

Incitec Pivot Limited 2011 Interim Results

9 May 2011

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INCITEC PIVOT LIMITED ABN 42 004 080 264

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Presentation outline

- IPL Group performance James Fazzino, Managing Director & CEO
- Business Unit performance James Fazzino
 - Explosives
 - Fertilisers
- Strategy James Fazzino
- Capital Management Frank Micallef, Chief Financial Officer
- Outlook James Fazzino
- Summary James Fazzino

James Fazzino

Managing Director & CEO



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IPL Group performance

Overview

- Group NPAT⁽¹⁾ excluding IMIs ↑ 22% to \$178.6M
- Explosives business – EBIT 12% ↑ to \$146.9M
 - ✓ Americas up 32% in US\$ - Velocity and modest market recovery
 - ✓ Asia Pacific Business up 6% notwithstanding weather
- Fertiliser business – EBIT 30%↑ to \$138.6M
 - ✓ SCI up by 48% - ↑ global fertiliser prices partially offset by \$A
 - ✗ IPF down by 5% - volumes impacted by weather
- Disciplined financial management
 - ✓ hedging of \$A
 - ✓ US\$ debt strategy

(1) attributable to shareholders

right strategy, relentless focus on the basics

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IPL Group financial performance

Results summary

Half year ended 31 March (A\$M)	2011	2010	Change
Revenue	1,424.4	1,236.4	15%
EBIT ⁽¹⁾	273.8	230.1	19%
NPAT ⁽²⁾ – excluding individually material items	178.6	146.5	22%
NPAT ⁽²⁾ – including individually material items	165.6	132.4	25%
Operating cashflow	85.3	79.2	8%
Dividends per share (cents) ⁽³⁾	3.3	1.8	83%
Net Debt	1,356	1,277	(6%)

(1) Pre individually material items

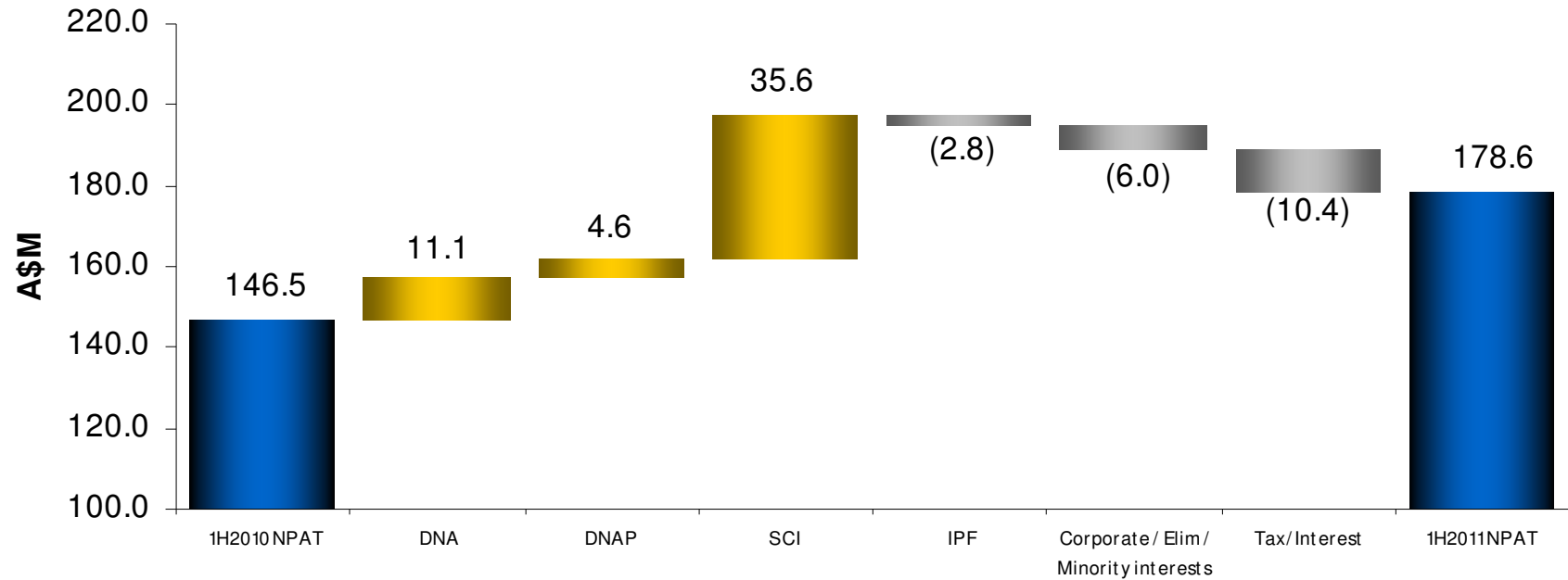
(2) Net Profit After Tax excluding minority interests

(3) 2011 based on diluted 1,628,730,107 weighted average number of shares; 2010 based on a diluted 1,619,569,865 weighted average number of issued shares.

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IPL Group performance

NPAT - 1H 10 : A\$146.5M v 1H 11 : A\$178.6M

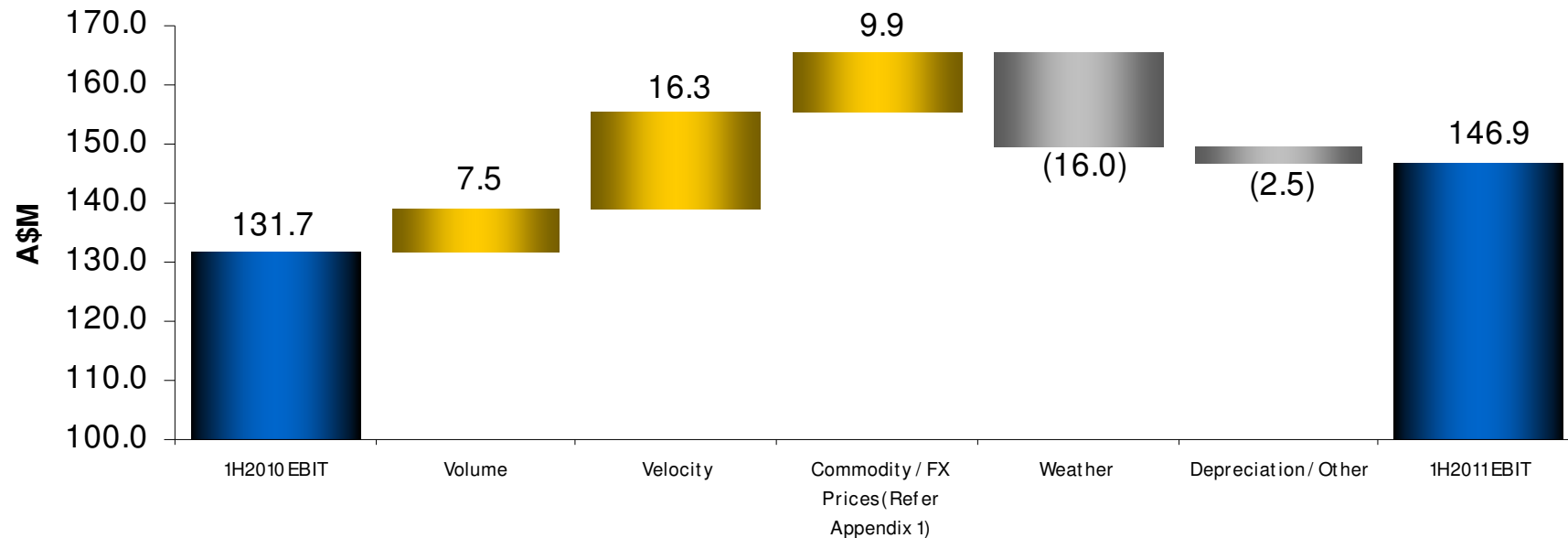


**balanced earnings –
51% Explosives; 49% Fertilisers**

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Explosives scorecard

EBIT - 1H 10 : A\$131.7M v 1H 11 : A\$146.9M



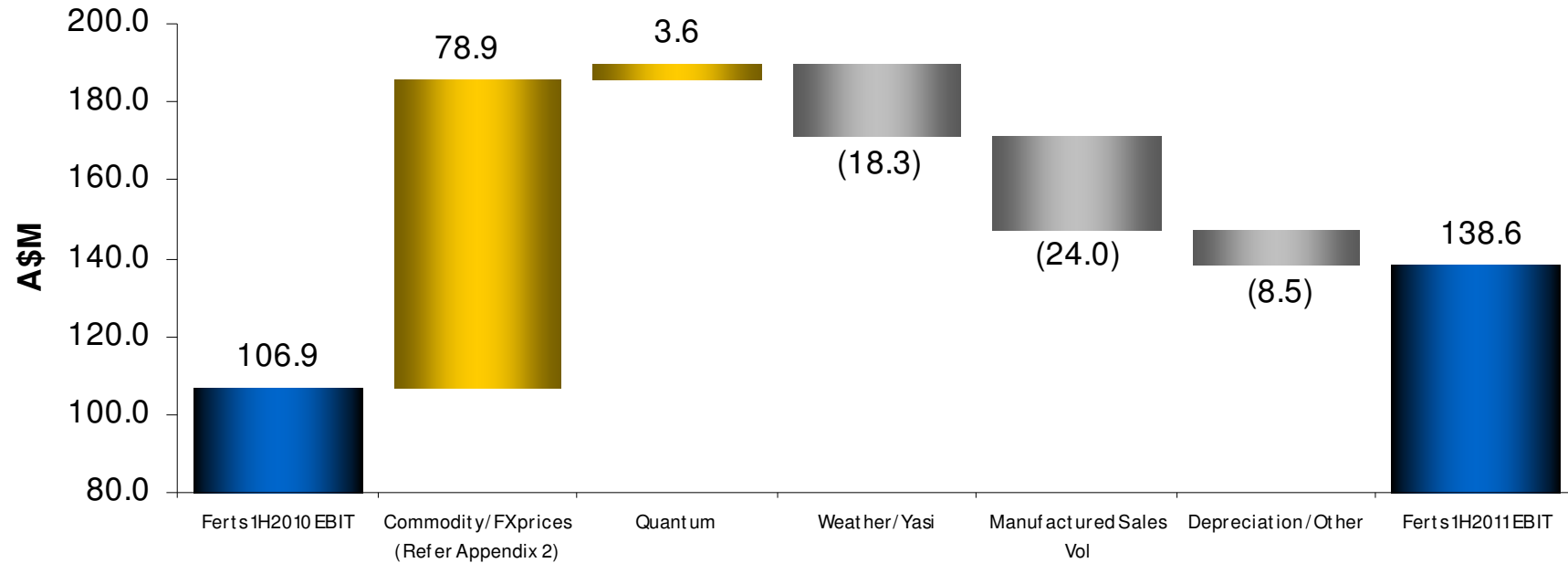
- ✓ Modest recovery in US volumes
- ✓ Velocity - US\$14.8M
- ✓ Reduced Moranbah contract costs
- ✓ Electronic initiating systems ↑ 135%
- ✗ Weather impacts in Australia
- ✗ FX impact on translation of US earnings (\$6.6M)

benefit from focus on execution

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Fertilisers scorecard

EBIT - 1H 10 : A\$106.9M v 1H 11 : A\$138.6M



- ✓ Higher global DAP & urea partially offset by FX
- ✓ Quantum fertiliser trading

- ✗ East coast weather including Cyclone Yasi
- ✗ Timing of sales of manufactured DAP, lower GI production (turnaround)

right strategy – soft commodities

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IPL Strategy in action

Incitec Pivot's strategy is to leverage the industrialisation and urbanisation of Asia through hard commodities (explosives) and soft commodities (fertilisers), leveraging IPL's core nitrogen based chemical manufacturing competency.

**right strategy – delivered through
People, Customers and Efficiency**

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Report card: people

What we promised:

Zero harm:
“zero means zero”

People - deliver a step
change in capability:
“raise the bar”

What we delivered:

- ✗ Safety performance flat
- ✓ reduction in severity of incidents
- ✓ Moranbah - 1.5M construction hours LTI free
- ✓ enhanced HSE global management system being rolled out, Leadership training in progress
- ✓ Leadership training rolled out to >900 managers; Phase 2 Leadership program underway
- ✓ 16% improvement in employee engagement
- ✓ Improved performance management

Report card: customers

What we promised:

Complete Moranbah:
“underpins DNAP business
and provides foundation
for further growth”

Growth aligned to the
industrialisation of Asia,
in particular China

Flexible fertiliser supply at
competitive prices

What we delivered:

- ✓ 100% of project committed
- ✓ Customers reliably supplied during construction period (including Bajool upgrade)
- ✓ Development of \$40M emulsion plant at Port Hedland
- ✓ Supports our iron ore customers' growth on the Pilbara
- ✓ Leading domestic fertiliser market share position maintained

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Moranbah update

- ✓ Zero Harm – 1.5M construction hours LTI free
- ✓ Project status: 75% complete today
- ✓ Operational readiness ahead of plan



- ✗ Beneficial operation – delayed until end of June 2012
 - Challenging engineering and construction landscape in Australia
 - Wettest season for 50 years, including Cyclone Yasi
- ✓ On budget (cost \$935 million)

a company-transforming project

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Report card: efficiency

What we promised:

Velocity:

2011: US\$34M

Total project: \$204M

Progress to next phase of
business improvement
→ “Lean: people- driven
business improvement”

What we delivered:

- ✓ 1H: US\$14.8M
- ✓ Program benefits to date: US\$155M
- ✓ on track for US\$204M by end of 2012

- ✓ Continuous improvement methodology selected
- ✓ Pilots at Phosphate Hill and Louisiana Plants under way

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Report card: efficiency

What we promised:

Continue to improve plant reliability

Disciplined financial management

What we delivered:

- ✗ GI performance pre-turnaround
- ✓ GI shut completed
- ✓ St Helens running at record rates following desulphurization project
- ✓ Significant progress on risk based sustenance spend
- ✗ Phosphate Hill “Eagle Rock” change-over
- ✓ Active foreign exchange management: 2011 and 2012 - \$25M saved in 1H11
- ✓ US\$ funding – interest cost, stability of credit metrics
- ✓ refinancing: diversity and tenor of debt book

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Frank Micallef

Chief Financial Officer



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Capital management outcomes – Net debt

Net debt increased by A\$259M since September 2010 to A\$1,356M

- ✓ Operating cash flow up 8% on pcp to A\$85.3M
- ✗ Working capital build A\$215.4M
- ✓ Effective interest rate 5.1%
- ✓ US debt strategy – A\$73.7M gain
- ✓ Moranbah spending on target A\$143.1M

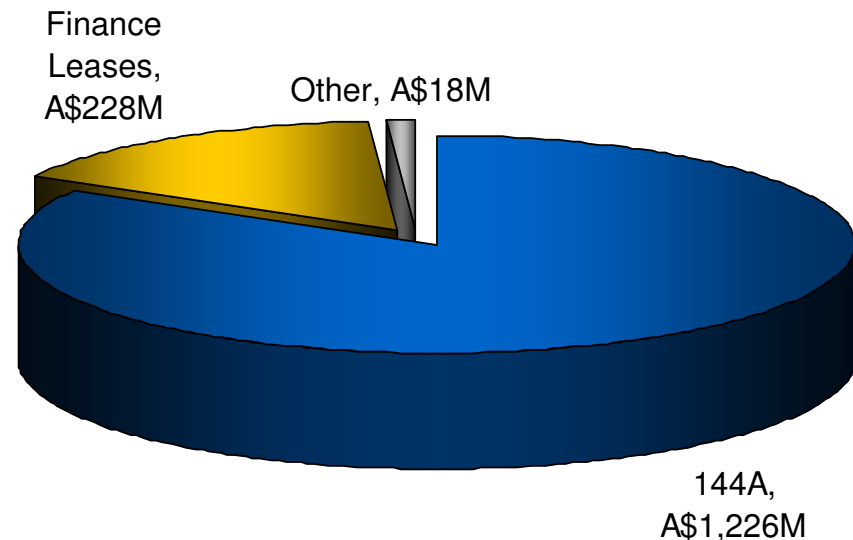
seasonal net debt increase

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US Debt strategy delivers

- ✓ 12 month rolling average interest rate of 5.1% on a tight average balance
- ✓ Maintains debt/EBITDA as US\$ depreciates
- ✓ Partially hedges US\$ earnings translation exposure

Drawn Funds at 31 March 2011



disciplined financial management

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Strong investment grade credit metrics

	March 2011	March 2010	Target range
Net debt / EBITDA ⁽¹⁾	1.6x	1.9x	< 2.5x
Interest cover ⁽²⁾	11.2x	9.5x	>6.0x
Gearing Ratio ⁽³⁾	28%	27%	
Headroom (including cash)	\$1.2Bn		
Average tenor of drawn funds	7 years		

- (1) Based on last 12 month historical EBITDA / Net debt at point in time
 (2) Interest cover = 12 month rolling EBITDA / interest expense
 (3) Net Debt / (Net Debt + Equity)

3 investment grade credit ratings

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Value-adding risk management – FX exposures

Transaction exchange exposure – AP's and urea

- FY 2011: 95% hedged at no worse than 92 cents, fully participating to 84 cents⁽¹⁾
- FY 2012: 75% hedged at no worse than 98 cents, fully participating to 90 cents⁽¹⁾

(1) Assuming DAP @ US\$588/tne and 950ktpa; urea US\$366/tne and 405ktpa

1H 11 saving \$25M

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James Fazzino

Managing Director & CEO



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2011 Outlook – second half

- 2H earnings bias consistent with prior years
- Explosives:
 - Gradual improvement in Americas explosives market
 - Dry season in Asia Pacific
- Positive outlook for Fertilisers:
 - soft commodity prices and fertiliser economics
 - favourable domestic growing conditions (water)
 - headwinds from strong A\$ and competitive domestic market
- Focus on execution - People, Customers, Efficiency, Financial Discipline

Summary

- 1H Good result: right strategy and relentless focus on execution
 - NPAT up 22%
 - Balanced business portfolio (51/49 explosives/fertilisers)
 - Disciplined financial management

- Continued earnings momentum in 2H

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Questions ?

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Appendices

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Appendix 1: FX and commodity pricing movements - Explosives

<u>Commodity Prices</u>	<u>A\$M</u>	
Nitrogen pricing	5.2	
Moranbah – costs to serve (net of movement in Provision release)	<u>11.3</u>	16.5
<u>FX Rate</u>		
Translation of US\$ earnings (99.6c vs 90.7c)		<u>(6.6)</u>
FX & Commodity Prices – Explosives		<u>9.9</u>
Interest benefit resulting from higher A\$		2.5

Appendix 2: FX and commodity pricing movements - Fertilisers

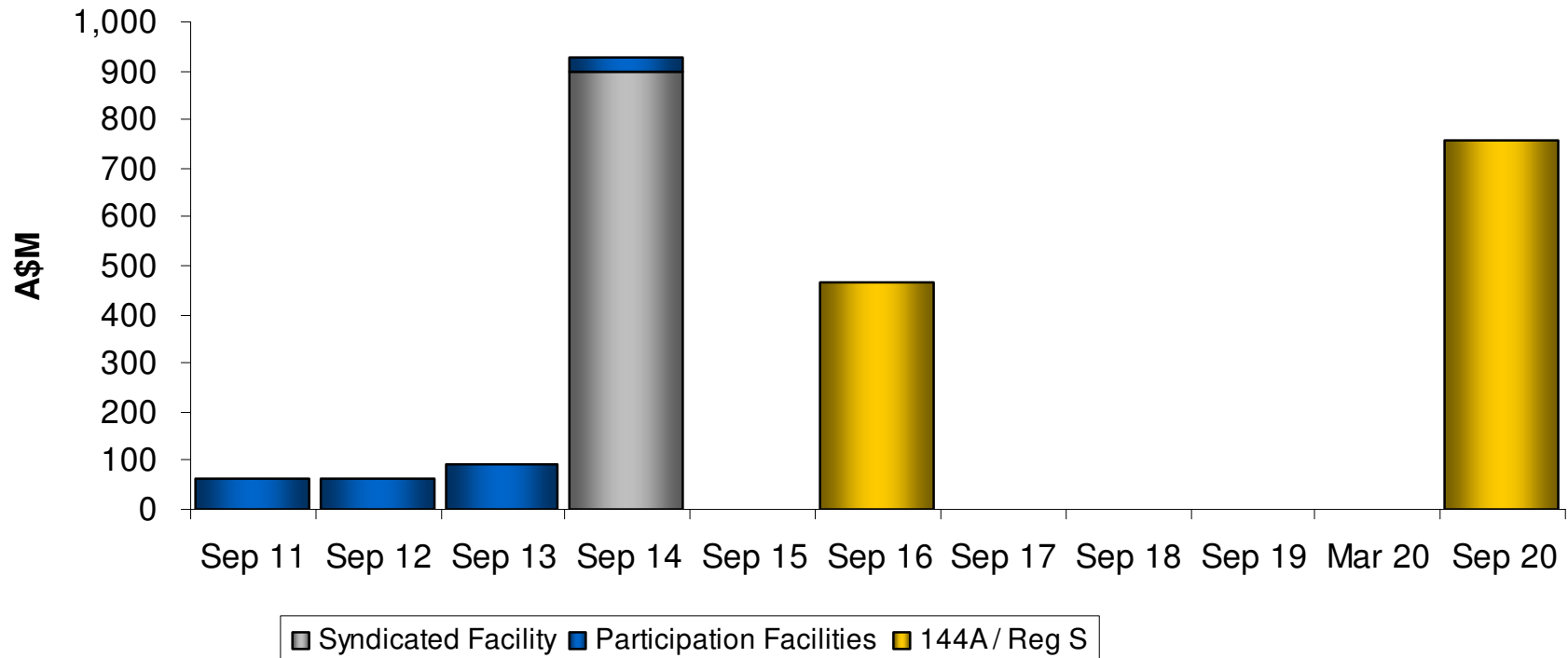
<u>Commodity Prices</u>	<u>A\$M</u>	
DAP US\$588 vs US\$371	87.5	
Urea US\$366 vs US\$285	10.1	
Freight - DAP	(6.4)	
Sulphur /rail freight/ royalties etc	<u>(7.2)</u>	84.0
<u>FX Rate</u>		
DAP 91.0 vs 89.8	(4.1)	
Urea	<u>(1.0)</u>	<u>(5.1)</u>
FX & Commodity Prices - Fertilisers		<u>78.9</u>

Appendix 3: Capital management - Interest cost

Half year ended 31 March (A\$M)	2011	2010
Total borrowing costs	52.0	41.7
Less unwinding of discount on provisions	<u>9.4</u>	<u>5.6</u>
Interest cost before capitalisation	42.6	36.1
12 month rolling average net debt	A\$1,500M	
12 month rolling average interest rate	5.1%	

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Appendix 4: Debt Maturity Profile



- 7 years average tenor of drawn funds
- Headroom including cash \$1.2Bn

tenor and diversity

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Appendix 5: 2011 full year EBIT sensitivities

Urea – Middle East Granular Urea (FOB) ⁽¹⁾	+/- US\$10/t	=	+/- A\$4.5M
DAP – Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- US\$10/t	=	+/- A\$10.4M
FX – transactional (DAP & Urea) ⁽³⁾	+/- 1 cent	=	A\$8.4M
FX – translation of Explosives US\$ earnings ⁽⁴⁾	+/- 1 cent	=	<u>A\$1.5M</u>
			A\$9.9M

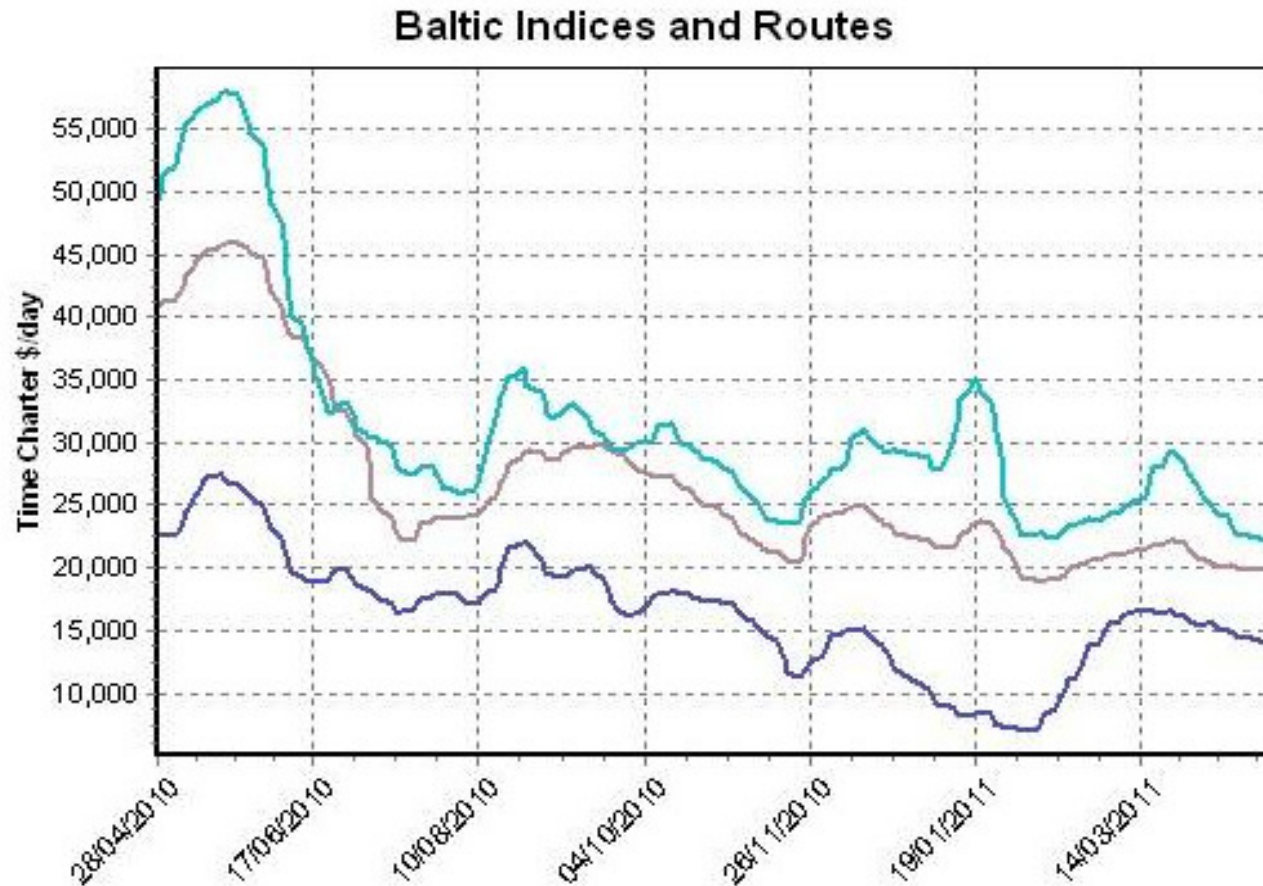
Assumptions:

1. 405kt urea equivalent sales at the 1H 2011 realised price of US\$366/t @ A\$/US\$ 0.91
2. 950kt DAP sales at the 1H 2011 realised price of US\$588/t @ S\$/US\$ 0.91
3. DAP & Urea based on assumptions 1 and 2
4. For each US\$150M EBIT

**2011 earnings sensitive to DAP,
urea and US\$ currency**

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Appendix 6: Freight market pricing movement



Source: Baltic Exchange Information Services Ltd

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