

# **Incitec Pivot Limited**

## **2009 Interim Results**

**11 May 2009**

The logo for Incitec Pivot, featuring a stylized yellow and red swoosh above the text "Incitec Pivot" in white on a black background.

**Incitec Pivot**

# Disclaimer

**This presentation has been prepared by Incitec Pivot Limited (“IPL”). The information contained in this presentation is for information purposes only. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This presentation has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.**

**No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of IPL, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of the information contained in this presentation.**

**In particular, no representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns (“forward-looking statements”) contained in this presentation nor is any obligation assumed to update such information. Such forward-looking statements are based on information and assumptions known to date and are by their nature subject to significant uncertainties and contingencies. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, this presentation. Forward-looking statements are not guarantees of future performance.**

**Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.**

**INCITEC PIVOT LIMITED ABN 42 004 080 264**



# IPL Group performance Overview

- ✓ Dyno Nobel acquisition delivering consistent with the investment thesis
  - ✓ velocity program ahead of plan
  - ✗ difficult market conditions in North America
  
- ✗ Challenging conditions in the fertiliser business – unprecedented volatility in both global prices and global/domestic demand
  
- ✓ Balance sheet robust – both undrawn headroom and credit metrics

# IPL Group performance

## Results summary

Half year ended 31 March (A\$M)	2009	2008	Change
Revenue	1,708.0	749.3	128%
EBITDA <sup>(1)</sup>	360.3	269.0	34%
EBIT <sup>(1)</sup>	272.2	250.0	9%
NPAT <sup>(2)</sup> - excluding individually material items	169.8	171.1	(1%)
NPAT <sup>(2)</sup> - including individually material items	99.6	169.8	(41%)
Earnings per share (cents) <sup>(1)(3)</sup>	11.5	17.0	(32%)
Dividends per share (cents) <sup>(3)</sup>	2.1	10.2	(79%)
Gearing <sup>(4)</sup>	1.9x	1.0x	(81%)

**a solid result in tough market conditions**

(1) pre individually material items

(2) Net Profit After Tax

(3) 2008 EPS and DPS restated for 20 for 1 share split in 2008. 2009 EPS based on a diluted 1,478,060,354 weighted average number of issued shares

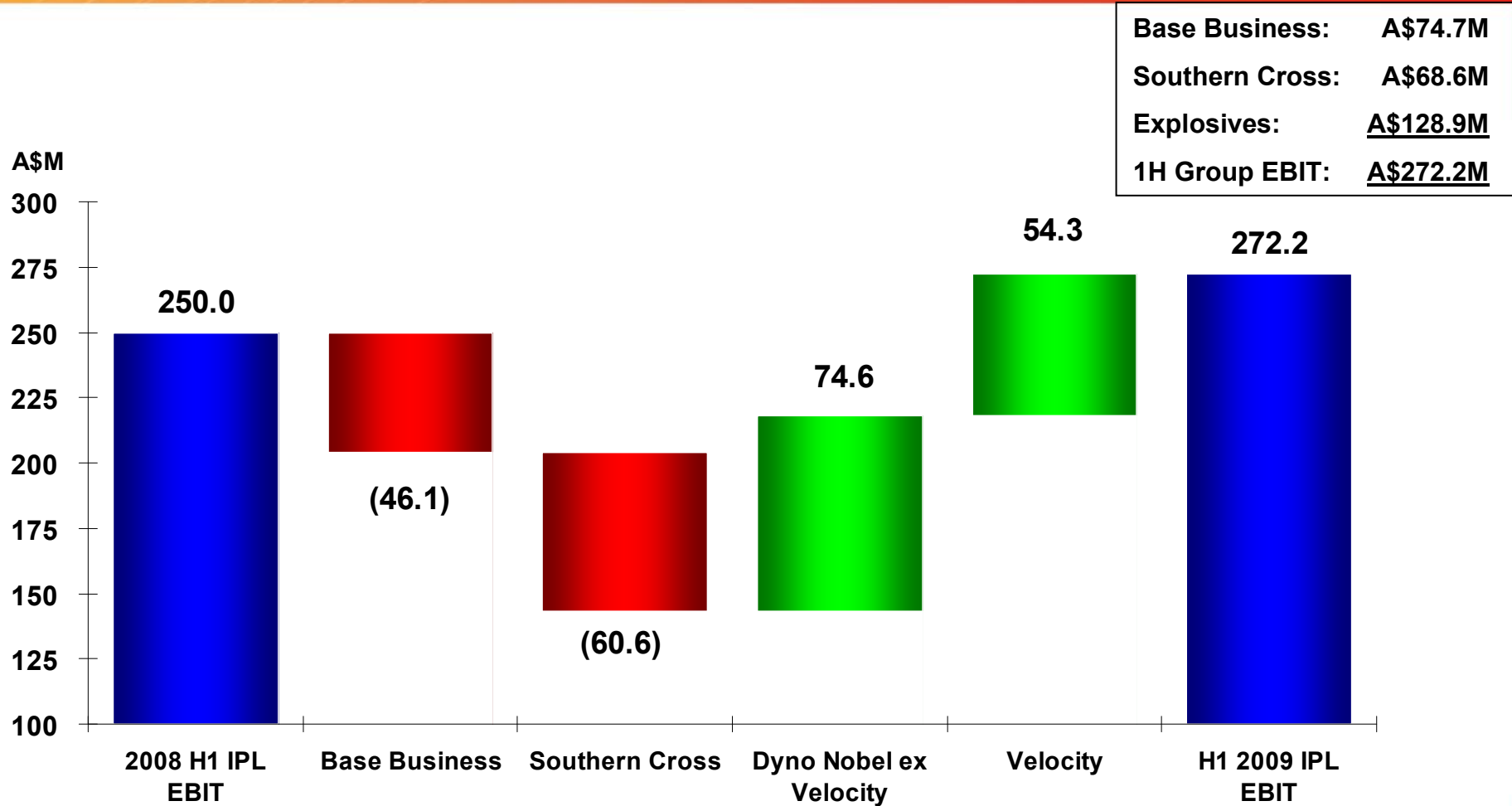
(4) 12-month historical EBITDA / Net debt at balance date

(5) 12 month rolling EBITDA/net interest expense



# IPL Group performance

## EBIT waterfall – 1H 2008 to 1H 2009



**a solid result in tough market conditions**



# Explosives scorecard - Strategy

Half year ended 31 March 2009

- ✓ “Fit”
  - nitrogen core
  - business culture
  
- ✓ Improvement in quality of earnings
  - ✓ explosives balances fertilisers
  - ✓ 1H earnings 47% explosives / 53% fertiliser
  
- ✓ US\$ cash flow acquired at the top of the A\$ cycle
  
- ✓ Transaction structure preserves acquisition value
  - 75% scrip based consideration
  - exchange @ \$7.37 per IPL share

**investment thesis and acquisition value intact**

# Explosives scorecard - Execution

Half year ended 31 March 2009

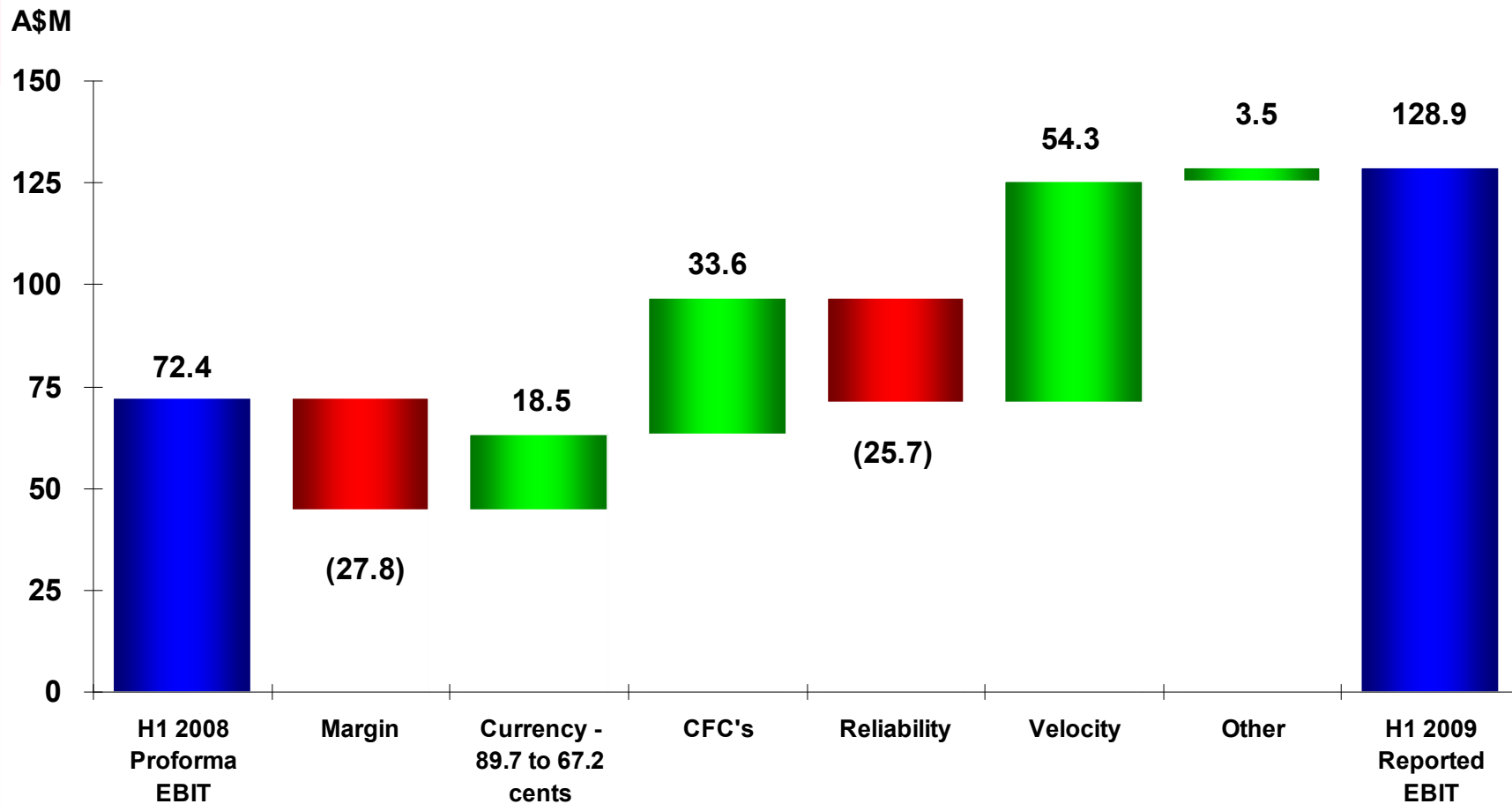
- ✓ Integration complete and successful
- ✓ Velocity ahead of schedule
  - ✓ US\$36.5M delivered to date
  - ✓ on track for 2009 target of \$67M and 2011 target of US\$204M
- ✓ Disciplined approach to Moranbah construction:
  - alignment of beneficial operation with market demand
  - value engineering and a more benign construction environment expected upon remobilisation preserves \$935M project cost
  - project will create shareholder value
- ✗ Plant reliability
  - Global Risk and Reliability and Process Technology teams formed
- ✗ 20% reduction in Q&C and mining volumes in North America

**execution ahead of plan**



# Explosives performance

## EBIT Waterfall – 1H 2008 v pro-forma to 1H 2009



**Dyno Nobel delivering**

Incitec Pivot



# Velocity program update

## Half year – 31 March 2009

<b>US\$M</b>	<b>2009 YTD</b>	<b>2009 Forecast</b>	<b>% Delivered</b>
Overhead reduction	19.3	30.0	64%
Plant efficiency	3.7	9.8	38%
Cost to serve	11.5	16.6	69%
Global supply chain	2.0	10.6	19%
<b>Total Velocity EBIT</b>	<b>36.5</b>	<b>67.0</b>	<b>54%</b>
<b>Asset optimisation - Cash</b>	15.2	70.0	22%

**Velocity program on track for US\$204M in 2011**



# Fertiliser scorecard

## Half year ended 31 March 2009

### Positives

- ✓ Market share maintained in a soft market
- ✓ Record production at Gibson Island
  - ✓ risk and reliability & process technology focus
- ✓ Phosphate Hill team response to rail flooding
  - ✓ \$10M benefit
- ✓ Strong cost control
- ✓ Working capital maintained at 2008 lows

**good execution on business controllables**





**February 2009 – ‘Tarping’ the 30,000 tonne Ammonium Phosphate bunker at Phosphate Hill**

# Fertiliser scorecard

## Half year ended 31 March 2009

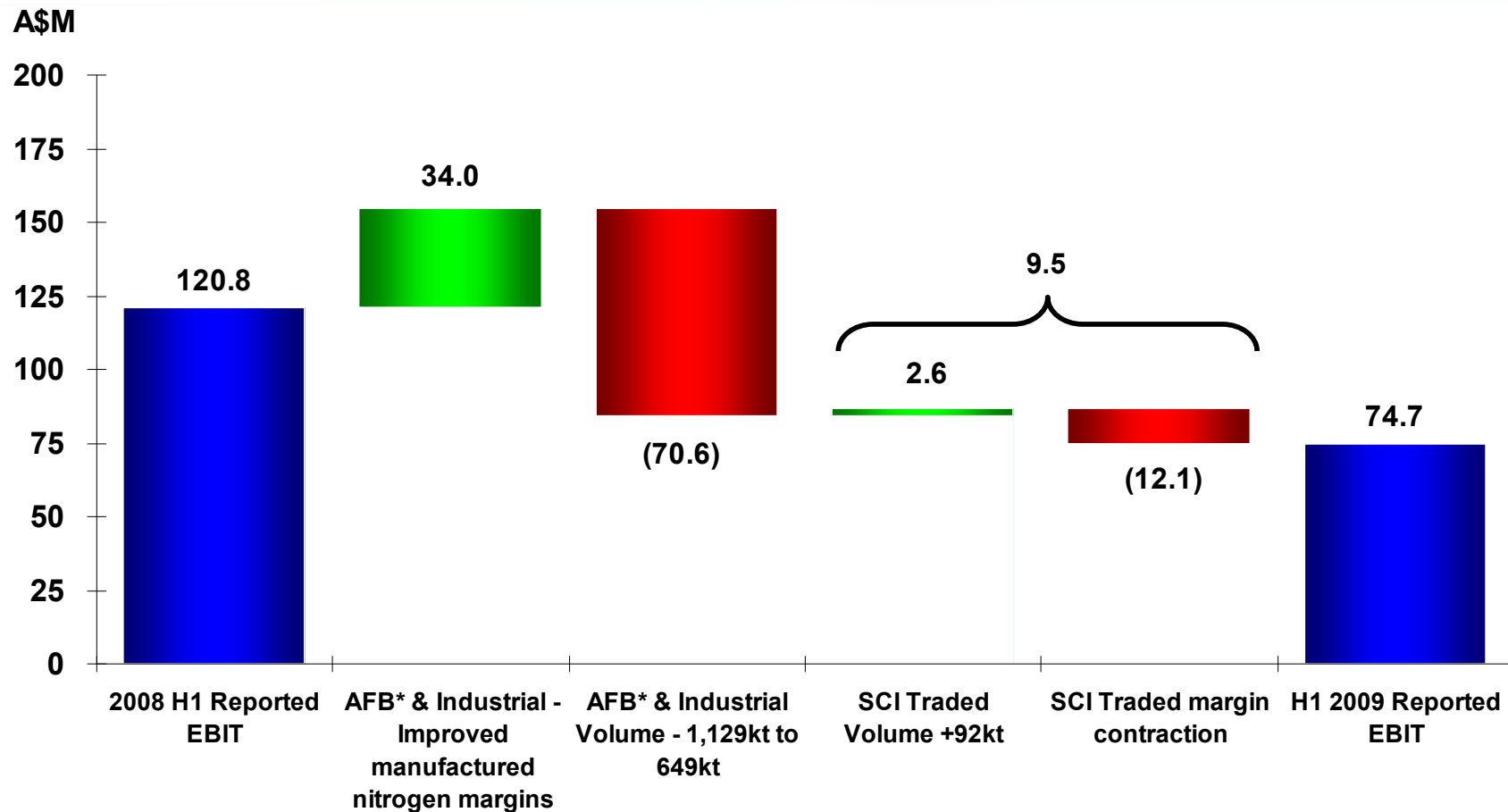
### Negatives

- ✘ Unprecedented market volatility:
  - Local: distribution volumes down 44% on pcp
  - Global: “double” de-stocking, DAP price drop from US\$1,200/t to US\$320/t
  
- ✘ Collapse of East Coast SSP market
  - Geelong plant closure
  - Cockle Creek early closure
  - Imported phosphate rock mark-to-market
  
- ✘ Flooding of rail lines - SCO production off 102kt

**unprecedented market volatility**



# Base Business performance EBIT waterfall – 1H 2008 to 1H 2009



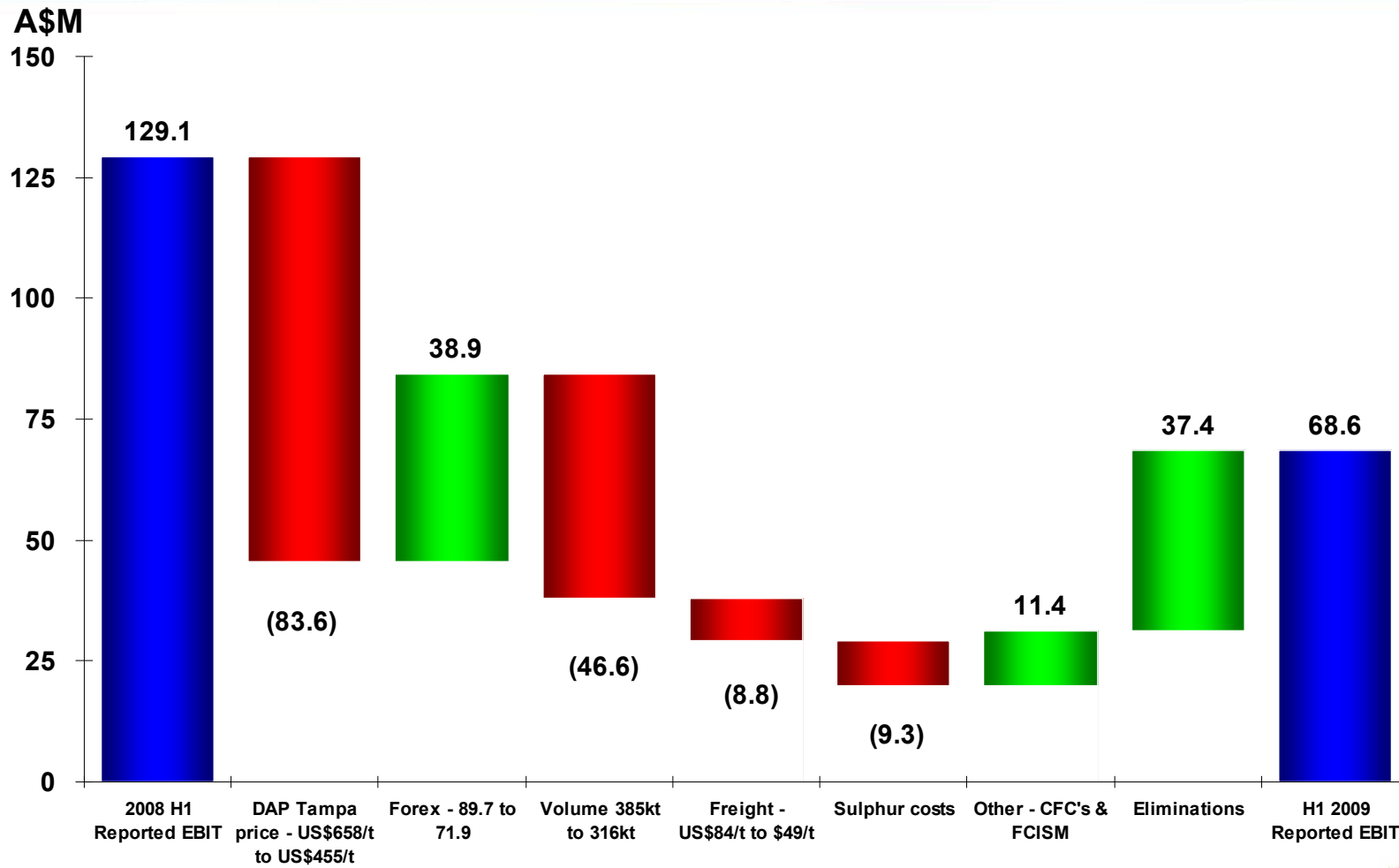
**a solid result in tough market conditions**

\* AFB: Australian Fertiliser Business



# Southern Cross performance

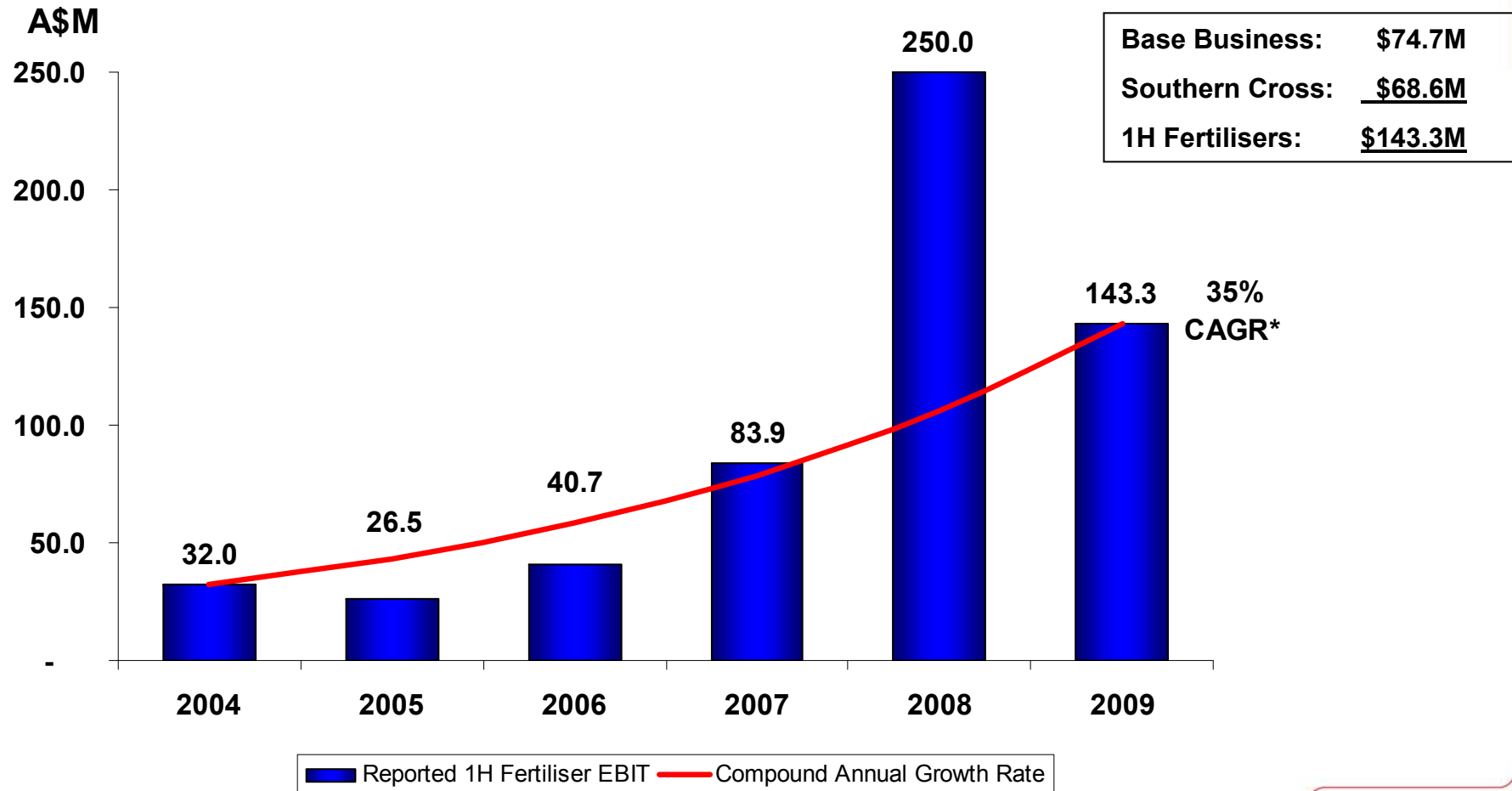
## EBIT waterfall – 1H 2008 to 1H 2009



**a solid result**



# Fertilisers performance EBIT waterfall



**business transformation intact**

\* CAGR: Compound annual growth rate



# Capital management scorecard

Half year ended 31 March 2009

## Positives

- ✓ Working capital management in Fertilisers
- ✓ Timing of equity raising
- ✓ Successful refinancing of debt book
- ✓ Investment grade credit metrics
- ✓ Dividend policy and payout
  - ✓ competitive, tax effective yield
  - ✓ minimise dilution of the underwrite

## Negatives

- × Global financial crisis, closure of debt markets

**robust balance sheet position**





# Capital Management - Net debt

## Half year – March 2009

### Net debt at 31 March 2009<sup>(1)</sup> A\$Bn

Drawn	2.1
Committed facilities	<u>2.7</u>
Headroom	<u>0.6</u>

\* 2.5 year (30 months) average tenor of committed facilities

### Investment grade credit metrics

	<u>March 2009</u>	<u>Target range</u>
Net debt / EBITDA <sup>(2)</sup>	1.9x	< 2.5x
Interest cover <sup>(3)</sup>	11.5x	>6.0x

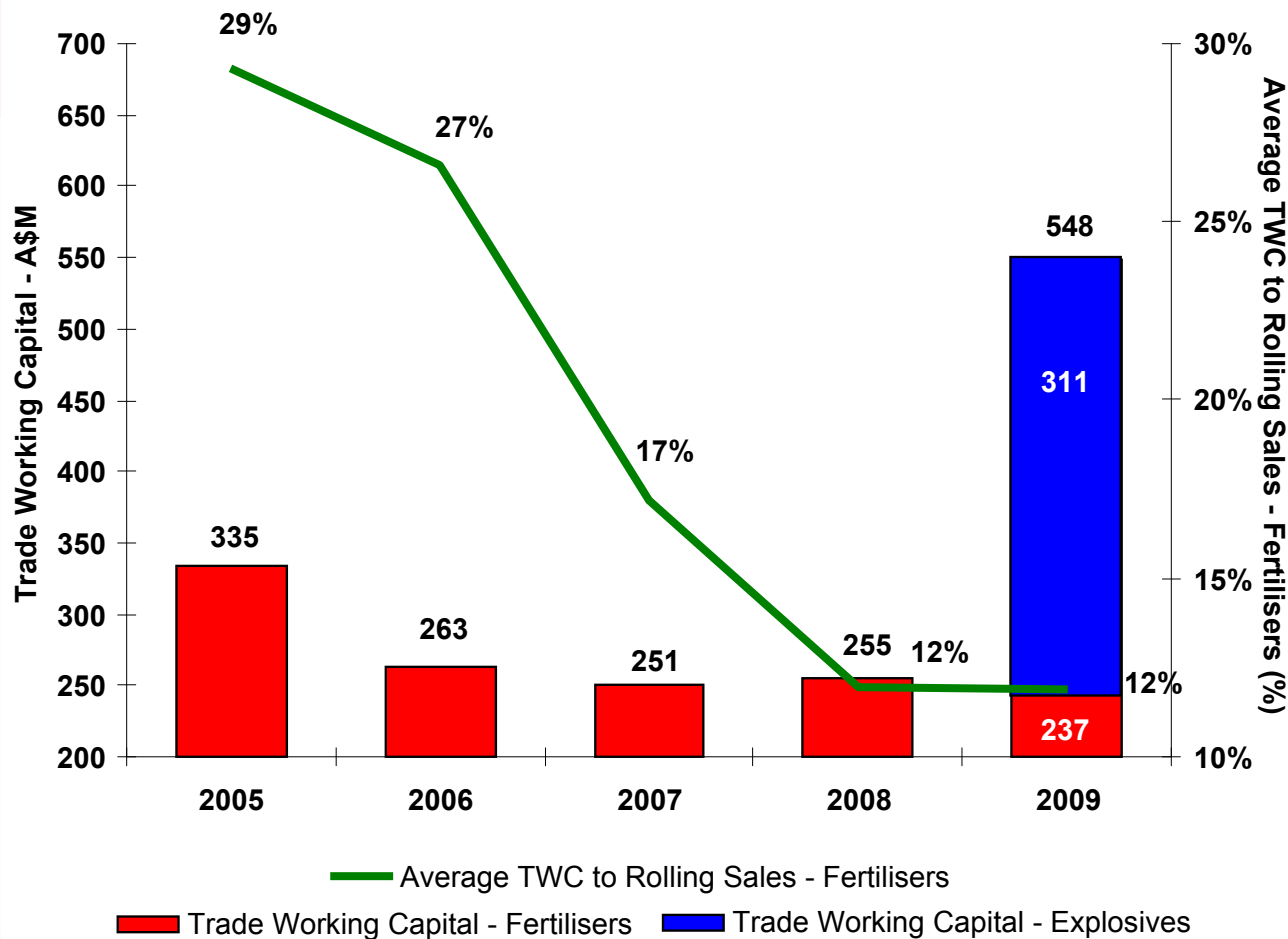
**robust balance sheet position**

- (1) Annual net debt peak is 31 March  
 (2) Based on last 12 month historical EBITDA / Net debt at point in time  
 (3) Interest cover = 12 month rolling EBITDA/net interest expense



# Capital Management - working capital

## Half year - March 2009



- Working capital investment annual peak is March – both Fertilisers and Explosives
- Fertiliser working capital held constant at 12% relative to sales
- Fertiliser working capital investment declined 7%
- Illustrates opportunity in explosives

**financial discipline maintained**



# Capital Management – Dividends

Half year – March 2009

## Revised policy

20 - 40% pay-out of NPAT subject to franking capacity, capital requirements and other relevant factors

## 2009 Interim dividend

2.1 cents fully franked, to be paid 7 July 2009

Distributes 100% of available franking credits to shareholders

## Dividend underwrite

2009 interim & 2009 full year, and 2010 interim

Maximises financial flexibility

Optimising capital management



## Individually material items

### Half year ended 31 March 2009

A\$M	Gross	Tax	Net
Phosphate rock mark to market	(49.4)	14.8	(34.6)
Velocity program integration & restructuring	(30.0)	9.5	(20.5)
Early closure of Cockle Creek	(15.8)	4.8	(11.0)
Bridge facility borrowing costs	(5.9)	1.8	(4.1)
	<b>(101.1)</b>	<b>30.9</b>	<b>(70.2)</b>

Phosphate rock mark-to-market:

- Collapse of dairy prices and SSP demand
- Decline of global phosphate rock prices

Cockle Creek early closure -

- write off of assets and decommissioning costs

Closure of Geelong Plant - \$2M immediate cost impact in H2 2009.

# Strategy

Incitec Pivot's strategy is to leverage the industrialisation and urbanisation of the developing world (particularly China and India):

- Position on the input side of the value chain where returns are highest and less volatile
  - Explosives for hard commodities and fertilisers for softs
- Capture value upstream through low cost, vertically integrated nitrogen/phosphate based chemical manufacturing positions (“own the product/resource” and “lowest cost base”)
  - Leverages IPL's manufacturing competency and is the common core that links the downstream businesses

**Strategy - robust and intact**



# Strategy execution

## Consolidate:

1. Deliver on the investment in Dyno Nobel:
  - Velocity program – US\$204M by 2011 & US\$200M capital
  - position business to benefit from global economic recovery
2. Improve plant and supply chain reliability
3. Continue to strengthen balance sheet
  - tenor and diversity of funding
  - focus on operating cash flow

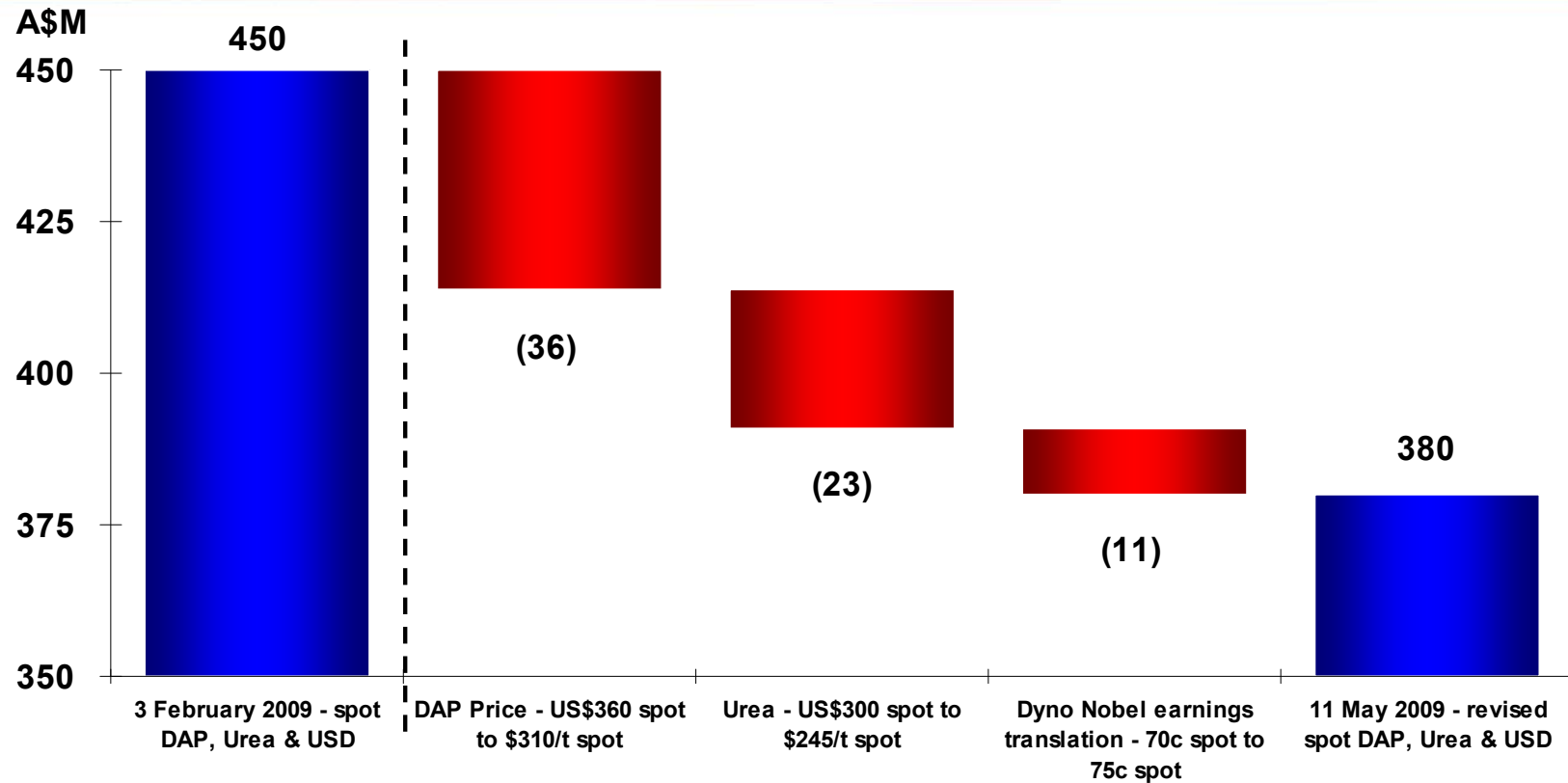
## Growth:

4. Growth from nitrogen/phosphate core - Moranbah

**platform for competitive shareholder returns**



# Calculation of earnings based on 11 May 2009 spot commodity prices & US\$ currency



## Key Sensitivities – 2009 Year to Go

+/- US\$10 DAP price +/- A\$5.7M EBIT

+/- US\$10 Urea price +/- A\$6.0M EBIT

+/- AUD/USD +/- 1c +/- A\$2.9M (Dyno Nobel earnings translation USD/AUD)

**2009 earnings sensitive to DAP, urea and US\$ currency**



## Outlook –

- Challenging trading conditions to persist for the balance of 2009
  - conservative fertiliser application/nutrient mining
  - global recession
- Positive outlook for 2010
  - rebuilding of soil nutrients
  - positive impact of global stimulus packages
- Efficiency improvements from the Velocity program.

**focus on execution**





## Summary

- ✓ Dyno Nobel acquisition delivering consistent with investment thesis
- ✓ Velocity program on track
- ✗ Unprecedented volatility in global end markets
- ✓ Balance sheet robust – both credit metrics and headroom

**a solid result in tough market conditions**

