


Incitec Pivot Limited 2010 Full Year Financial Results

15 November 2010

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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


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James Fazzino

Managing Director & CEO

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2010: Great result driven by strategy and delivered by our people

- ✓ 27% increase in NPAT⁽¹⁾ to \$443M in mixed market conditions
- ✓ Improved quality of earnings:
 - Velocity 15% ahead of plan – delivered US\$69M
 - EBIT margin up 5 percentage points to 22%
- ✓ Operating cash flow up 57% to \$529M
- ✓ Net debt down 25% to \$1.1Bn

(1) NPAT excluding individually material items and minority interests

Unrelenting focus on execution

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2010: Attractive returns to shareholders

- 21% increase in EPS from 22.6cps in 2009 to 27.3cps⁽¹⁾
- 77% increase in dividend from 4.4cps in 2009 to 7.8cps
 - no DRP for final dividend, no shares to be issued
- Share price up 27% to \$3.59 at year end
- Annual TSR up to 30% from negative 43% in 2009
- Return on shareholder funds⁽²⁾ of 13% (last year 11%)

(1) 2010 EPS based on a diluted 1,623,134,164 weighted average number of issued shares.

(2) NPAT excluding individually material items/average equity

**Financial discipline and a focus on
shareholder returns**

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IPL Group financial performance

Results summary

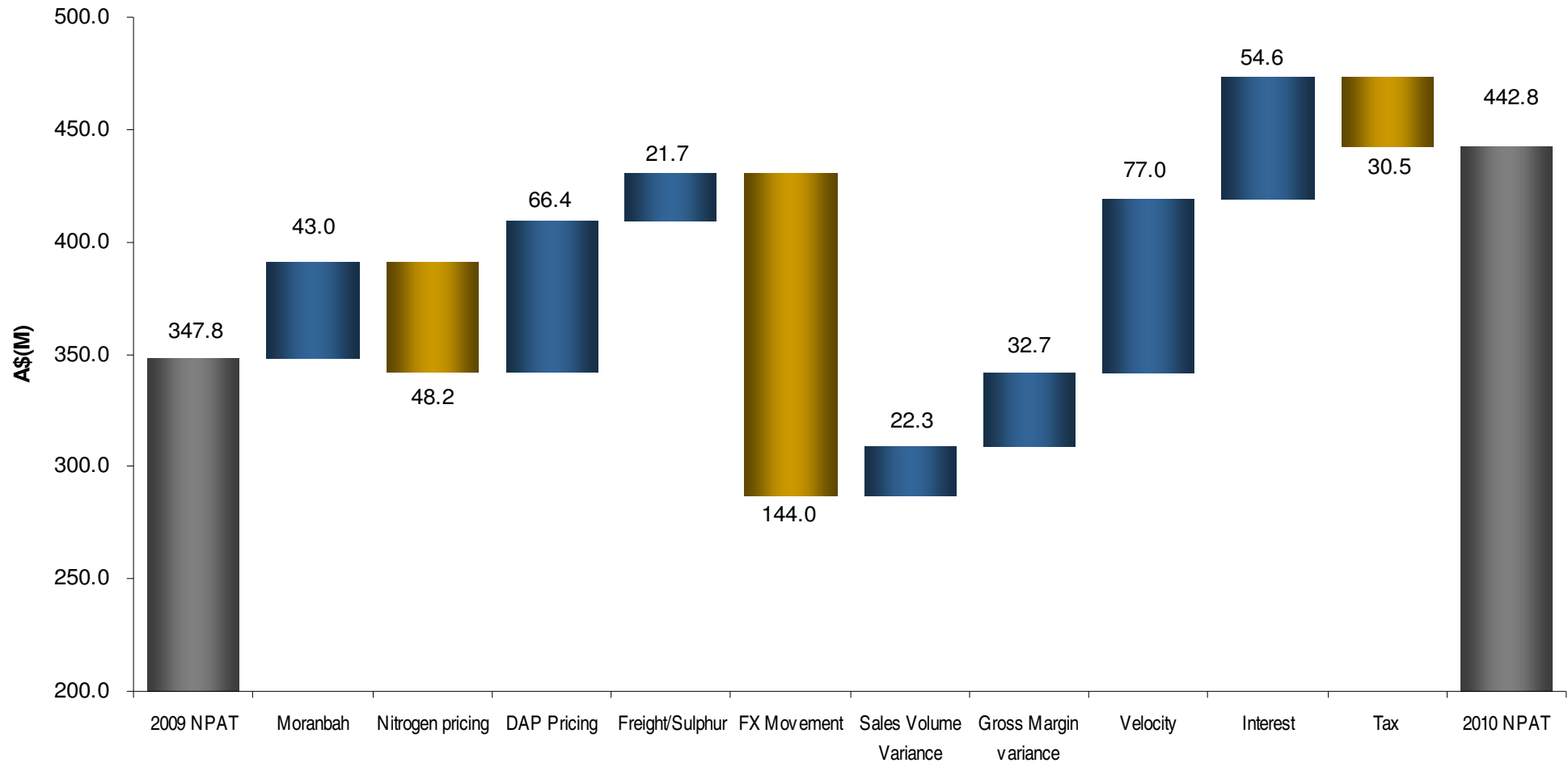
Full year ended 30 Sept (A\$M)	2010	2009	Change
Revenue	2,931.7	3,418.9	(14%)
EBIT ⁽¹⁾	648.2	575.7	13%
EBIT Margin	22%	17%	
NPAT ⁽¹⁾	442.8	347.8	27%
Operating cashflow	528.9	337.4	57%
Net debt	1,097.1	1,463.4	25%

(1) Excluding individually material items

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IPL Group performance

NPAT waterfall 2009 : A\$347.8M v 2010 : A\$442.8M

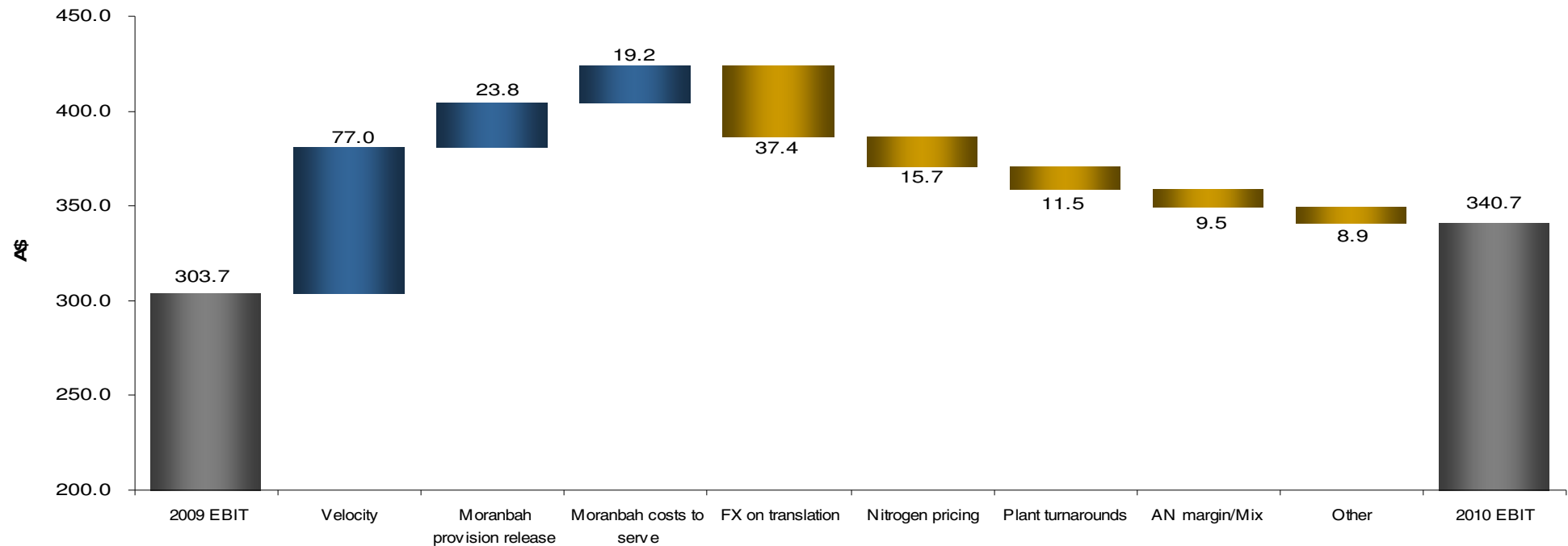


Note: NPAT = net profit after tax excluding individually material items

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Explosives scorecard

Results summary – improved performance



Internal execution

- ✓ Velocity: 2010 US\$69M, program to date US\$140M
- ✓ Plant reliability
 - Cheyenne & St Helens turnarounds completed – spend targeting reliability
 - Full year QNP joint venture uprate benefits delivered
- ✓ Managing Moranbah supply
- ✓ Peabody contract re-signed

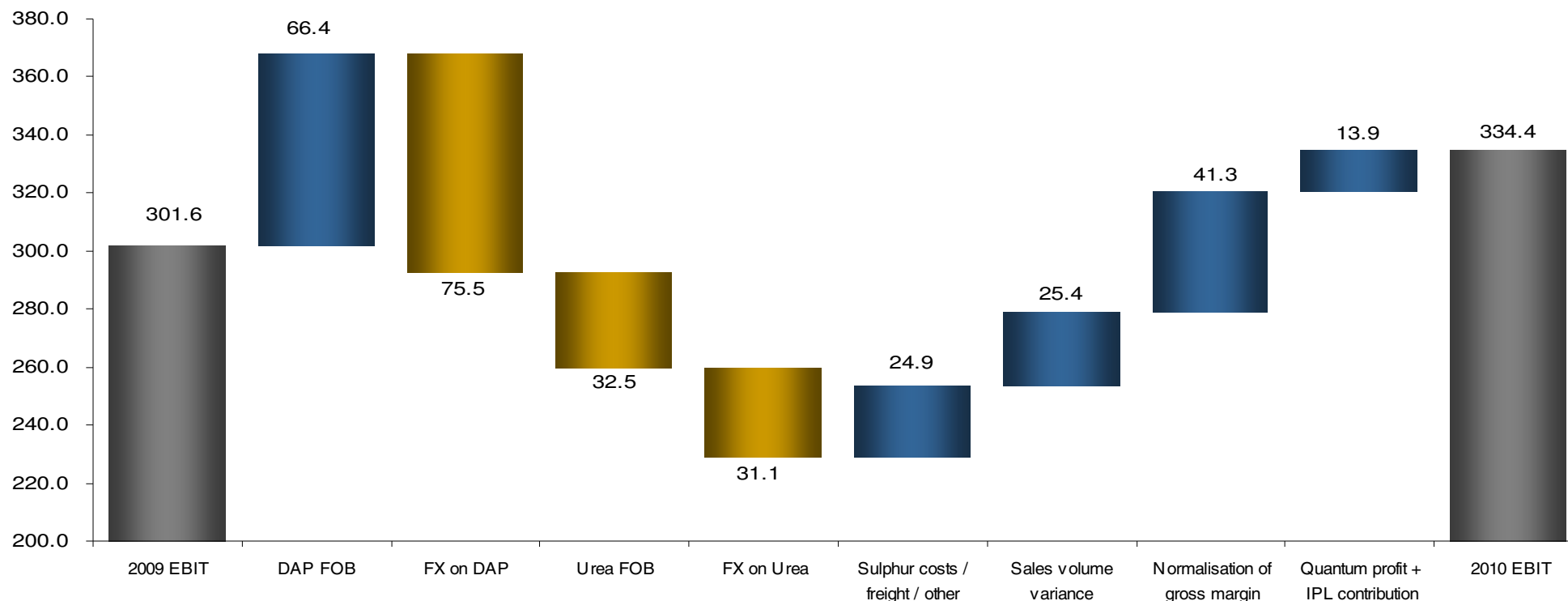
External market

- ✗ US economy
- ✗ FX impact on translation of US earnings \$37.4M
- ✓ 2H recovery in US demand

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Fertilisers scorecard

Results summary – execution; volume & price recovery



Internal execution

- ✓ Reliability issues at Phosphate Hill addressed:
 - planned shutdown complete (phosphoric acid reactors rebuilt)
- ✓ Quantum Fertiliser – providing trading flexibility

External market

- ✓ Volume and margin recovery to normal levels in distribution business
- ✓ Rising global DAP prices
- ✗ Urea price
- ✗ FX rate

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Strategy

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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.

Simple strategy – drives shareholder value

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IPL Strategy in action

Progress in 2010:

- Balanced end market exposures: 50% Explosives, 50% Fertilisers
- Moranbah:
 - 90% plant sold out
 - Construction 55% complete today, and “confidently in control”
 - on budget (cost \$935M)
 - on time (beneficial production end of March 2012)
- Quantum Fertilisers established – 902kt profitably traded
- Perdaman off-take secured – 2mtpa urea
- Robust balance sheet

Simple strategy – drives shareholder value

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Strategic enablers - People

People: “Respect, Recognise and Reward”:

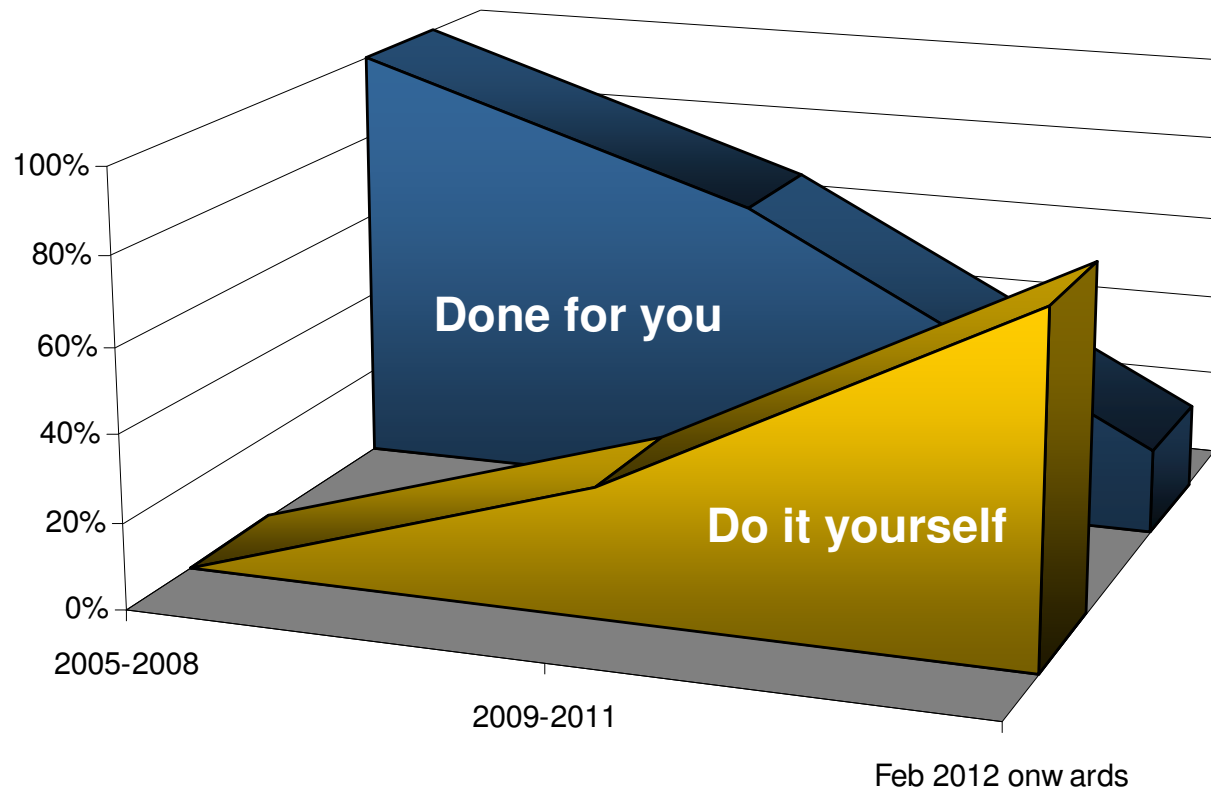
- Safety: Zero means zero
 - unacceptable result in 2010 (Castonguay fatality in May)
 - ~80% of sites recordable injury free – Zero harm is possible
 - TRIFR⁽¹⁾ reduced to 1.53 from 1.79 in 2009
- Leadership development: “Raising the bar”
 - >700 employees participated in leadership development programs

(1) Total Recordable Injury Frequency Rate per 200,000 hours

Strategic enablers - Efficiency

IPL Efficiency: “challenge and improve the status quo”

Evolution of Incitec Pivot efficiency program



2005 – 2008 : Tardis \$143M

2009-2011 : Velocity US\$204M

Program to date : US\$140M

2011 : US\$34M

2012 : US\$30M

From Feb 2012 : “lean principles”
across the business

From “program based” to “the way we
do business”

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Strategic enablers – Manufacturing Efficiency

IPL Efficiency: “challenge and improve the status quo”

2009 - 2010

- Risk and reliability centre of excellence established
- 1st round of turnarounds completed

From 2011 – reliability culture in place

- By 2014 2nd round of turnarounds complete

**Long term investment in plant
reliability**

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Frank Micallef

Chief Financial Officer

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Capital Management

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Capital management outcomes – Net debt

Net debt reduced by A\$366M to A\$1,097M

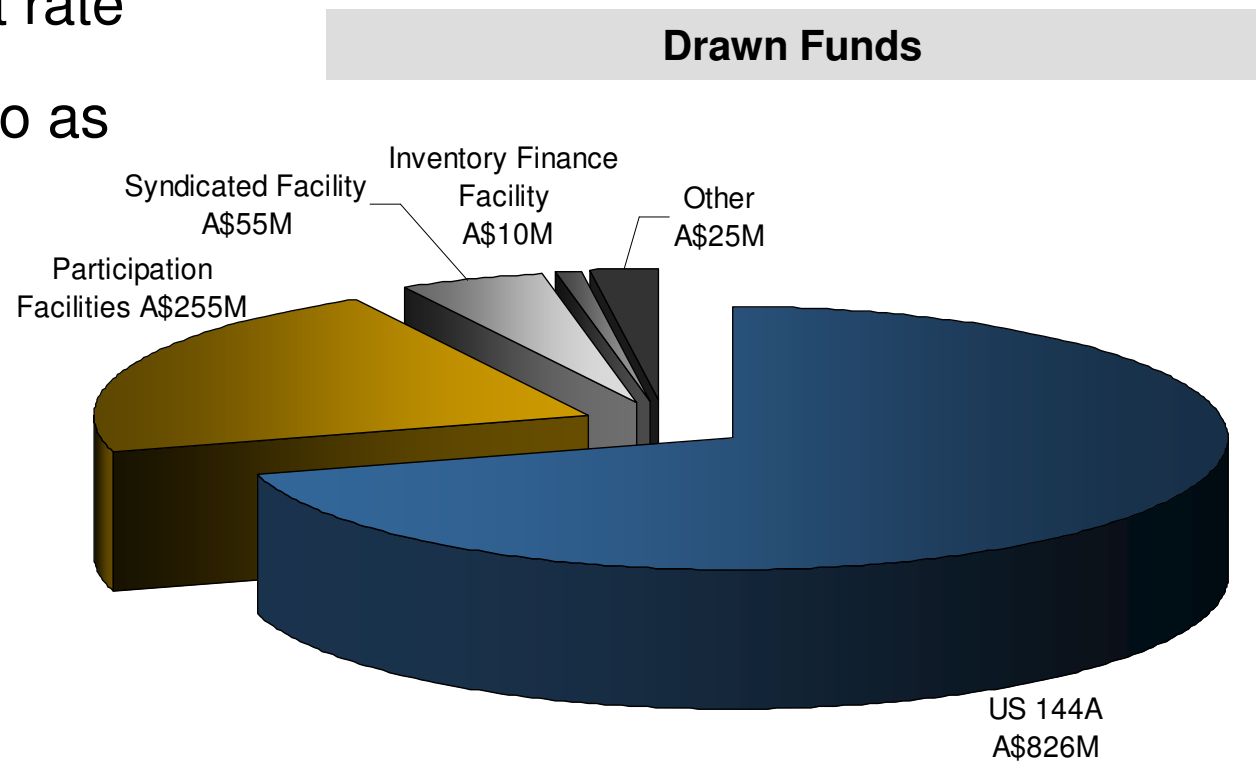
- ✓ Average trade working capital to sales – 2010: 12.9%; 2009: 17.0%
- ✓ Tight control of sustenance/turnaround expenditure
- ✓ Interest paid reduced by 58% to A\$39M
- ✓ Operating cash flow up 57% to A\$529M

Exceptional net debt outcome

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US Debt strategy delivers

- ✓ \$366M reduction in debt
- ✓ 4.7% average interest rate
- ✓ Maintains gearing ratio as US\$ depreciates



An outstanding result

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Strong investment grade credit metrics

	Sept 2010	Target range
Net debt / EBITDA ⁽¹⁾	1.39x	< 2.5x
Interest cover ⁽²⁾	12.2x	>6.0x
Gearing Ratio ⁽³⁾	23.0%	

- 7 year average tenor of drawn funds
- Headroom including cash \$1.077Bn

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

strong credit metrics ensuring access to debt on competitively priced terms

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Foreign exchange exposure

FY 2011: Transaction exchange exposure – AP's and urea

- 80% hedged at no worse than 91 cents, fully participating to 84 cents⁽¹⁾

(1) Assuming DAP @ US\$530/tne and 950ktpa; urea US\$340/tne and 405kt

Active risk management

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James Fazzino

Managing Director & CEO

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2011 Outlook

- Challenging trading conditions expected throughout 2011 for Dyno Nobel Americas as slow economic recovery continues
- Dyno Nobel Asia Pacific in transition to Moranbah in 2012
- Positive outlook for Fertilisers:
 - soft commodity prices
 - favourable domestic growing conditions
 - headwinds from strong A\$ and competitive domestic market
- Focus on execution:
 - People: Zero harm at the core
 - Customers: Complete Moranbah
 - Efficiency: Complete Velocity, continue risk and reliability

Continued earnings momentum

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Summary

- 2010: Great result driven by our strategy and an unrelenting focus on execution and delivered by our people
- Well placed for the future:
 - Alignment to industrialisation and urbanisation of Asia via hard and soft commodities
 - Continued earnings momentum in 2011
 - Moranbah to drive a step change in Asia Pacific Explosives earnings from 2012
 - Strong balance sheet

Relentless focus on execution

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Questions ?

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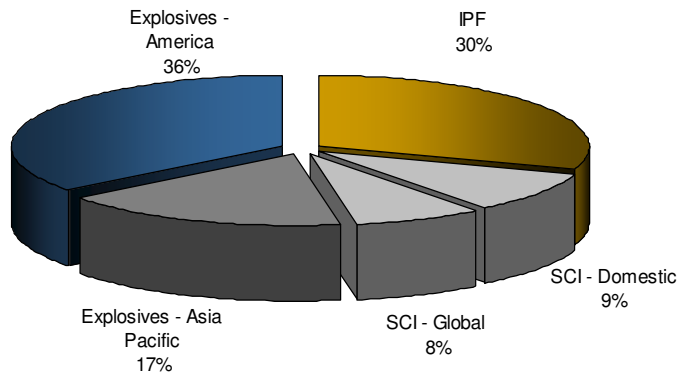
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IPL Group performance

Balance of revenue & earnings

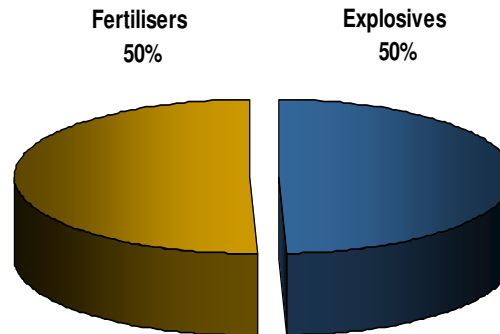
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Diverse End-market exposures



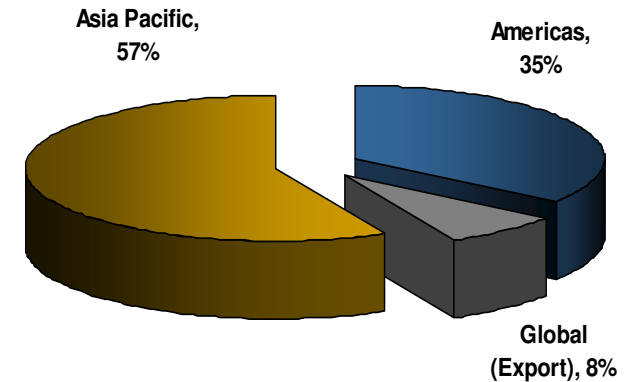
2010 Revenue - A\$2,931.7M

From a common nitrogen core



2010 EBIT - A\$648.3M

Geographically spread



2010 Revenue - A\$2,931.7M

Balanced portfolio

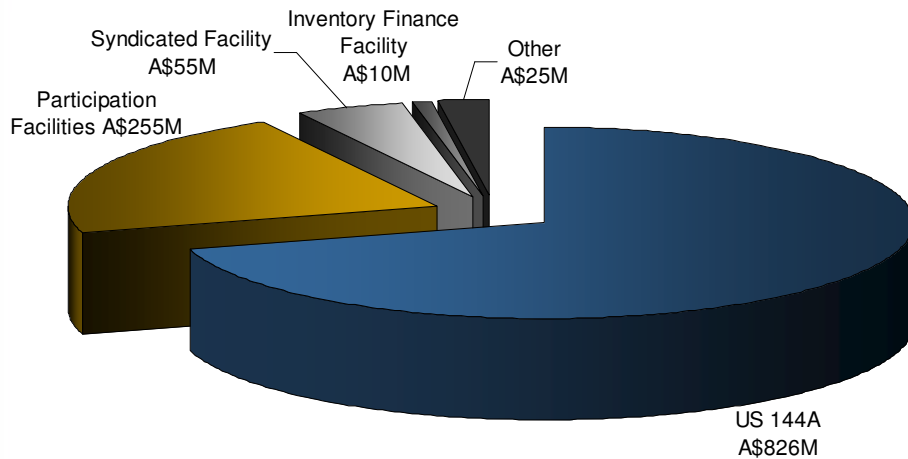
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Capital management - Interest cost

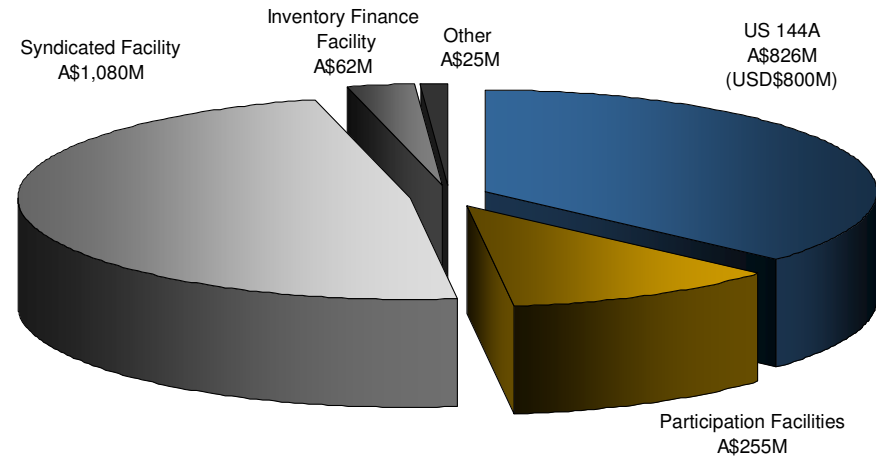
Full year ended 30 September (A\$M)	2010	2009	Change
Total borrowing costs	78.2	125.8	38%
Less unwinding of discount on provisions	<u>13.8</u>	<u>9.1</u>	(52%)
Interest cost	64.4	116.7	45%
Average net debt during the period	1,367	2,045	33%
Average interest rate	4.7%	5.7%	

Debt profile

Drawn Funds



Available Limits



Diverse sources; surplus headroom

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2011 full year EBIT sensitivities

Urea – Middle East Granular Urea (FOB) ⁽¹⁾	+/- US\$10/t = +/- A\$4.8M
DAP – Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- US\$10/t = +/- A\$11.5M
FX – transactional (DAP & Urea) ⁽³⁾	+/- 1 cent = A\$7.2M
FX – translation of Explosives US\$ earnings ⁽⁴⁾	+/- 1 cent = A\$1.8M

Assumptions:

1. 405kt urea equivalent sales at the FY 2010 realised price of US\$272/t
2. 970kt DAP sales at the FY 2010 realised price of US\$423/t
3. DAP & Urea based on assumptions 1 and 2 pre-hedging
4. Based on FY 2010 USD EBIT of US\$147.9M

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

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Explosives

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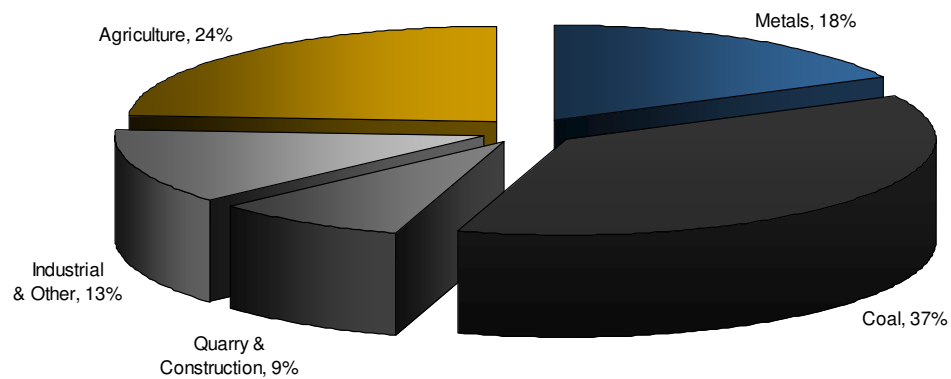


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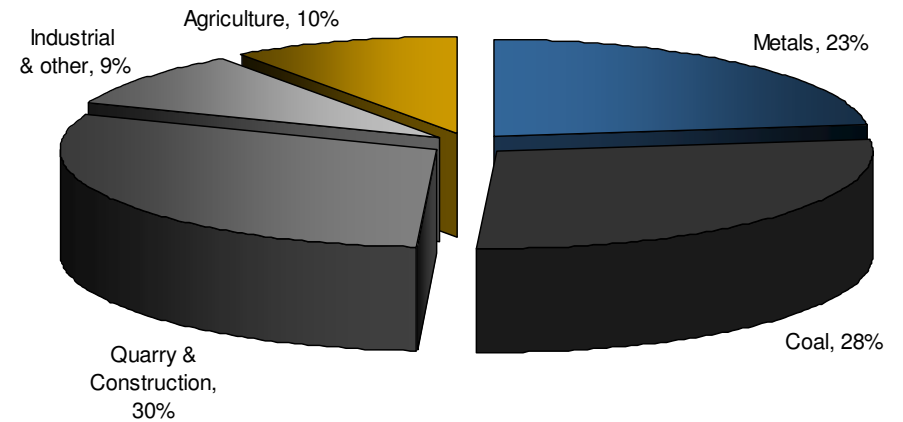
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Dyno Nobel Americas – Market segments

Segments x 2010 Volume



Segments x 2010 Revenue



Strong presence in 3 key markets

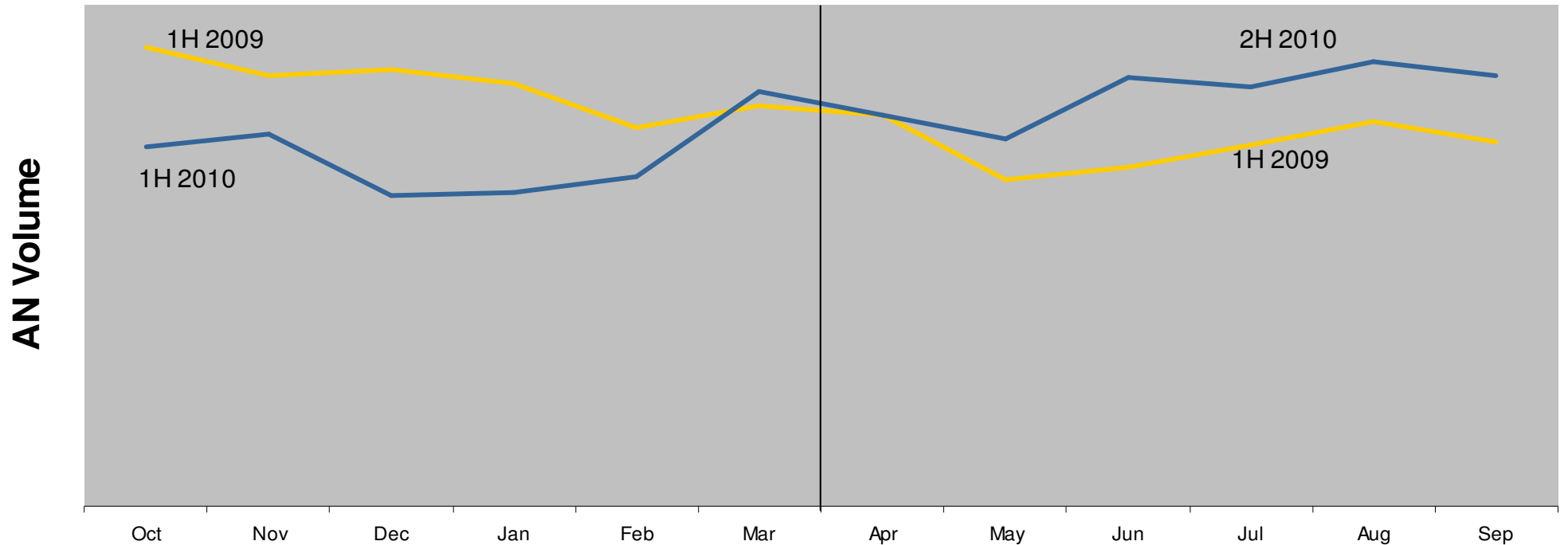
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Coal market

Normalised

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US Coal Market



Coal Stocks at Power Stations:

Sept 09 83 days
Sept 10 55 days

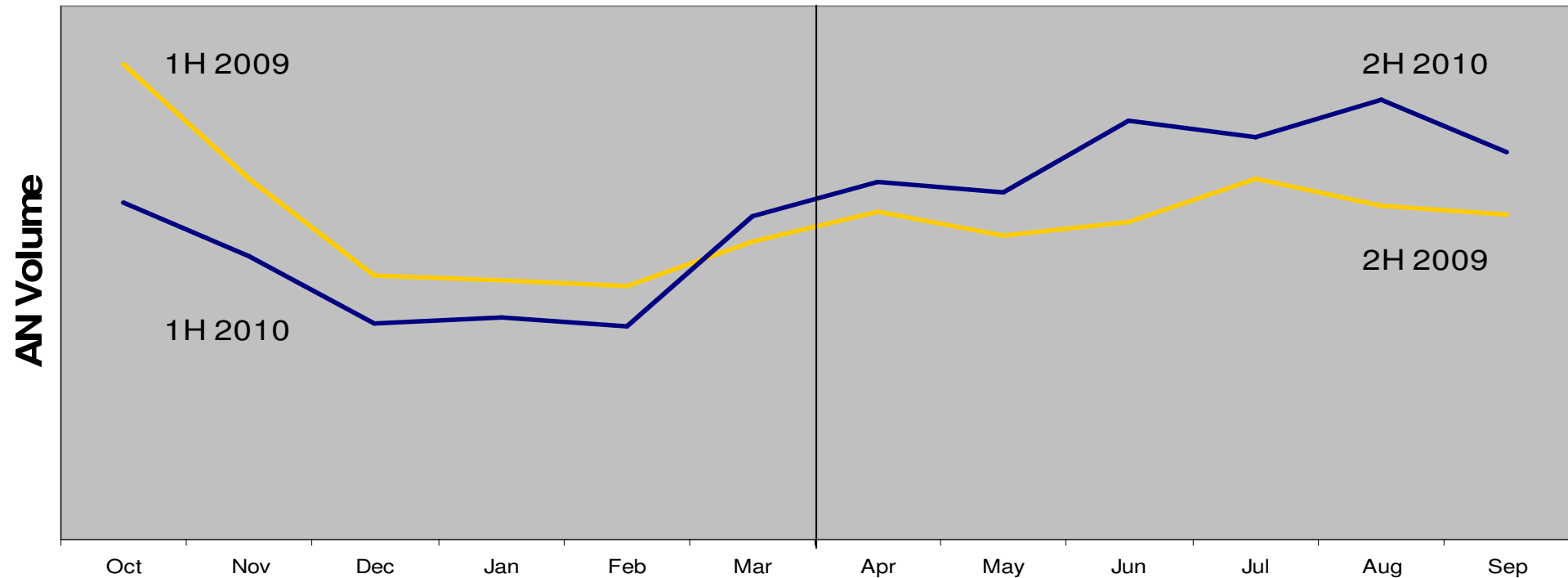
Source : Reuters

Coal inventories normalised

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US quarry and construction

US Quarry & Construction



1H 2010

Dyno Nobel Volume ↓ 17%
 Industry Volume ↓ 16%

2H 2010

Dyno Nobel Volume ↑ 19%
 Industry Volume ↑ 2%

FY 2010

Dyno Nobel Volume ↑ 2%
 Industry Volume ↓ 6%


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Fertilisers

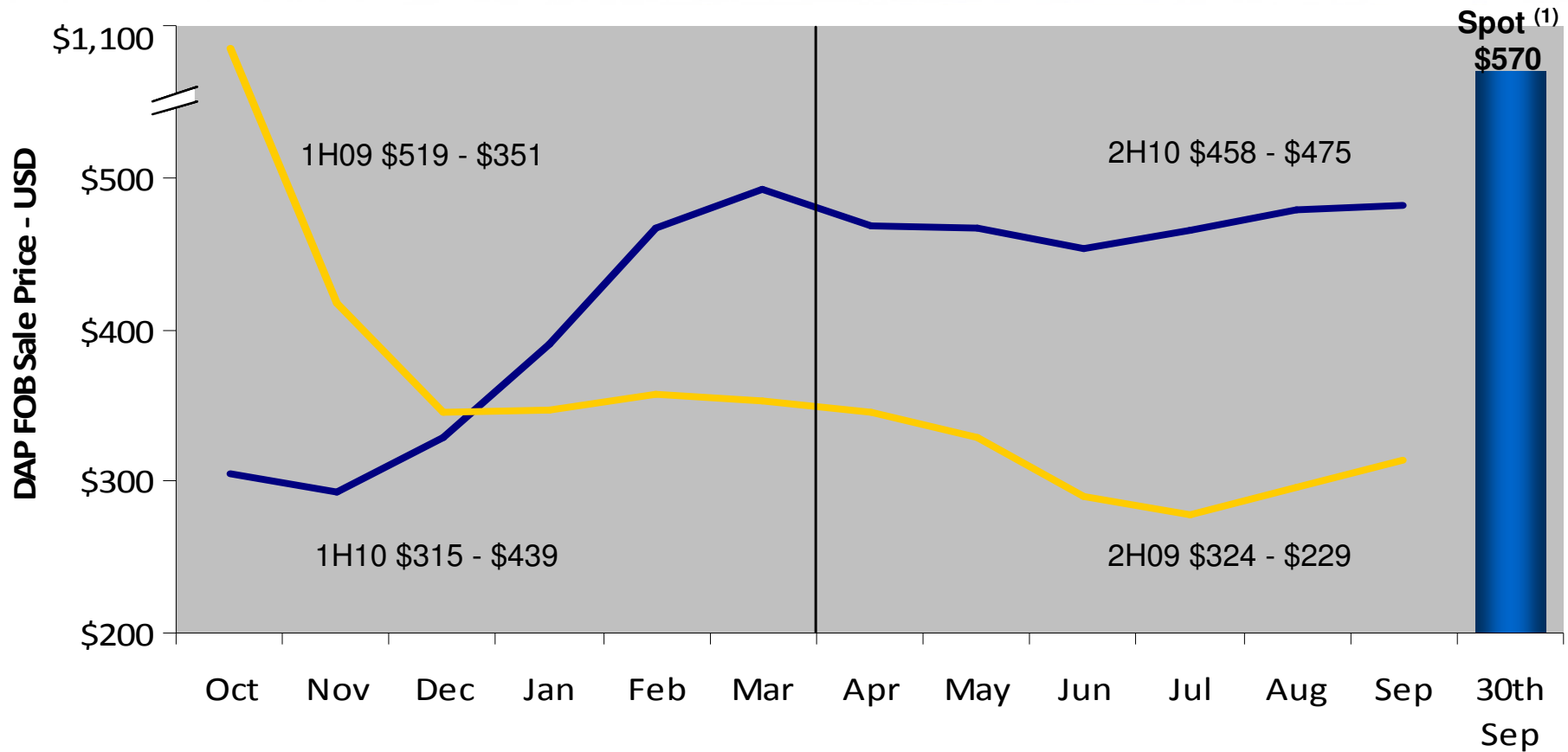
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Di-Ammonium Phosphate (DAP)

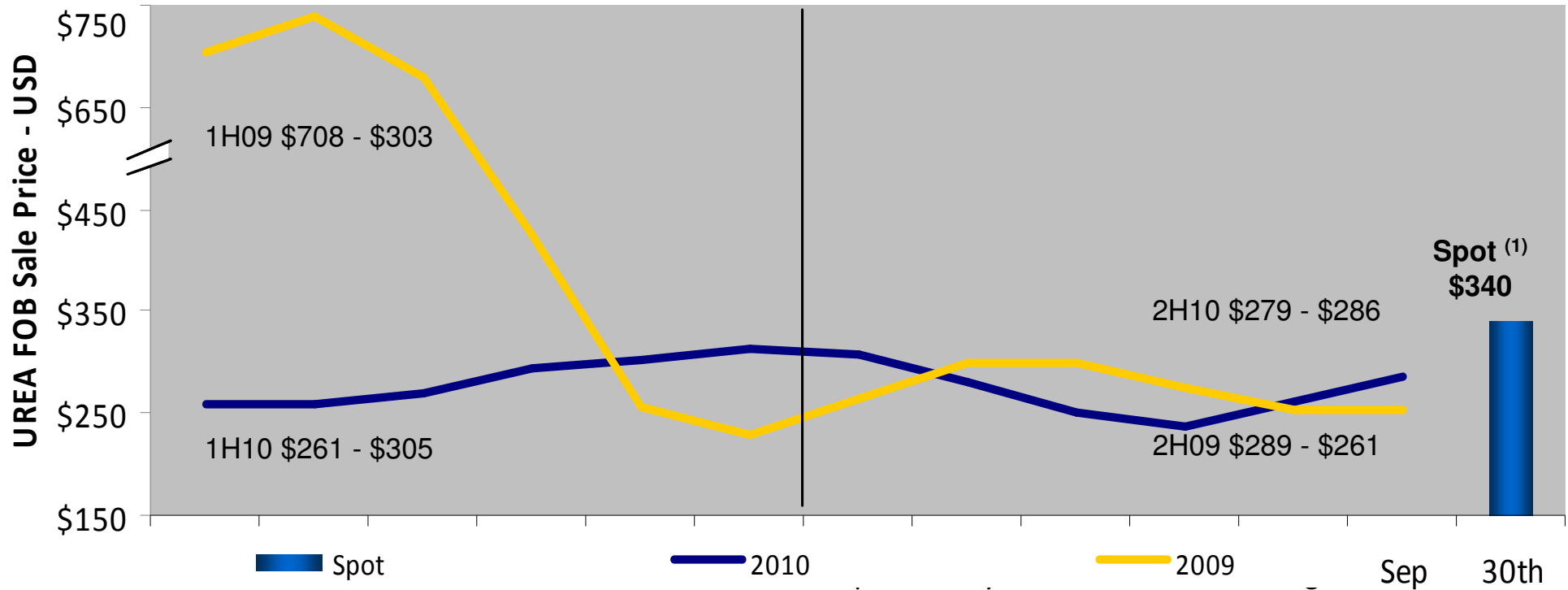


USD\$	1H	2H	FY
2009	\$455	\$310	\$366
2010	\$371	\$471	\$423

A\$M impact @ 2009 FX rate: A\$66.3M

(1) Fertecon Phosphate Report 30 September, 2010

Urea



USD\$	1H	2H	FY
2009	\$505	\$275	\$339
2010	\$283	\$270	\$272

\$M Impact @ 2009 FX Rate: \$32.5M Negative

Source: Trade Publication Urea Granular Middle east
FOB (prior mnth 4 week mid avg)

(1) Fertecon Nitrogen Report 30 Sept, 2010