

Incitec Pivot Limited 2008 Full Year Results

12 November 2008

Note: All financial data in this presentation is presented with a financial year end of 30 September unless stated otherwise



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INCITEC PIVOT LIMITED ABN 42 004 080 264



Julian Segal

Managing Director &
Chief Executive Officer



2008 Summary

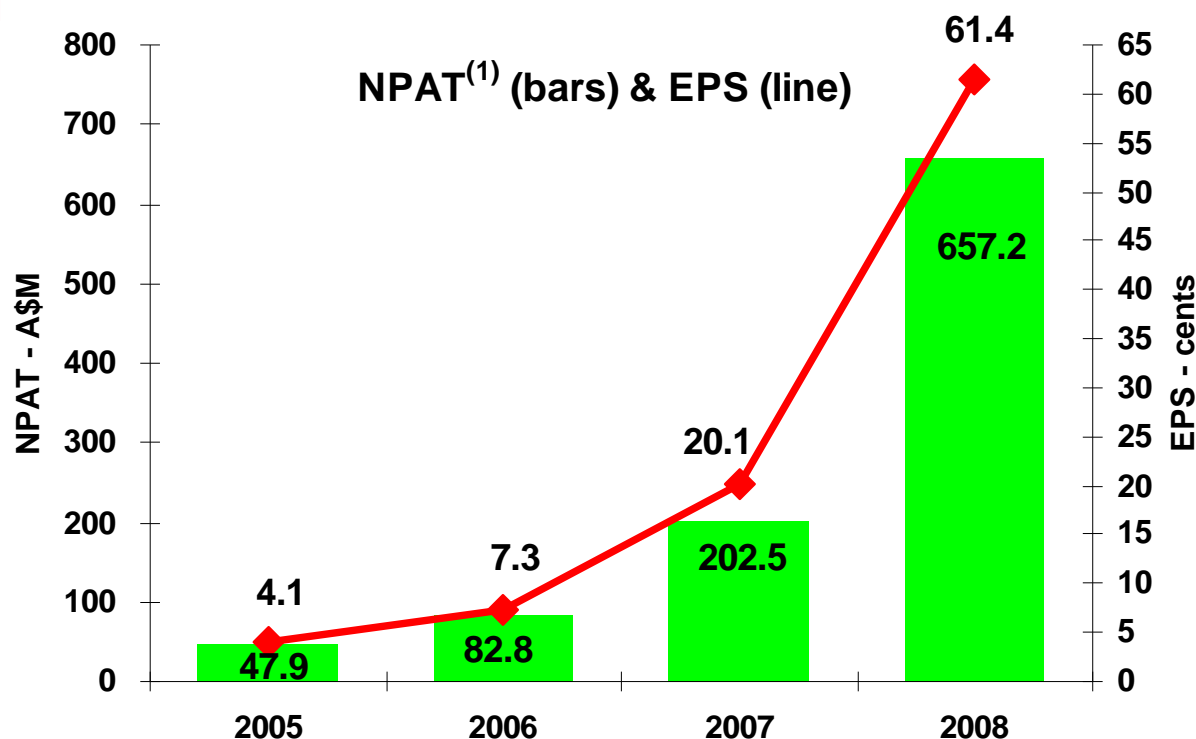
- ✓ Record 2008 Financial results
 - ✓ EBIT⁽¹⁾ up over 3 times to \$969M
 - ✓ NPAT⁽¹⁾ up over 3 times to \$657M
 - ✓ Operating cash flow⁽¹⁾ up over 3 times to \$823M
- ✓ Acquisition of Dyno Nobel completed 16 June 2008
- ✓ Continued financial discipline
 - ✓ Strong credit metrics
- ✓ Organic growth opportunities

Delivering on our promises

(1) excludes individually material items and includes 3 ½ months contribution from Dyno Nobel



Record profit is value delivered



- **Outcome:** Record profit driven by our strategy and delivered by our people
- **Result:** NPAT⁽¹⁾ up over 3 times to \$657M
- **Strategy:** “Own the product” strategy - 89% of fertiliser NPAT from manufacturing

Value delivered from strategy

(1) excludes individually material items and includes 3 ½ months contribution from Dyno Nobel



Strategy

– industry fundamentals remain intact

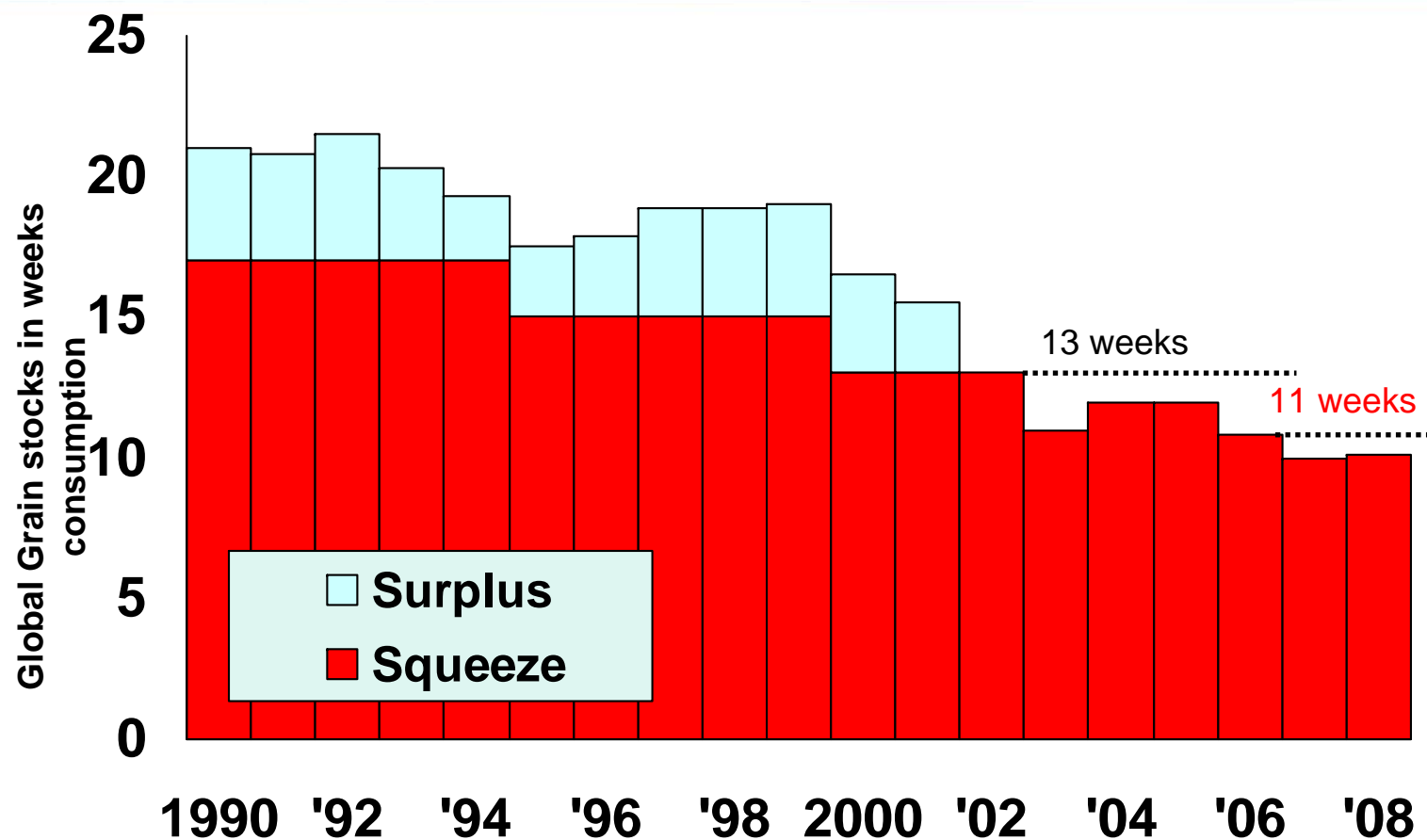
- ✓ Food consumption is expected to continue to grow with population and income, particularly in developing countries
- ✓ World food stocks remain at low levels
- ✓ The explosives business is relatively more exposed to mining volumes rather than to prices:
 - ✓ North America power demand remains firm
 - ✓ US government infrastructure spending is expected to increase, rather than decrease
 - ✓ Australia is expected to continue to increase mining output
- ✓ Increasing urbanisation and per capita GDP growth in countries such as China and India driving demand – 3 to 4 times the long run trend for developed countries)

IPL provides inputs to service basic human needs



Strategy

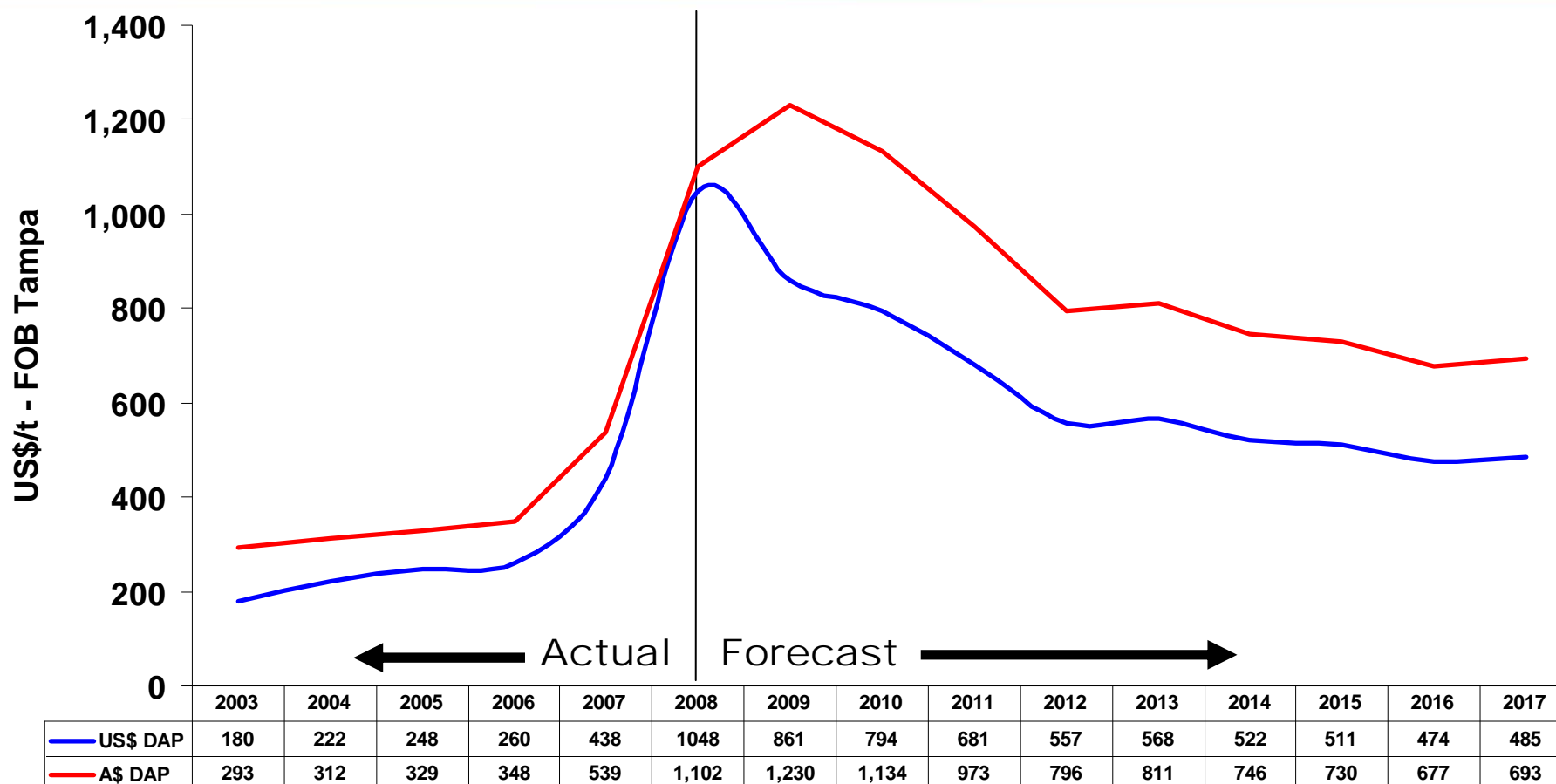
- strong long-term industry fundamentals



Source: FAO, USDA, British Sulphur

Increased crop production required to restore global food security

CRU DAP outlook - US\$ and A\$



IPL realised value = commodity price @ A\$ currency

Source: CRU – \$US DAP price series; IPL - \$A DAP price based on CRU \$US @ 0.70 cent currency



James Fazzino

Finance Director &
Chief Financial Officer



2008 Results Summary

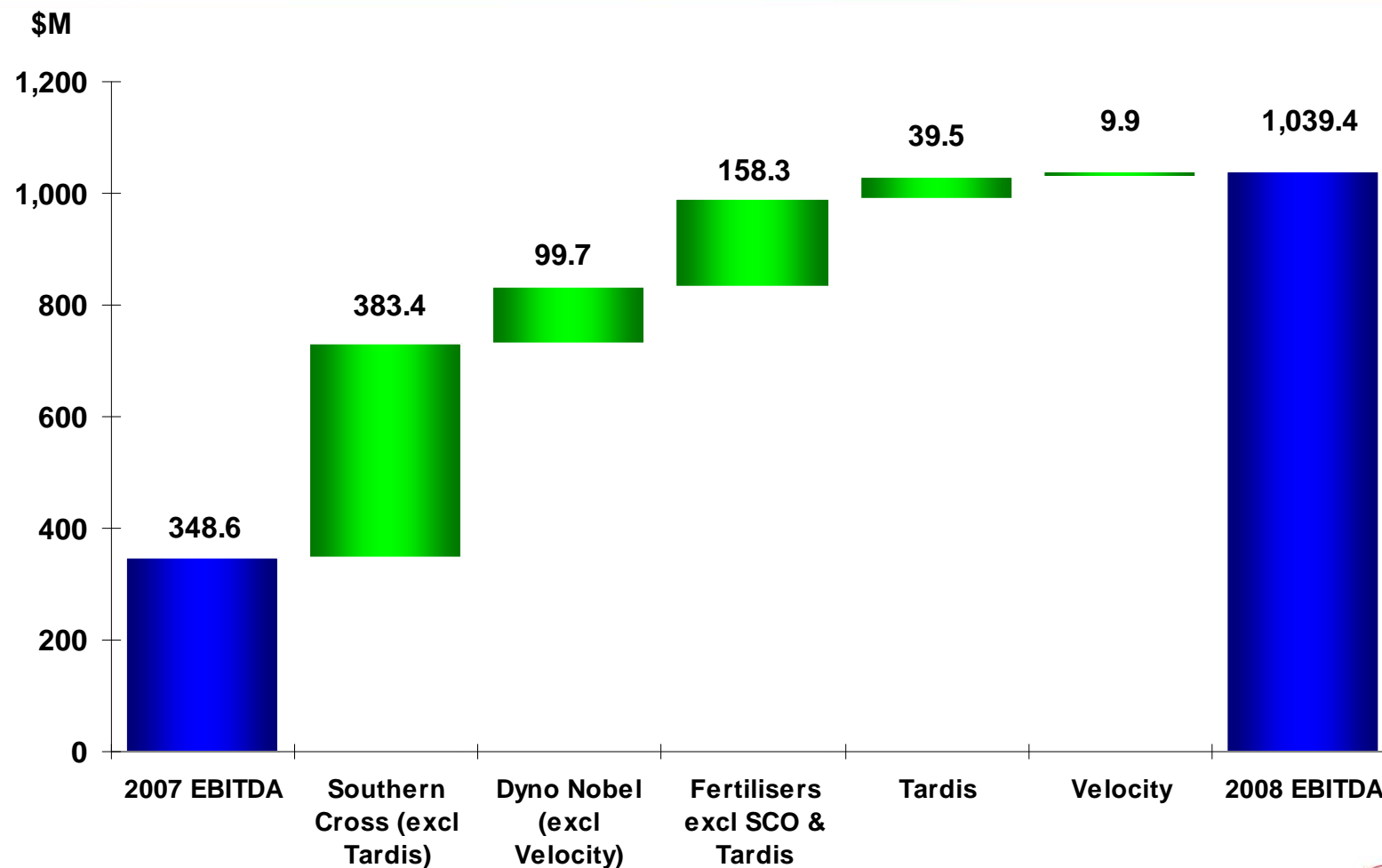
<u>A\$M</u>	<u>2008 Actual</u>	<u>Increase from 2007</u>
Revenue ⁽¹⁾	2,918	+1,545
EBITDA ⁽¹⁾	1,039	+691
EBIT ⁽¹⁾	969	+657
NPAT ⁽¹⁾	657	+455
Dividends	29.7cps	+14.7cps
EBIT Margin	33%	+10pts
<u>Capital Management</u>		
Net Debt	2,030	-1,618
Net debt/EBITDA	1.95x	-0.77
Interest Cover	15.8x	+4.3

Record profit is value delivered

(1) excludes individually material items and includes 3 ½ months contribution from Dyno Nobel



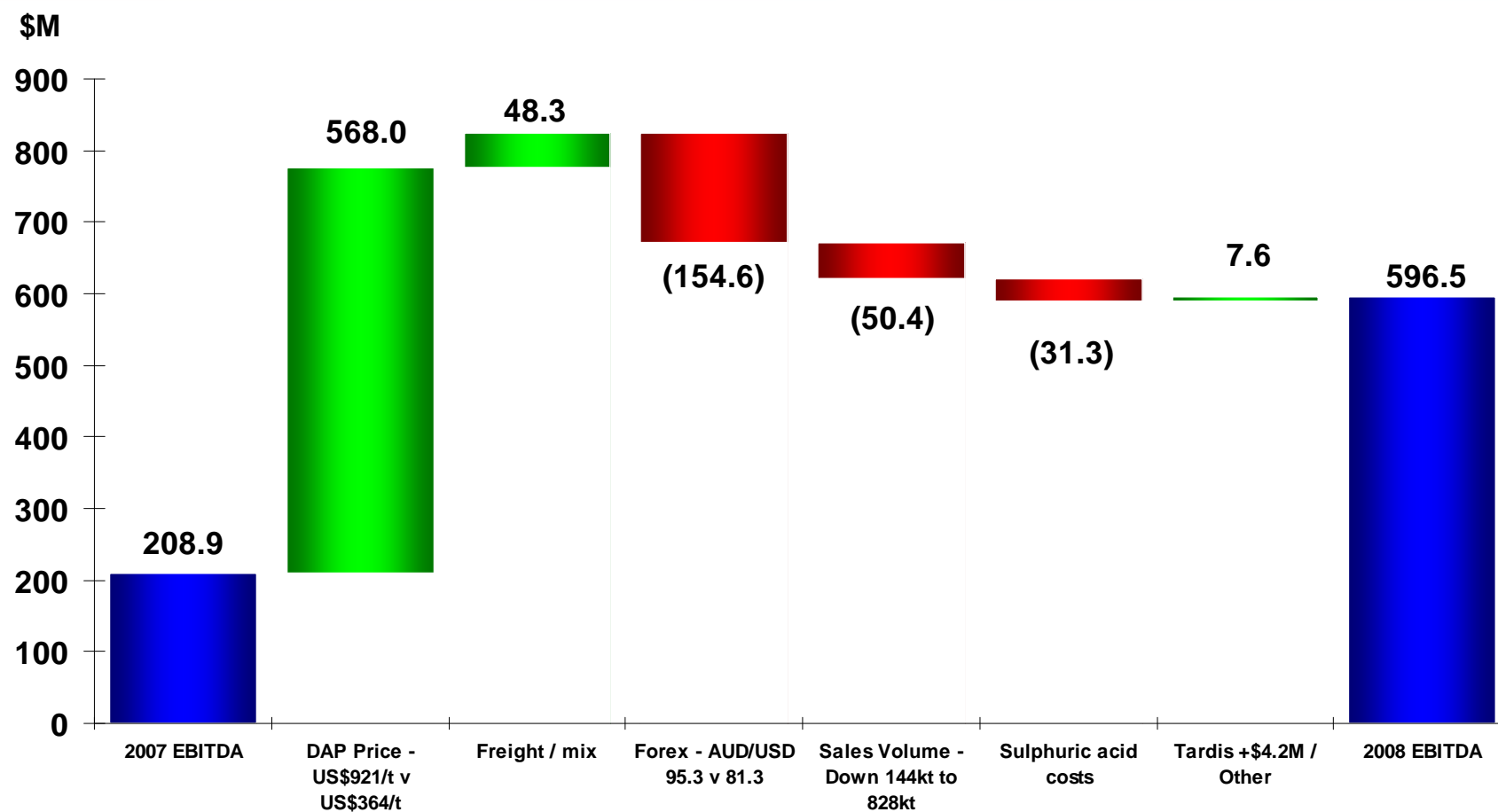
Incitec Pivot EBITDA Waterfall – 2007 to 2008



Record profit is value delivered



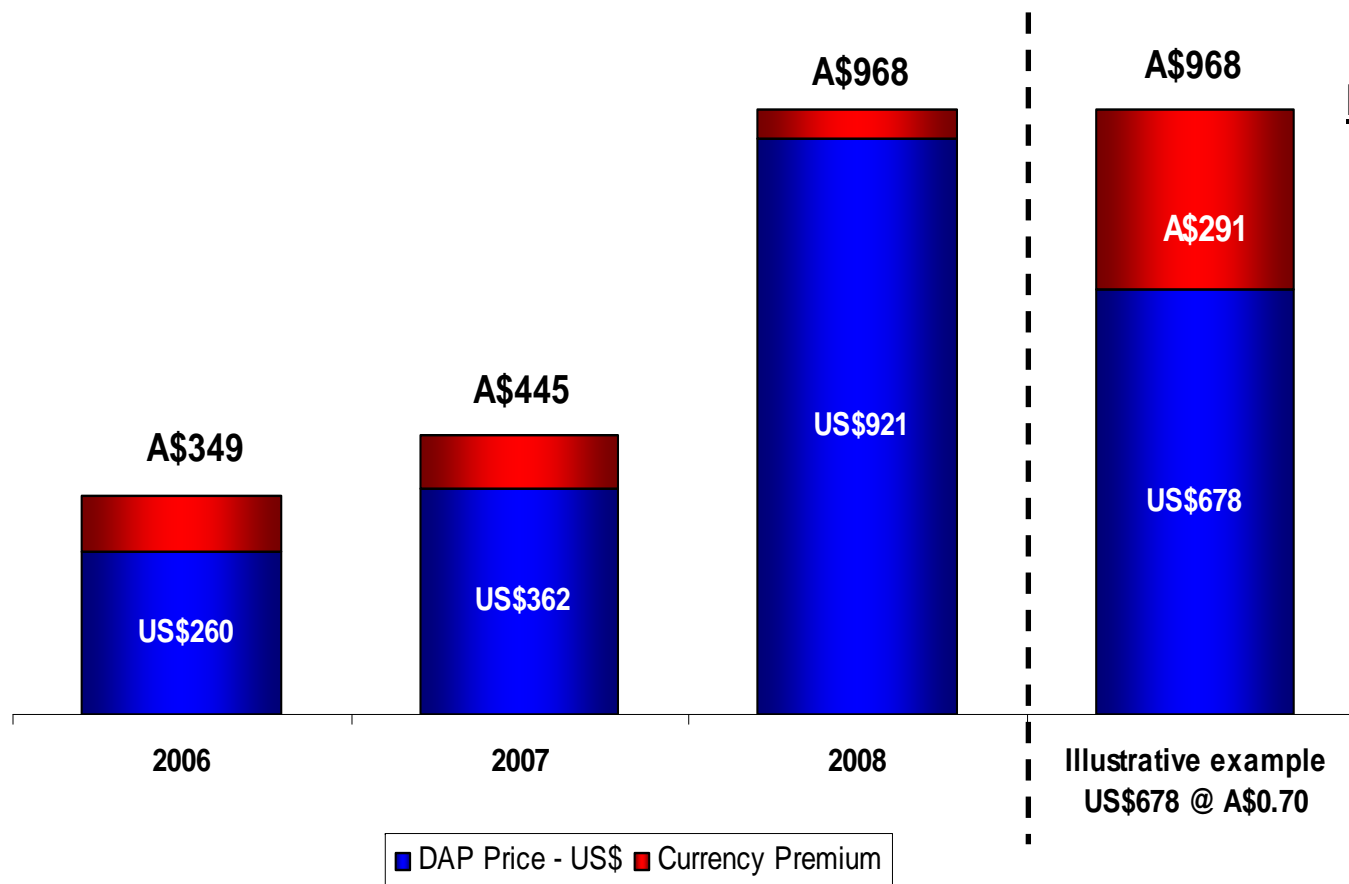
Southern Cross EBITDA Waterfall – 2007 to 2008



Record profit is value delivered



Australian Dollar DAP prices drive Southern Cross profit

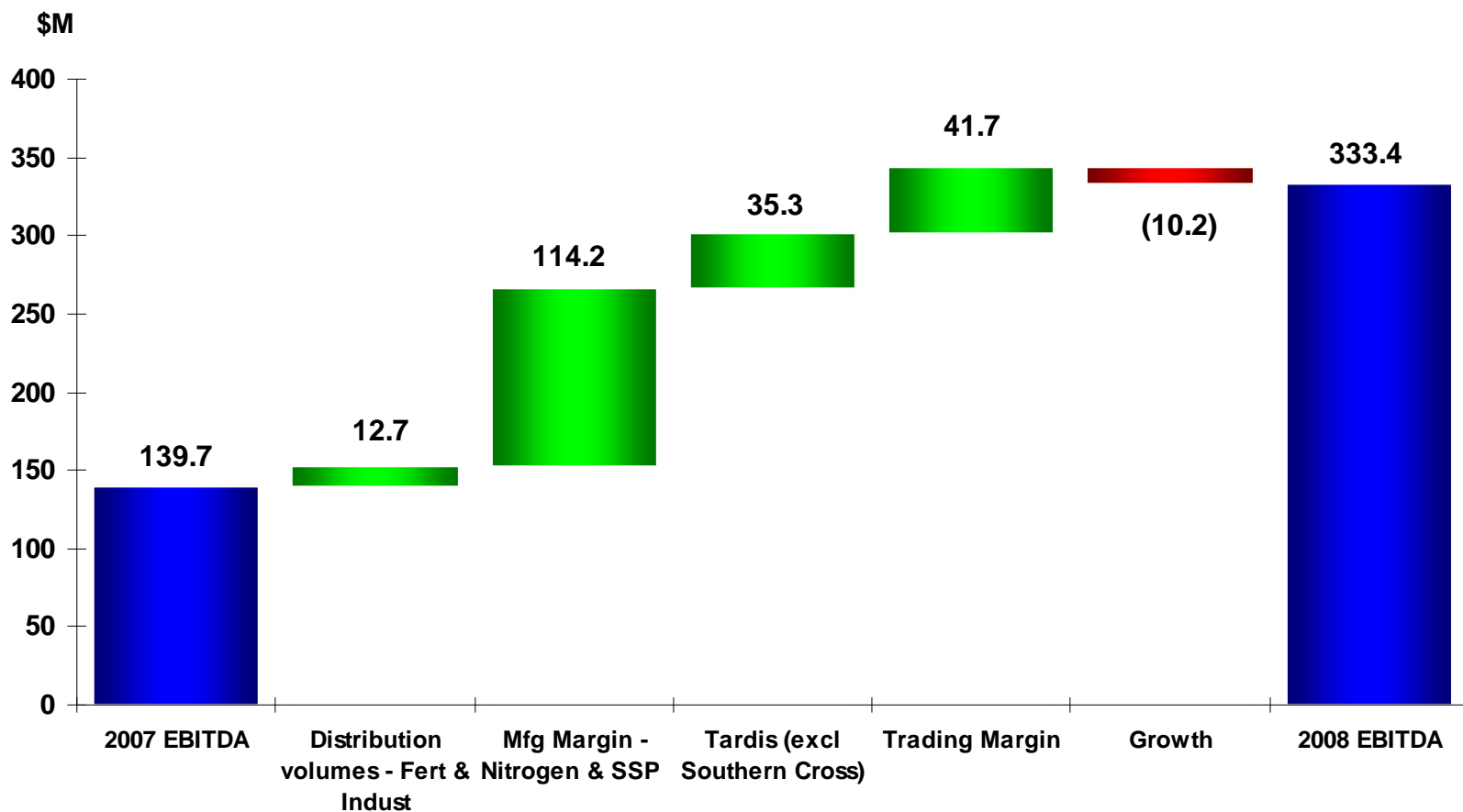


Illustrative Example

- To realise the same A\$ return as 2008, the \$US DAP price could fall as low as US\$678/t @ A\$/US\$ 70 cent exchange rate
- Current spot DAP: circa US\$800/t (Fertecon - Tampa - 6/11/08)

Over recent times A\$ fertiliser prices have been stable year-on-year based on current A\$ exchange rate

Australian Fertilisers & Industrial EBITDA Waterfall - 2007 to 2008



Record profit is value delivered



Velocity



Program based on Tardis blueprint

- separate business improvement from business as usual
 - project based approach with detailed plans and clear ownership and accountability
 - projects centrally resourced and managed by program office located in Salt Lake City.
 - finance confirms delivery – savings must be reconciled to the P&L
 - reward delivery

Proven approach to business improvement



Velocity in summary



<u>Targeted delivery from 5 value streams</u>		<u>US\$M</u>
Overhead reduction		57.4
Plant efficiency		62.9
Cost to serve		51.0
Global supply chain and trading		<u>32.7</u>
	EBIT	<u>204.0</u>
Asset intensity	Cash	<u>200.0</u>

Journey quickly to targeted 18% RONA and earn the right to grow



Velocity



Overhead reduction

- Target: US\$57.4M EBIT benefit
- Australian corporate office closure
- Canada restructure
- North America restructure (including global functions)
- Insurance savings
- Group procurement savings

Journey quickly targeted to 18% RONA and earn the right to grow

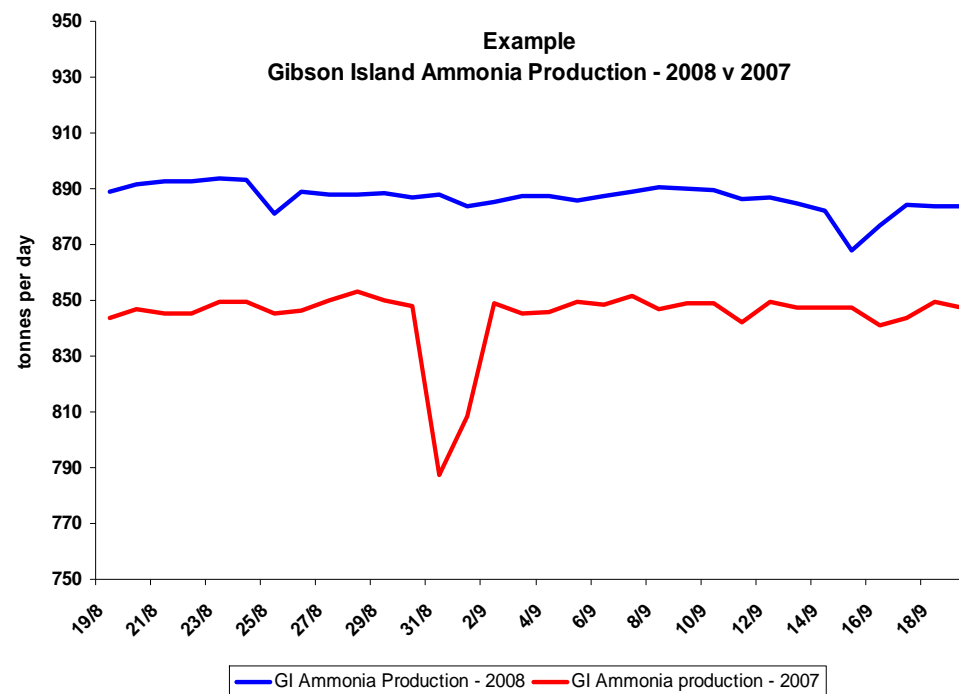


Velocity streams



Plant efficiency

- Target: US\$62.9M EBIT benefit
- global engineering
- process optimisation and control
- rationalisation of product portfolio
- IS/package product rationalisation
- product formulation/product development



Source: Incitec Pivot Production Recording System
(PRS – Extract August/September)

Journey quickly targeted to 18% RONA and earn the right to grow



Velocity streams



Cost to serve

- Target: US\$51.0M EBIT benefit
- sales force effectiveness: value not just volume
- Address unprofitable contracts
 - both products and value-added services
- logistics optimisation
 - truck and site utilisation (capex and opex)
 - freight tenders and compliance

Journey quickly targeted to 18% RONA and earn the right to grow



Velocity streams



Global supply chain and trading

- Target: US\$32.7M EBIT benefit
- Run AN plants at capacity
 - Maitland tonnes to Australia
 - Trading business to sink excess
 - utilise global shipping IPL supply chain
- Global nitrogen optimisation (including IPL)
- Implement sales and operations planning
- Raw material sourcing

Journey quickly targeted to 18% RONA and earn the right to grow



Velocity streams



Asset intensity

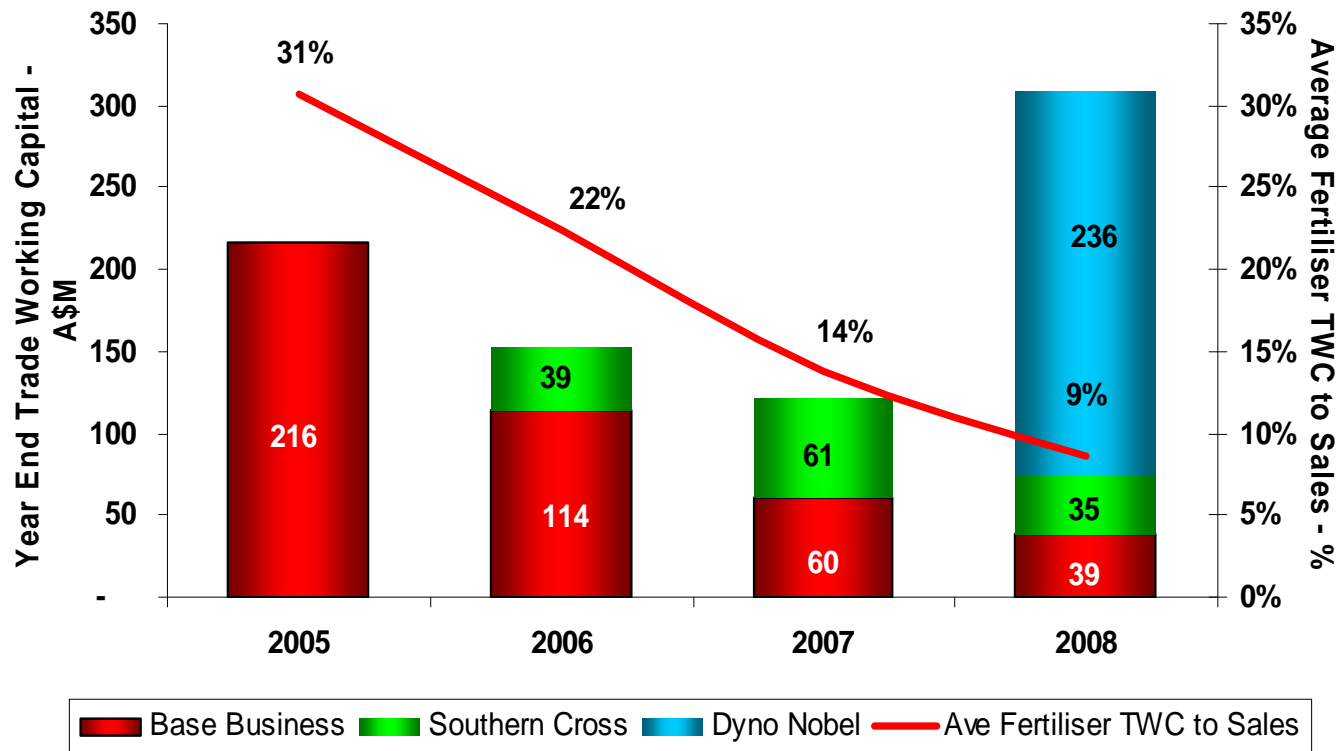
- Target: US\$200M cash benefit
- Working capital reduction
- Sale of excess assets
- Sale and leaseback of assets

Journey quickly targeted to 18% RONA and earn the right to grow



Disciplined Capital Management

Trade Working Capital⁽¹⁾ – A\$M



- Fertiliser trade working capital 3% of sales - year end
- average trade working capital to sales 9% (2007: 14%)
- \$150M reduction in trade working capital retained.
- 2009 reinvestment of trade working capital to fund trade terms

Financial discipline retained

(1) Trade Working capital as measured at 30 September year end



2009 Project Spending – A\$m

\$550M	Moranbah work in progress On track for mechanical completion Q1 2010 calendar year
\$ 20M	Gibson Island debottlenecking 30,000 tonnes of Urea – On line 2010 financial year
\$ 26M	Southern Cross Debottlenecking additional 40,000 tonnes from 2010 financial year
\$120M	Sustenance – IPL, SCO and DNL circa 100% of depreciation
\$ 35M	Southern Cross 25-day major turnaround Q4 2009 financial year
\$100M	Project Velocity - US\$200M /~A\$300M over 3 years
\$851M	TOTAL 2009 planned project spend

Julian Segal

Managing Director &
Chief Executive Officer



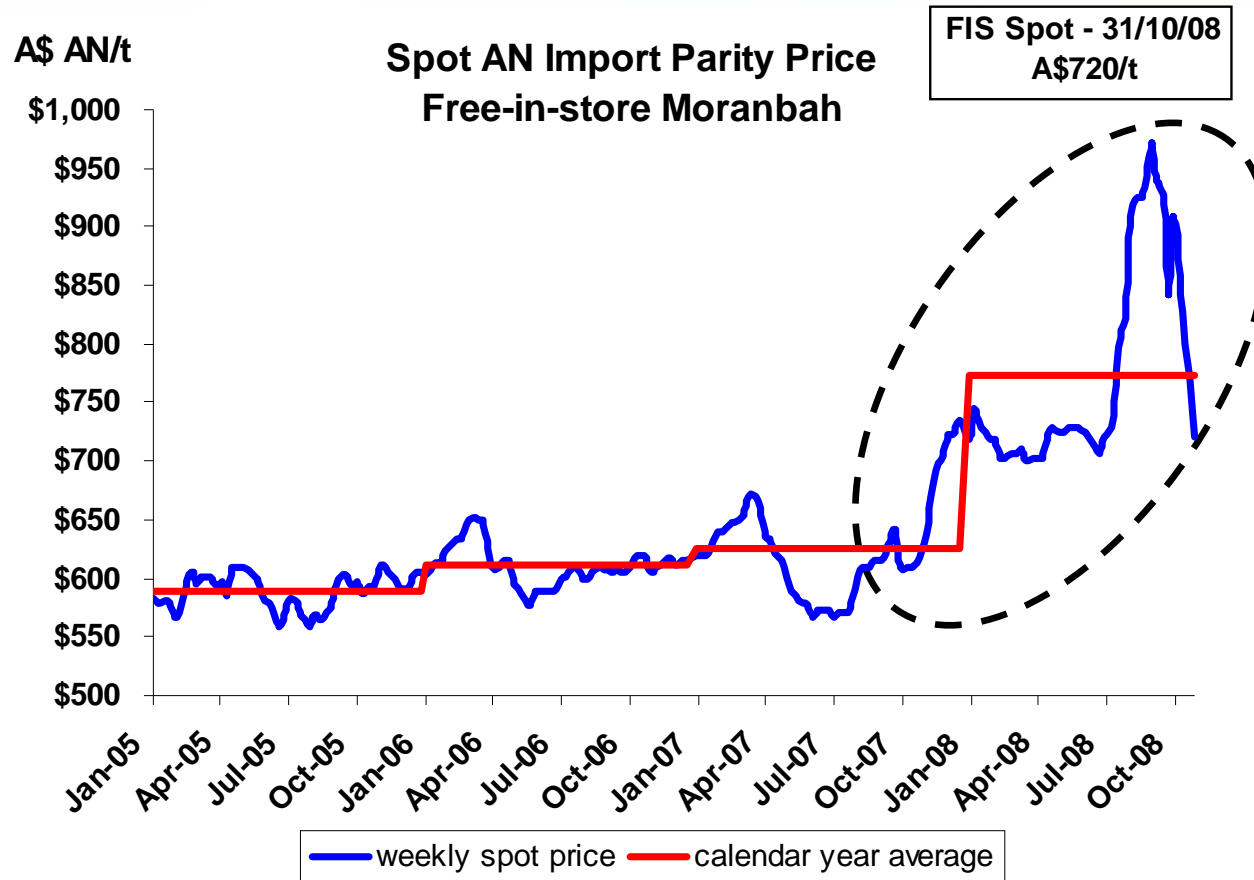
Moranbah Update

- Moranbah construction on-track – on budget and on time
- Construction:
 - Earthworks complete, ammonia plant installation on plan and 35% complete, nitric acid plant foundations 75% complete, and pipe racking foundations 25% complete
- Contracts:
 - Foundation customer demand is expected to be supplied from internal AN sources ahead of beneficial operation (Project Velocity)
 - Discussions have commenced with customers for uncommitted volume
 - Upside potential for additional UAN sales into fertiliser markets

**Recent volatility in soft commodity pricing and currency
- on balance strengthened the investment case**



Moranbah pricing



Post Announcement

- Spot Baltic AN prices have fallen consistent with ammonia prices
- A\$ has moved from 96 cents to ~70 cents
- Freight rates constant for small, security sensitive cargo's
- New pricing reflects value for local, secure supply - remains unchanged

Commodity prices volatile but value metrics intact

Source: IPL – constructed IPP price based on Fertecon AN Baltic/Black Sea FOB



Southern Cross debottlenecking

Phase 1 acid – target 1,010kt

- ✓ Expected capital cost: \$26M
- ✓ Targeted investment return: >35% IRR, Rona > 50%
- ✓ Targeted completion timing: 2010 calendar year.

Phase 2 – 5th filter – increase to 1,050 (if required)

- ✓ Expected capital cost: \$35M
- ✓ Targeted investment return: 17% IRR
- ✓ Targeted completion timing: Q4 2010 calendar year

Organic growth



Gibson Island debottlenecking

- ✓ Targeted expansion of Urea plant output from 850ktpd to 950ktpd (capacity from 300ktpa to 340ktpa)
- ✓ Addition of a third compressor to existing urea plant to increase conversion of ammonia to urea.
- ✓ Expected capital cost: A\$20M
- ✓ Targeted investment return: >19% IRR, RONA > 20%
- ✓ Targeted completion timing: 2010 calendar year.
- ✓ Reduction of 30ktpa carbon dioxide emissions

Organic growth



Summary

- ✓ Record 2008 Financial results
 - ✓ Continued financial discipline
 - ✓ Dyno acquisition complete, Velocity in progress
 - ✓ Strong credit metrics
- ✓ Organic growth opportunities
- ✓ Strong long-term industry fundamentals

Delivering on our promises



Questions?



Appendix



Sensitivities

+/- US\$10 DAP price = +/- A\$9.4M EBIT

+/- US\$10 Urea price = +/- A\$4.5M EBIT

+/- 1 cent A\$/US\$ = +/- A\$14.1M EBIT

Assumptions

- 900kt DAP sales at the 2008 realised price of US\$921/t @ A\$/US\$0.951
- 430kt Urea equivalent sales at 2008 achieved price of US\$456/t @ A\$/US\$ 0.951
- Currency:
 - DAP: A\$/US\$ 2008 realised currency of 95.1 cents
 - Dyno Nobel: A\$/US\$ 2008 realised currency of 90.1 cents

Dividends

A\$M

2008 NPAT pre individually material items	657.2
Payout at 55%	361.5
Less: 2008 Interim dividend (10.2cps ⁽¹⁾)	(102.9)
Dividend to Dyno Nobel Shareholders ⁽²⁾	(21.0)
Final Dividend pool	237.6
Shares on Issue	1,217,230,560
Final Dividend	19.5 cps

Dividend passes 100% of forecast available franking credits to shareholders

(1) 204cps interim dividend restated for 20:1 share split in September 2008

(2) Adjustment to scrip consideration paid to DXL shareholders in lieu of dividends paid during the offer period



Tardis Program

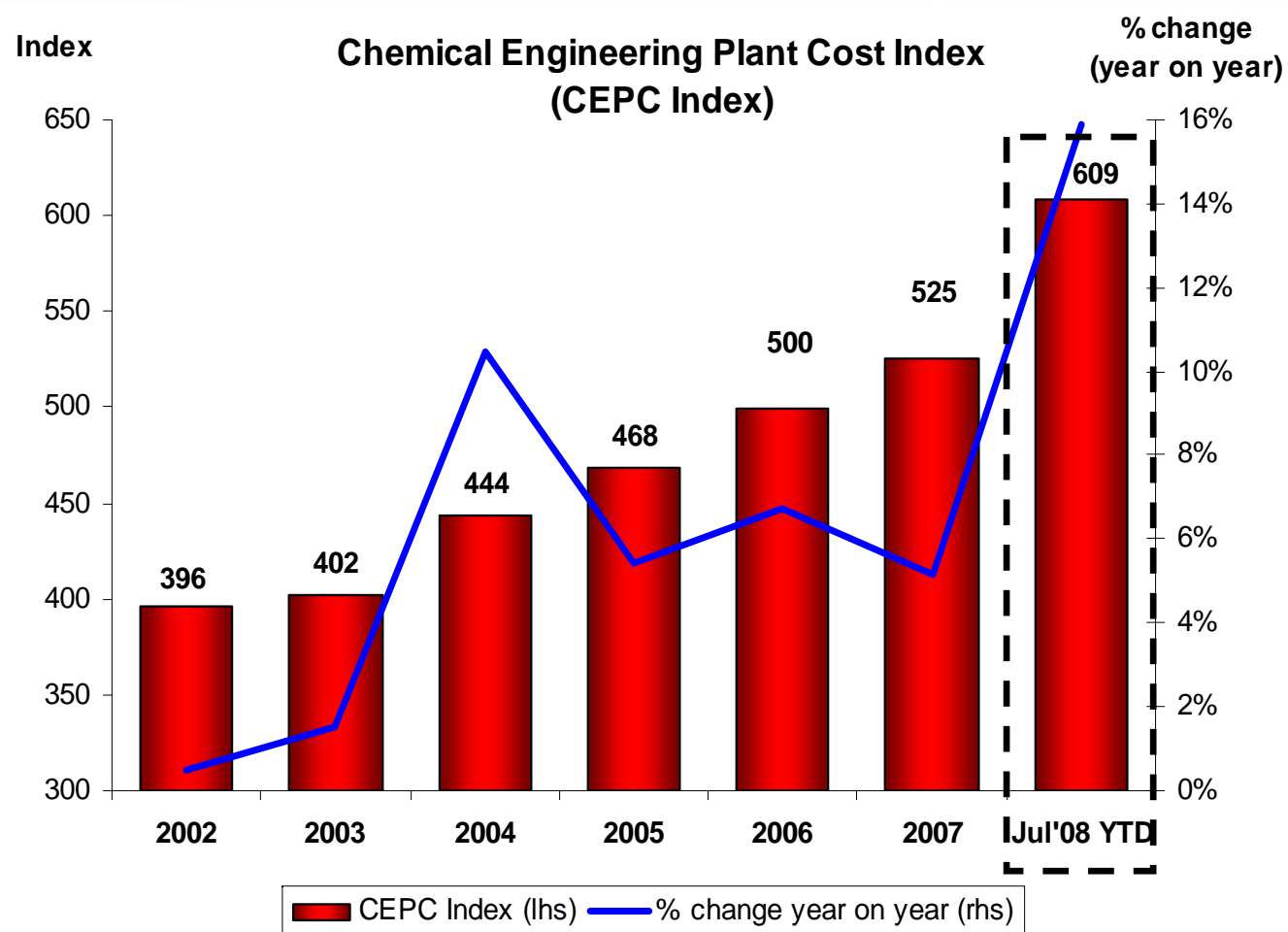
<u>A\$M</u>	2008 EBIT	Cumulative program⁽¹⁾
<u>Tardis II</u>		
Southern Cross	4.2	44.6
Manufacturing Efficiency	4.7	16.1
GI Gas	24.5	26.3
Supply Chain	6.1	18.1
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Total - Tardis II	39.5	105.1
Tardis I		38.0
	<hr/>	
Total Tardis		143.1
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An outstanding result

(1) Total delivered EBIT benefits since inception of the Tardis program in 2006



Increasing value of installed capacity



- Installed capacity valuations increasing
- “Global Credit crunch” restricting funding for greenfield capacity expansions
- Higher long-term prices required to generate required rates of return

Note – Chemical construction cost index includes completed projects only