

Incitec Pivot Limited 2009 Interim Results

11 May 2009



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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 ⁽¹⁾	360.3	269.0	34%
EBIT ⁽¹⁾	272.2	250.0	9%
NPAT ⁽²⁾ - excluding individually material items	169.8	171.1	(1%)
NPAT ⁽²⁾ - including individually material items	99.6	169.8	(41%)
Earnings per share (cents) ⁽¹⁾⁽³⁾	11.5	17.0	(32%)
Dividends per share (cents) ⁽³⁾	2.1	10.2	(79%)
Gearing ⁽⁴⁾	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

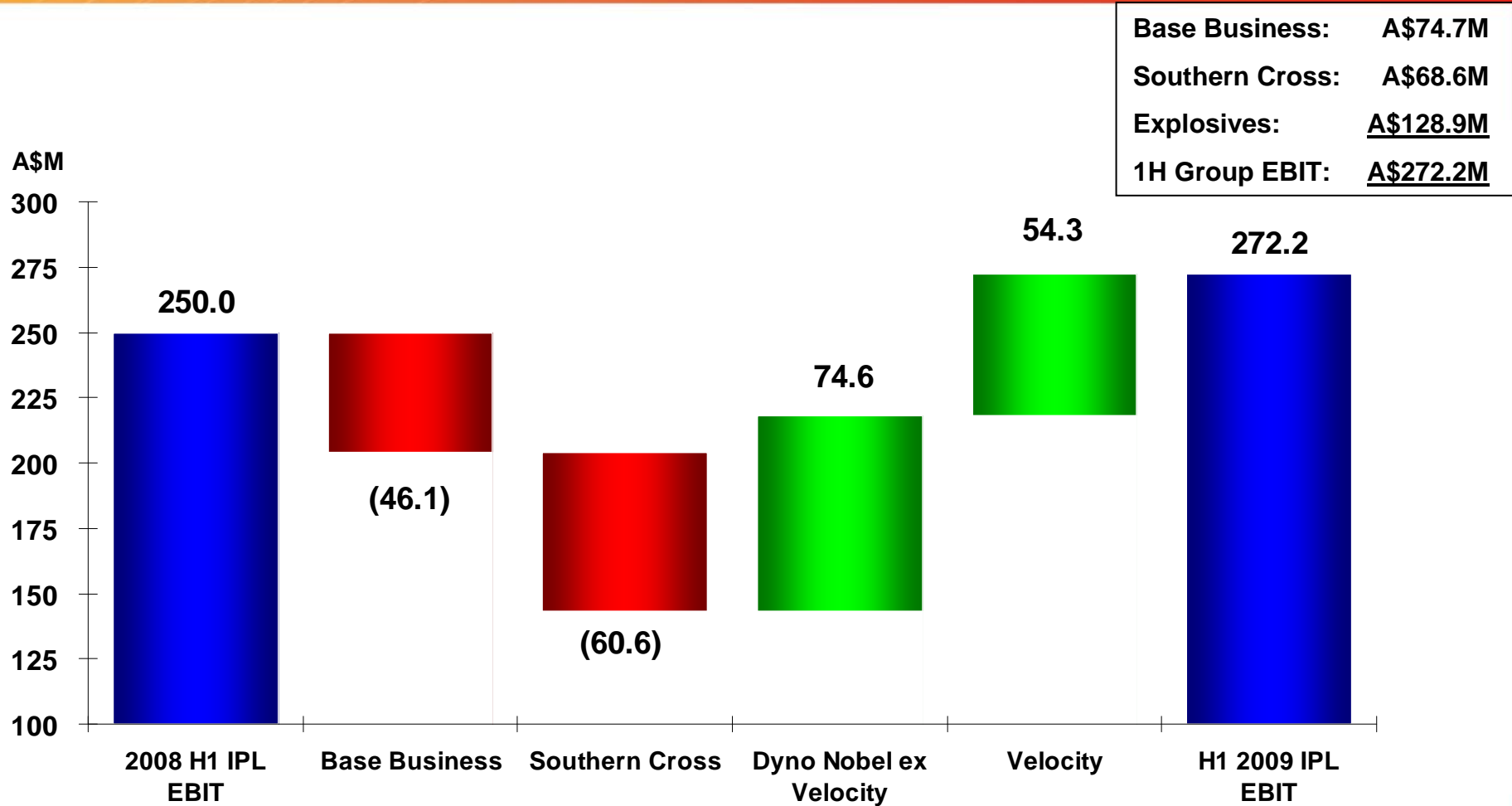
(4) 12-month historical EBITDA / Net debt at balance date

(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

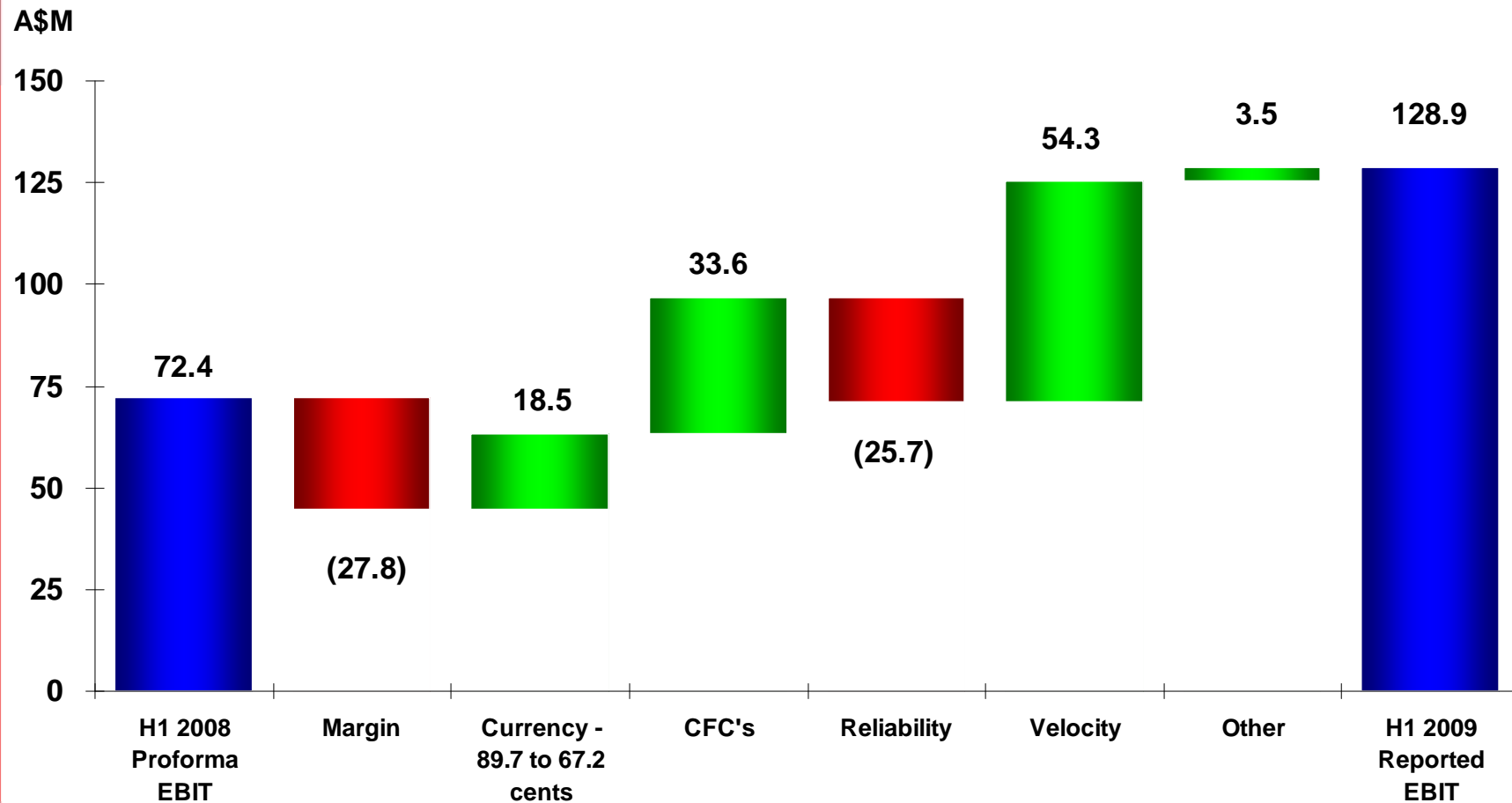
- ✓ Integration complete and successful
- ✓ Velocity ahead of schedule
 - ✓ US\$36.5M delivered to date
 - ✓ on track for 2009 target of \$67M and 2011 target of US\$204M
- ✓ Disciplined approach to Moranbah construction:
 - alignment of beneficial operation with market demand
 - value engineering and 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



Velocity program update

Half year – 31 March 2009

US\$M	2009 YTD	2009 Forecast	% Delivered
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%
Total Velocity EBIT	36.5	67.0	54%
Asset optimisation - Cash	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

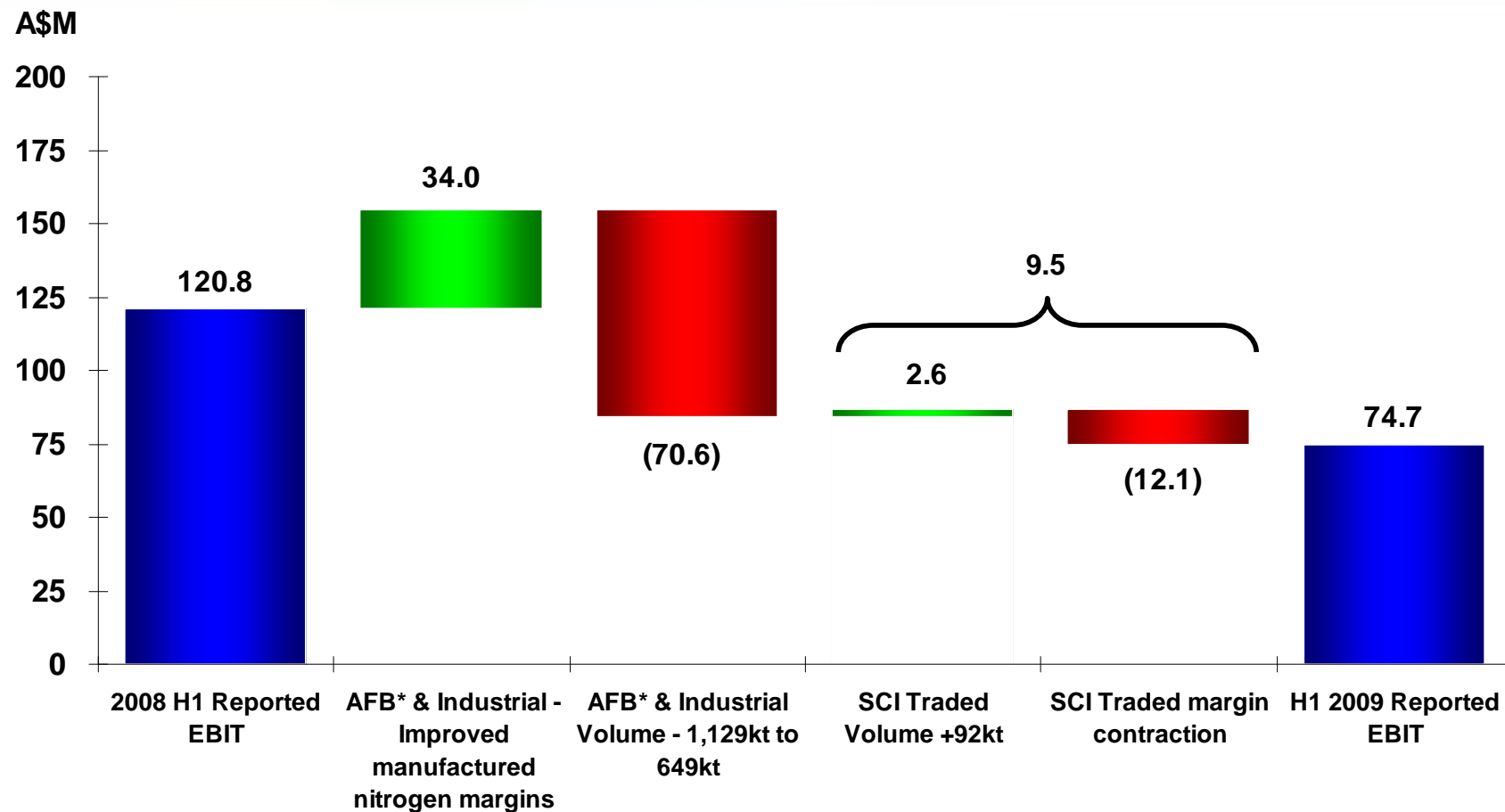
- × Flooding of rail lines - SCO production off 102kt

unprecedented market volatility



Base Business performance

EBIT waterfall – 1H 2008 to 1H 2009



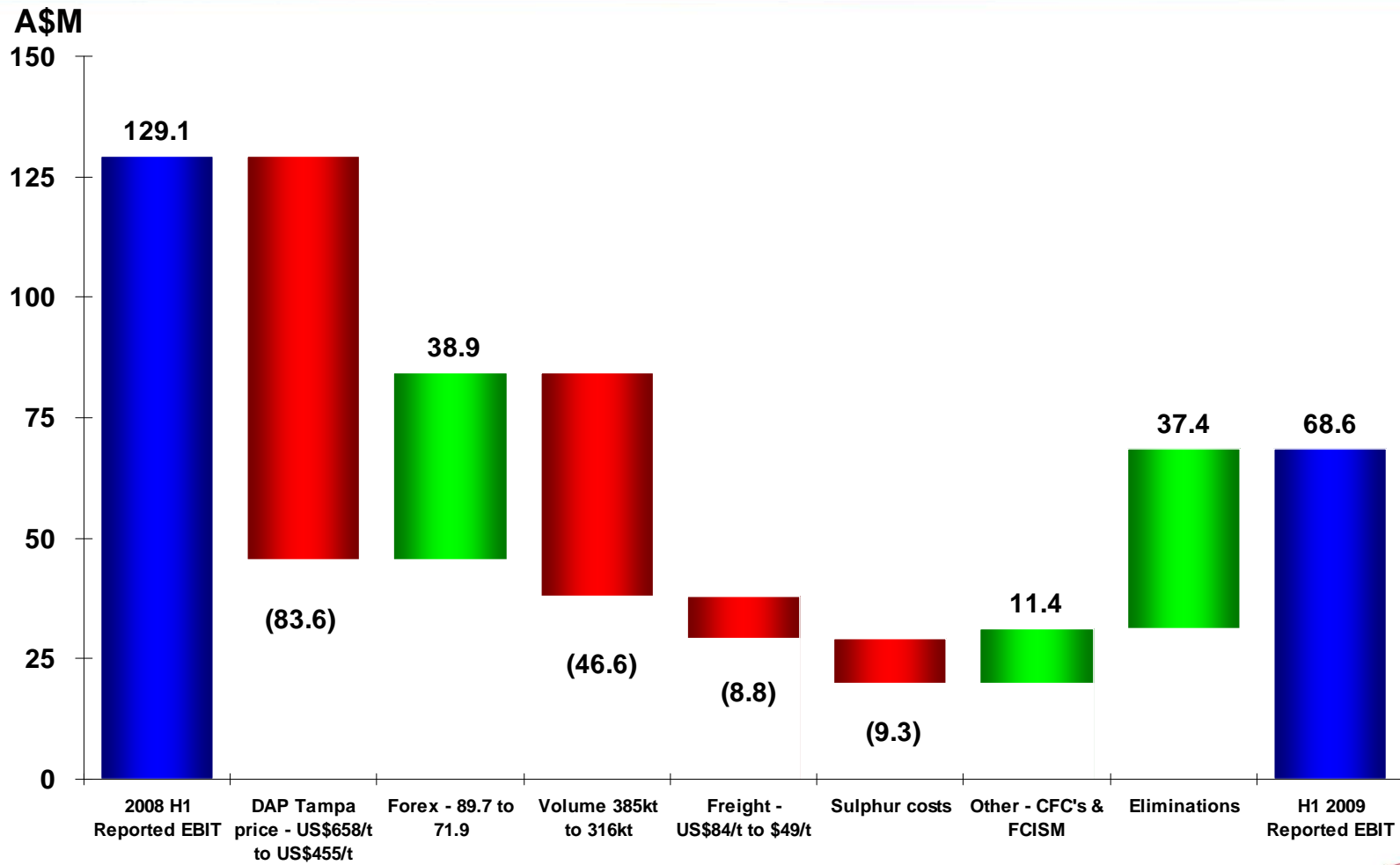
a solid result in tough market conditions

* AFB: Australian Fertiliser Business



Southern Cross performance

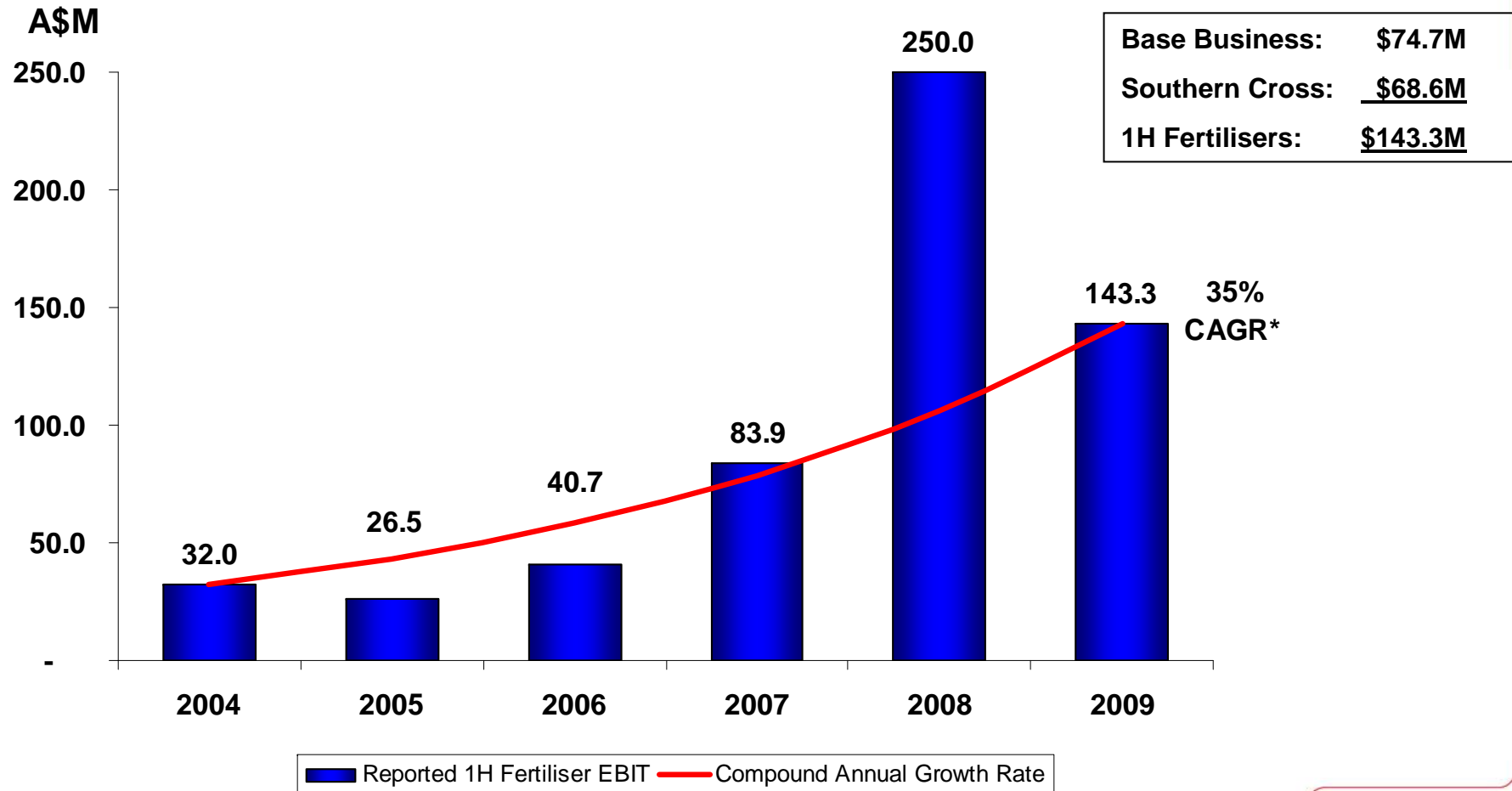
EBIT waterfall – 1H 2008 to 1H 2009



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

<u>Net debt at 31 March 2009</u> ⁽¹⁾	<u>A\$Bn</u>
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 ⁽²⁾	1.9x	< 2.5x
Interest cover ⁽³⁾	11.5x	>6.0x

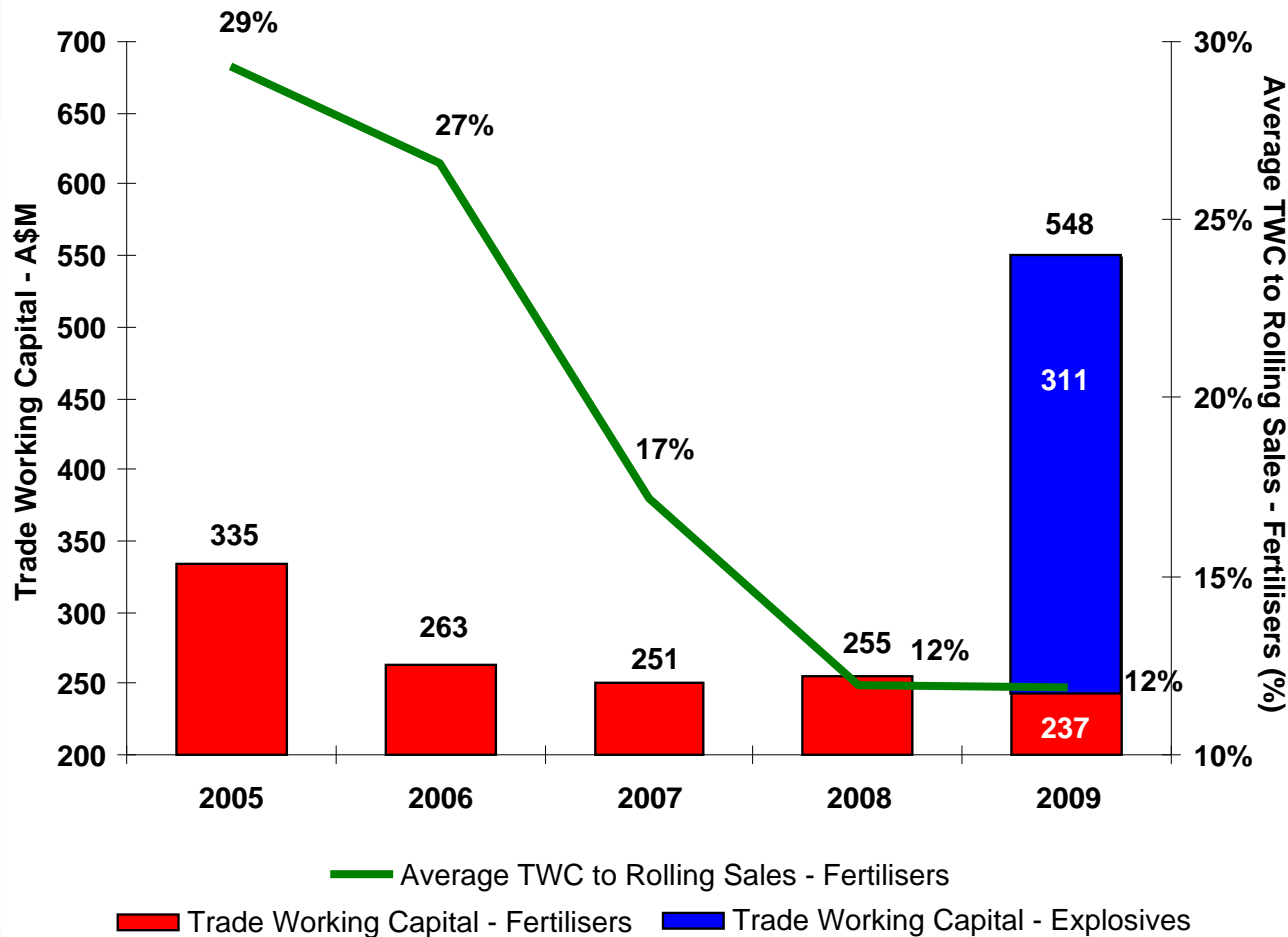
robust balance sheet position

- (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)
	(101.1)	30.9	(70.2)

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

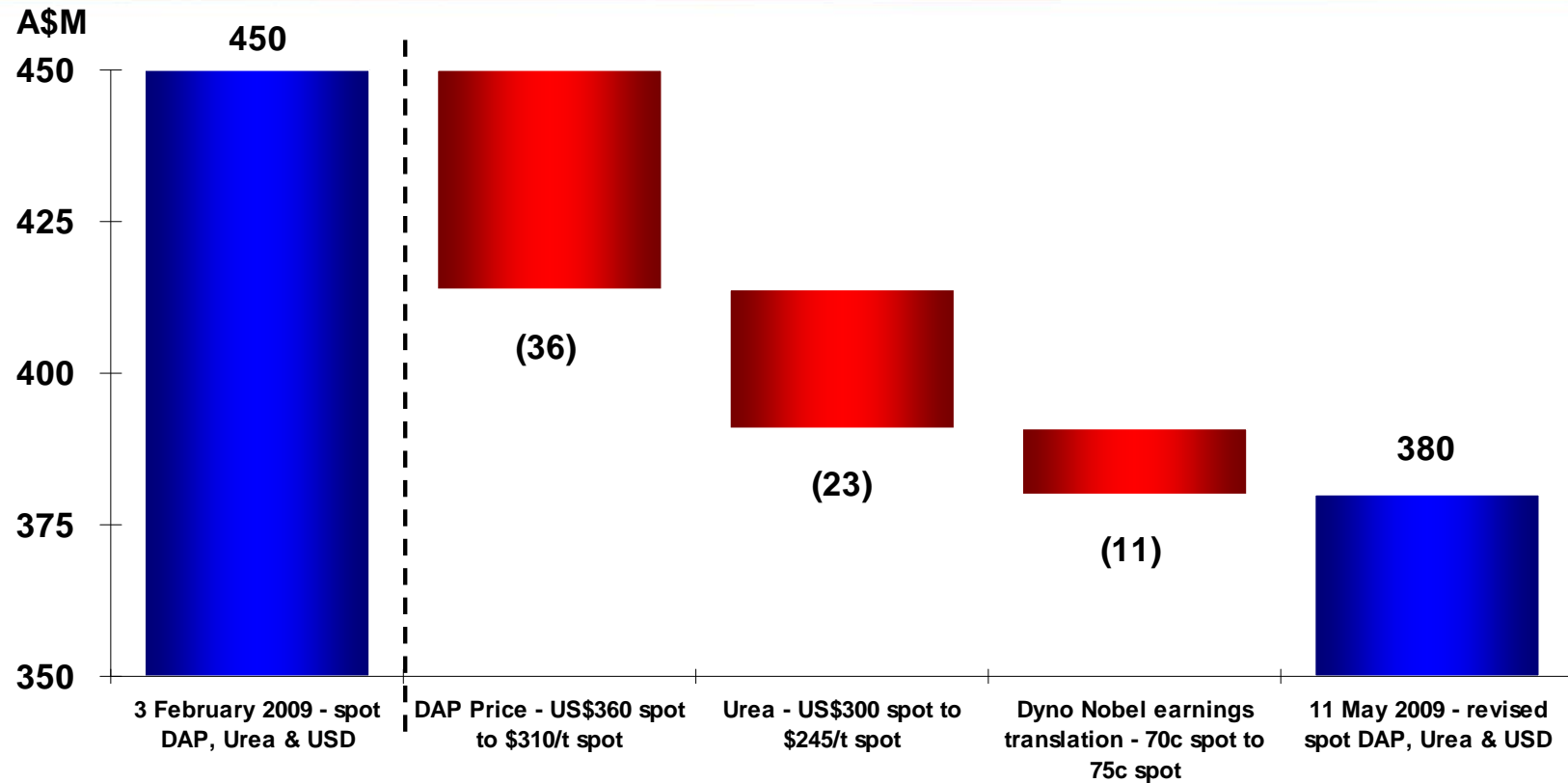
Growth:

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

