Isa from 2016. The methane gas from the smelter is a key, low cost raw material for the SCI sulphuric acid plant. What is the potential impact of the closure and what are your supply options?

MD & CEO James Fazzino

We use around 1.3 million tpa of acid in the production of ammonium phosphates, with 1 million tpa produced at Mt Isa (640,000 tonnes from waste met gas and 360,000 tonnes from sulphur burn) and 300,000 tonnes sourced ex-Townsville. The closure of the copper smelter will impact the 640,000 tonnes of acid produced from met gas.

We're working closely with Xstrata to develop options post 2016. Options range from importing acid, capturing gas from Xstrata's lead refinery and increasing sulphur burn at Mt Isa, to building a new sulphuric acid plant at Phosphate Hill.

Each option differs in its impact on operating costs and capital, so it's premature to comment on the financial implications until they're fully evaluated.

A key benefit from any solution we implement will be to increase the availability of acid at Phosphate Hill which is the key to increasing production.

openbriefing.com
Net operating cash flow was A$719.1 million in 2011, up from A$528.9 million in the previous year, with increased EBITDA and a turnaround in trade working capital flows. How sustainable is the improvement in trade working capital?

CFO Frank Micallef
The A$719 million net operating cash flow outcome was very strong, and a number of factors contributed to that, including significantly improved Group EBITDA which was up 17 percent, lower interest and tax payments due to timing issues, and favourable cash flows from trade working capital as a result of lower year-end balances in the fertiliser businesses.

The 2011 year-end trade working capital outcome was strong in the fertiliser businesses, as we sold through nearly all our ammonium phosphate position and a strong finish to the urea season also meant that we finished the year with very little in the way of urea inventories. This low ending inventory position won't occur every year, as it's a factor of the individual seasonal demand and domestic and international fertiliser market conditions at the time.

openbriefing.com
Net debt was A$1,189 million as at 30 September 2011, up from A$1,097 million 12 months earlier. Net debt to EBITDA was 1.3 times, down from 1.4 times. The Moranbah project accounted for A$399.2 million of growth capex, bringing cumulative investment in the project to A$748.7 million. What is the outlook for net debt and gearing given the completion of Moranbah in 2012? With your relatively strong balance sheet and Moranbah about to begin generating cash, what are your capital management plans?

CFO Frank Micallef
In a year where, in addition to the Moranbah investment, we spent just under A$250 million on sustenance and minor growth projects, as well as increasing the cash dividend payments by A$133.1 million, it's very pleasing to see that the cash generated by the business and the US debt strategy enabled us to deliver a slightly better net debt to EBITDA position than the previous year.

In 2012, notwithstanding the A$186 million we estimate will be required to complete Moranbah, we should be able to get through the year under our 2.5 times net debt to EBITDA target.

On completion of Moranbah, and particularly in 2013 when earnings and cash start to accrue from the Moranbah operation, the Group should generate significant free cash flows. This can be used to fund growth projects that meet our financial hurdles or to partly de-lever the balance sheet. We'll only pursue growth options that fit our strategy and, importantly, meet our financial hurdles. However, if as a result of timing issues there are insufficient immediate growth opportunities and our credit metrics are well within our target levels, we'll analyse opportunities for capital management initiatives. This could take the form of increasing the dividend and/or buying back shares. We think it's important that capital management remain a real alternative for investing free cash, as it creates a strong discipline to ensure that funds are only invested in growth initiatives where they are very likely to create significant shareholder value.

openbriefing.com
You estimate that, after assistance as a trade-exposed emissions-intensive manufacturer, your net liability under the Australian Government's carbon tax, which will be effective 1 July 2012, will be less than A$10 million during the fixed price period. What scope is there to materially reduce your CO_2 emissions ahead of market pricing of carbon?

MD & CEO James Fazzino
We'll produce 2.8 million tpa of CO_2 globally and 1.6 million tonnes of CO_2 in Australia post Moranbah. While we have clarity at the impact of the tax on our own operations, the flow-on impact to the pricing of inputs is less clear. Our current estimate is that the NPAT impact of the tax will be less than A$10 million on a full year basis.

The core of our business is nitrogen-based chemistry. Producing ammonia from natural gas produces CO_2 as a by-product and reacting the ammonia over catalysts or with phosphate rock to produce explosives and fertilisers also produces CO_2. So the question is how to reduce rather than how to eliminate the CO_2.

Our Australian based AN plants, including Moranbah and the proposed plant at Kooragang Island are based on current world best technology and have CO_2 abatement designed in. For example, excluding ammonia, we'll abate over 50 percent of the CO_2 from AN production at Moranbah. We also have a small project underway at Gibson Island to capture more of the CO_2 from ammonia production for sale into industrial markets.

We remain concerned at the timing of the implementation of the carbon tax in Australia. We believe that the tax will have no impact on CO_2 emitted by the consumption of fertilisers and explosives in Australia. In fact, it may actually increase CO_2 emissions because imports will become comparatively more attractive and these imports are often made in higher-CO_2 emitting plants overseas and there's the additional CO_2 emitted when the product is freighted to Australia.

By coming into effect in advance of our global competitors in China and the Middle East and at a price at least double current pricing in Europe, the tax will add a further significant burden on Australian manufacturing making it less internationally competitive, which will drive investment and jobs offshore.

openbriefing.com
IPL has announced an unfranked final dividend of 8.2 Australian cents per share, up from 6.0 cents unfranked last year, bringing the full-year payment to 11.5 cents from 7.8 cents. The payout ratio was 35 percent of NPAT excluding IMIs, within your policy range of 20 to 40 percent. You've indicated you expect to resume franking at up to 50 percent this year. What is the outlook for dividends in the current year and will the resumption of franking have implications for the payout ratio?

CFO Frank Micallef
We base our dividend payment decisions on an assessment of a number of factors, including our ability to frank and the need to maintain capital within the company.

We currently anticipate that in 2012 we should be able to resume franking as previous tax losses are absorbed and Australian earnings, including those generated from Moranbah, result in increased tax payments in Australia and therefore increased franking credits.

We'll continue to assess the same factors to decide the appropriate level for each dividend going forward. For 2011, the increase in dividend was greater than that in earnings, reflecting a higher payout ratio. Post the completion of Moranbah and subject to the requirement of funds for growth, we may be able to examine increasing the dividend payout to a higher level within our dividend payout range.

openbriefing.com
Thank you James and Frank.

For more information on Incitec Pivot, visit www.incitecpivot.com.au or call Nick Stratford, General Manager Investor, on +61 3 8695 4569

For previous Open Briefings by Incitec Pivot, or to receive future Open Briefings by email, visit openbriefing.com