

**Getting  
things done.**

**Incitec Pivot Limited  
2006 Annual Results  
Presentation**

**Incitec Pivot**

JULIAN SEGAL  
Managing Director and CEO

## 2006: Getting things done

Business turnaround driven by management action (“Tardis”) rather than external factors:

- cost reduction
- efficient manufacturing performance
- focus on value not just volume
- financial discipline

Turnaround created the opportunity to add further value for shareholders

- SCF acquisition
- share buy-back

Well placed for continued earnings momentum in 2007

## Full year results summary

### Key financials

A\$M	2006	2005*	Change
<b>Before individually material items:</b>			
Sales Revenue	1,111.2	1,073.9	3%
EBIT	126.2	77.9	62%
NPAT	82.8	47.9	73%
RONA	18.0%	11.3%	↑
EBIT Margin	11.4%	7.3%	↑
NPAT incl. individually material items	46.7	14.5	222%

\* adjusted for AIFRS

**Tardis phase 1 complete**



## Full year results summary

# Shareholder returns

	2006	2005	Change
<b>Before individually material items:</b>			
Earnings per share <sup>(1)</sup> (cents)	146	82	78%
Return on shareholders' funds <sup>(1)</sup>	16.0%	8.2%	↑
Dividends per share (cps)	103	71	45%
Share buy-back (\$M)	165		
Closing share price	\$ 25.87	\$ 15.82	64%

**Acceptable returns to shareholders**

(1) Weighted average – adjusted for the Orica buy-back on 11 July 2006

2006 Sales volume down 12.6%

## **Eastern Australia in drought**

Sales down 5.9% due to seasonal factors:

**Winter crop - down 5%**

- patchy and late break, lack of in season rainfall resulting in drought

**Pasture markets - down 8%**

- good spring pasture growth in 2005 contracting sales and drought in the second half

**Sugar - flat volumes**

- 06 season delayed by high rainfall, outlook positive

**Summer crop - down 8%**

- poor water availability for cotton

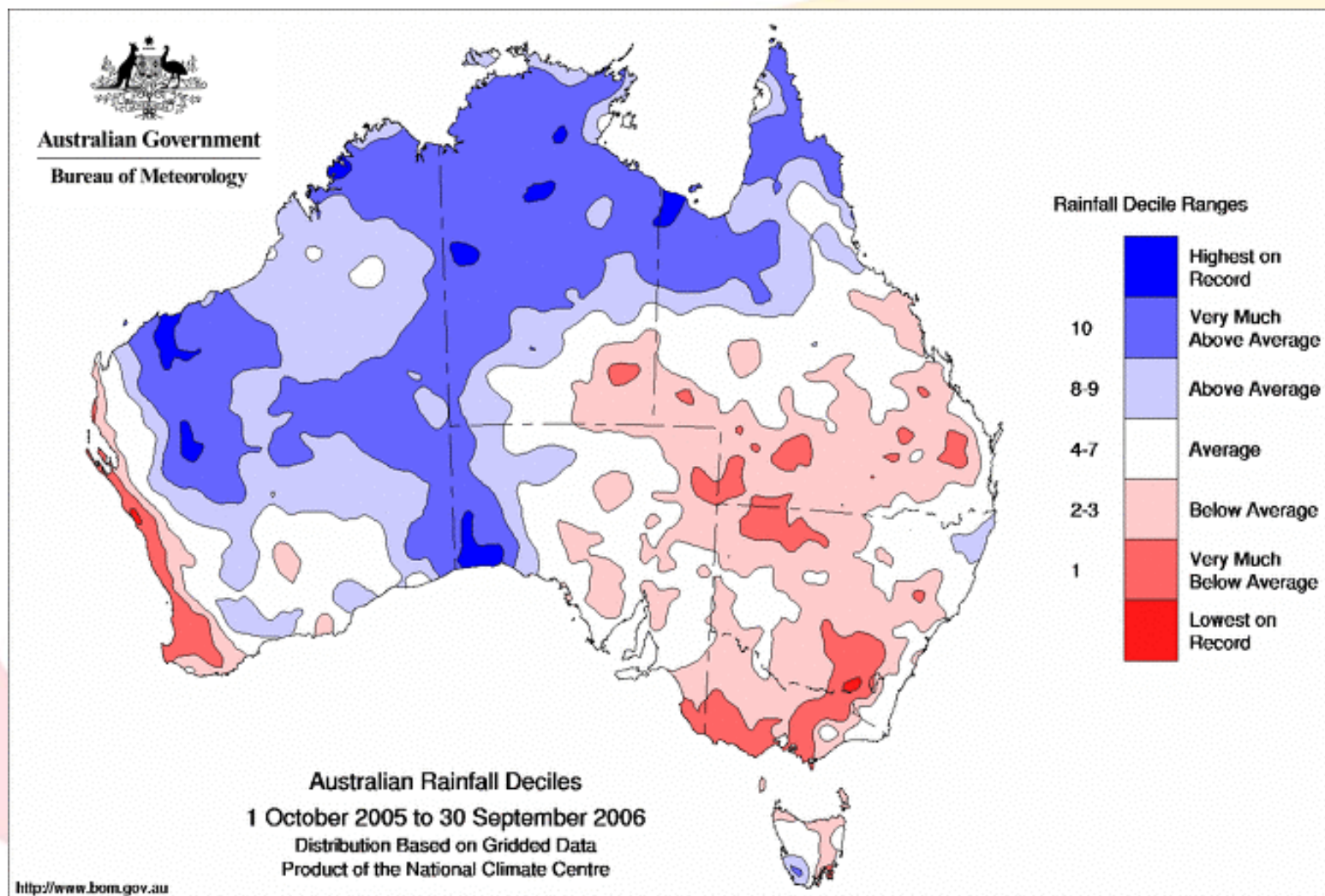
**Horticulture – down 5%**

---

**Industry structure changes - volume down 6.7%**

- ELF contract signed February 2006

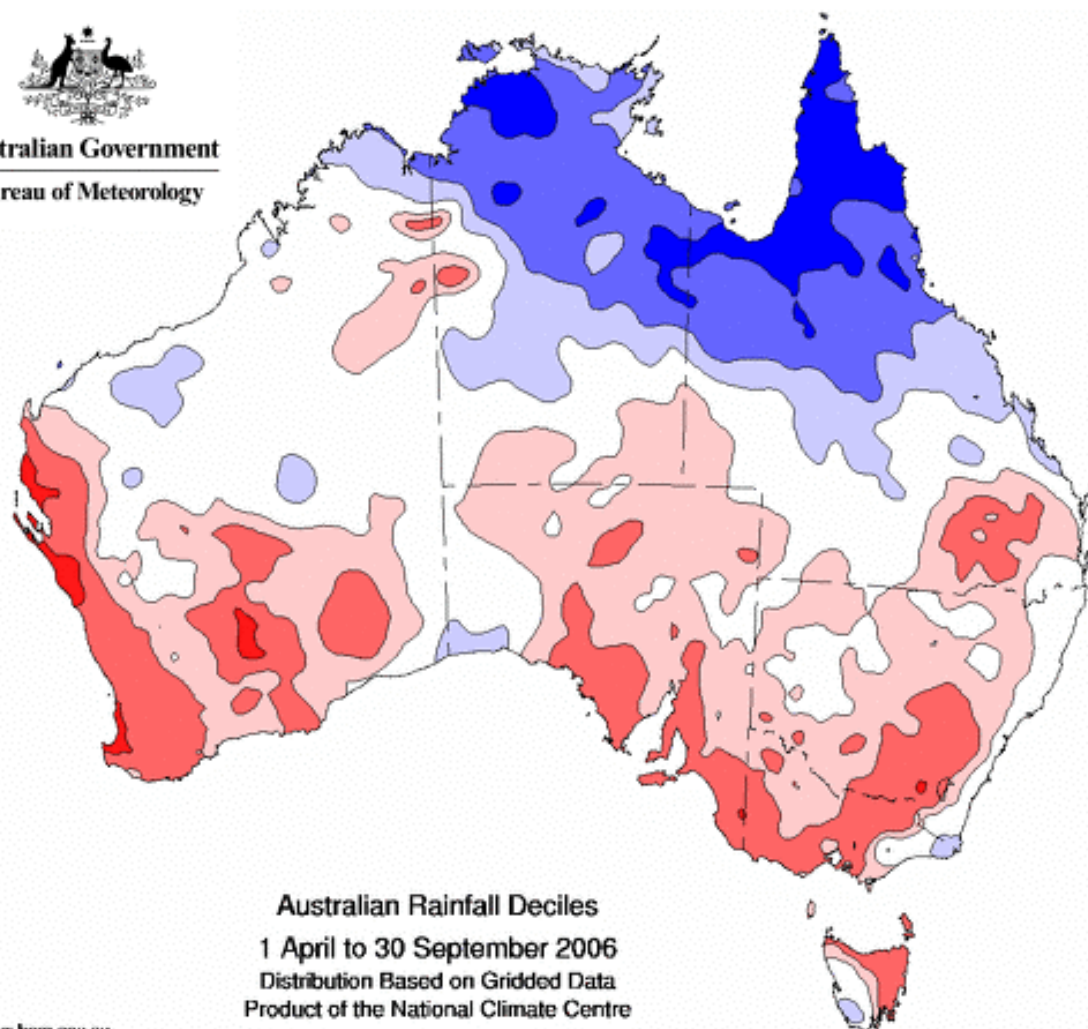
# 2006 Rainfall



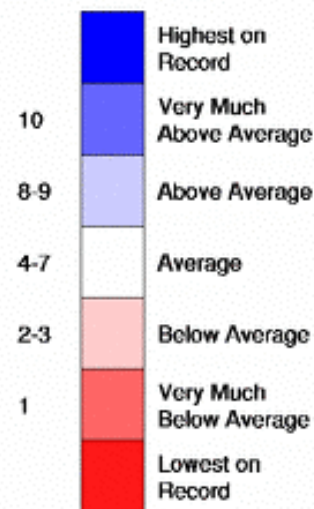
# 2006 In Season Rainfall



Australian Government  
Bureau of Meteorology



Rainfall Decile Ranges

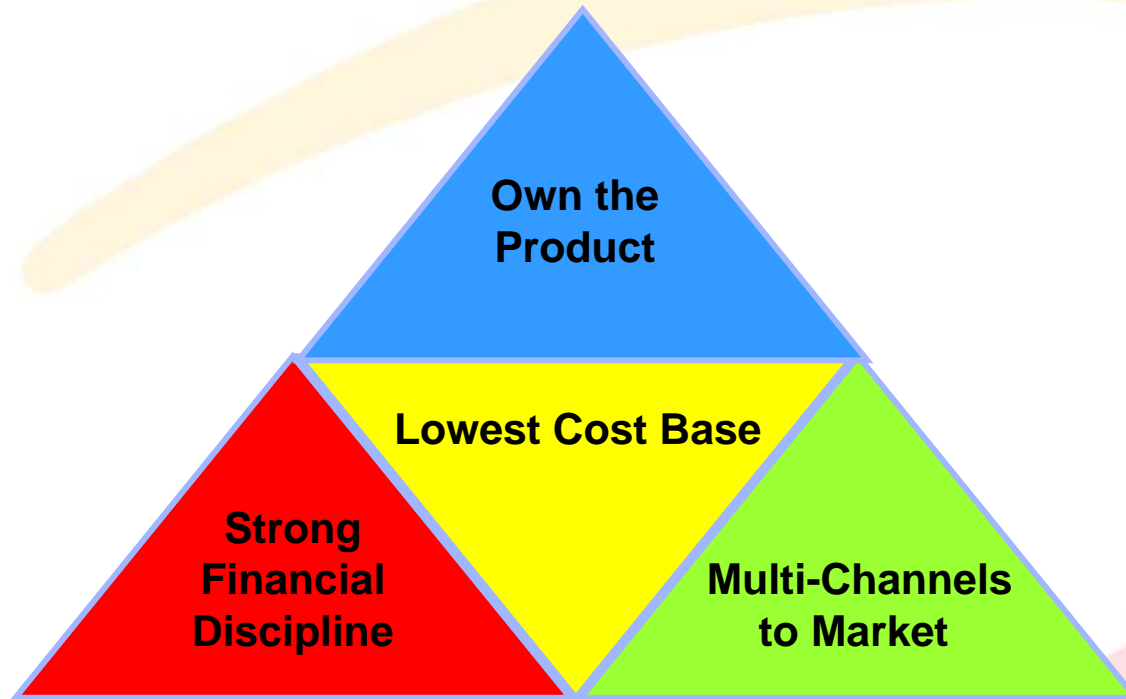


Australian Rainfall Deciles  
1 April to 30 September 2006  
Distribution Based on Gridded Data  
Product of the National Climate Centre

<http://www.bom.gov.au>



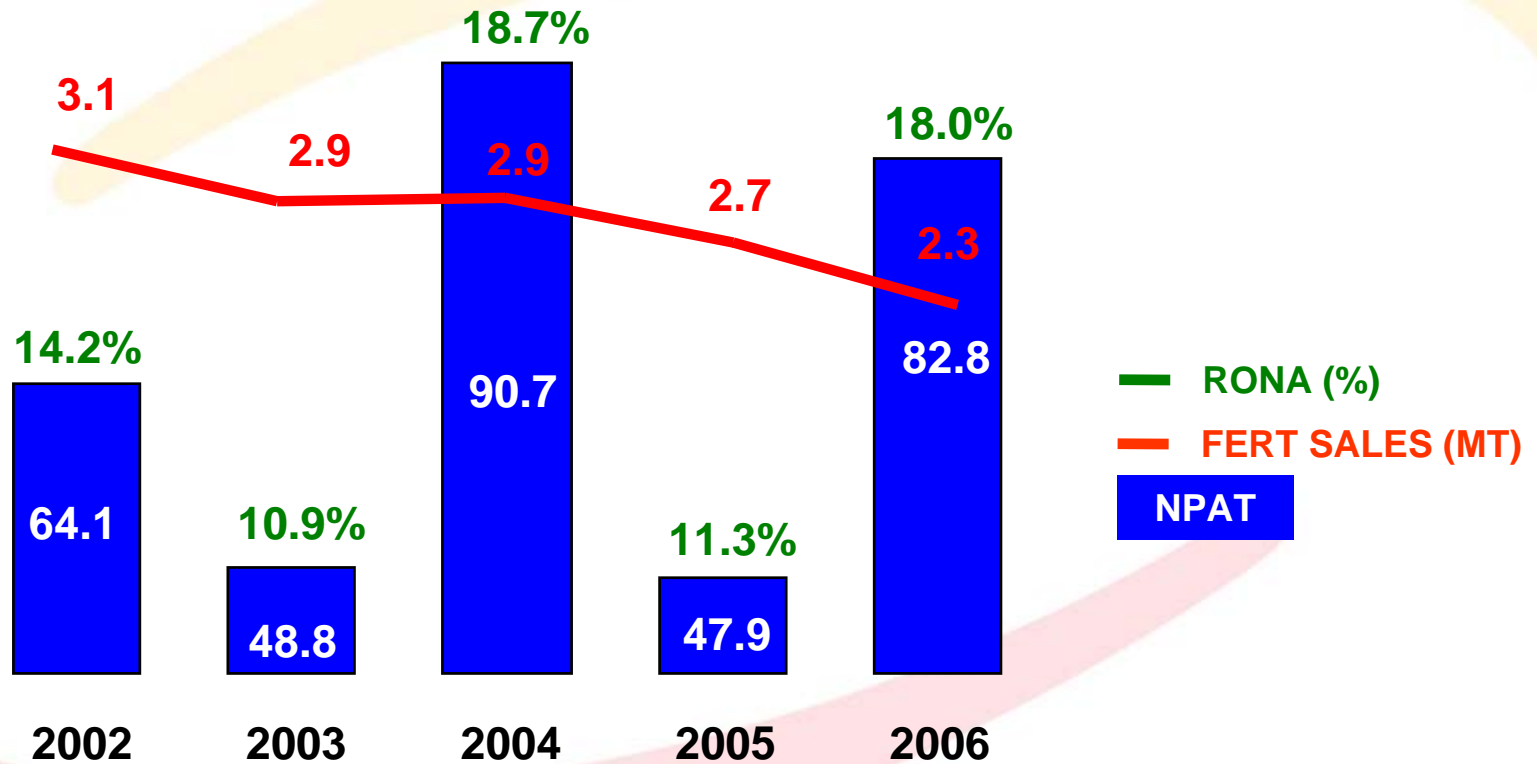
# Business strategy - "Tardis"



**Competitive returns to shareholders**

Tardis phase one report card:

**“Gear the business for acceptable returns in a poor year”**



\* 2002 - 05 restated for AIFRS, all numbers pre individually material items

Tardis phase one report card:

**“Gear the business for acceptable returns in a poor year”**

### What we promised

Lowest cost base

- 2006 delivery: \$20M
- 2006 exit rate: \$25M

Own the product

### What we delivered

- 2006: \$30M (+50% up on target)
- 2006 exit rate: \$38M (+52%)

- SCF acquisition completed
- Manufactured product now 70% of sales

Tardis phase one report card:

**“Gear the business for acceptable returns in a poor year”**

### What we promised

Multi-channels to market

Focus on value, not just volume

### What we delivered

- ELF supply agreement signed February 2006

- Recovery in prices to import-parity levels
- Market share optimised at 65%

Tardis phase one report card:

**“Gear the business for acceptable returns in a poor year”**

### What we promised

Disciplined capital management

Disciplined approach to M&A

### What we delivered

- \$102M reduction in trade working capital <sup>(1)</sup> <sup>(2)</sup>
- 2006 sustenance capital 76% of depreciation without impacting plant reliability

SCF acquisition metrics:

- ~ 2x 05 EBITDA (pre efficiency program)
- EPS positive day 1
- > 18% RONA day 1

**IPL 2006 RONA - 18% - 2 years ahead of target**

(1) 2005 adjusted to include off balance sheet facilities (AIFRS ) (2) Excluding SCF



Tardis phase one report card:

**“Gear the business for acceptable returns in a poor year”**

### What we promised

Competitive EPS growth

Return excess funds to shareholders

### What we delivered

EPS up 78% to 146 cps <sup>(1)</sup>

- Dividend yield 6.5% <sup>(2)</sup>
- 65% <sup>(1)</sup> dividend pay-out of NPAT
- \$165M share buy-back completed at \$21 (23% discount to 30/9/06 closing share price)

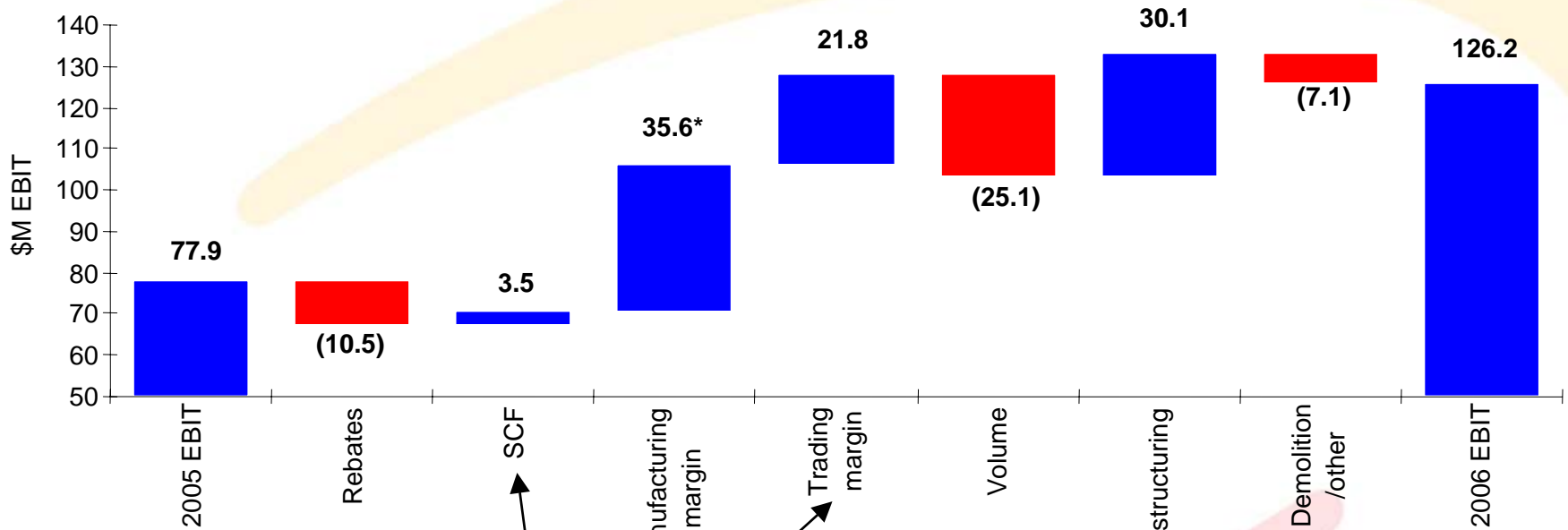
**2006 Total Shareholder Return (TSR) of 70%**

(1) Adjusted for the Orica buy-back on 11 July 2006

(2) Dividend yield based on 1 October 2005 share price

JAMES FAZZINO  
Finance Director and CFO

# EBIT Reconciliation: 2005: \$77.9M, 2006: \$126.2M



“own the product”

“lowest cost base”

\* Includes \$11M in gas profit share (2005: \$11.4M)



Incitec Pivot

**2006 Individually material items - A\$M after tax**

Business restructuring costs	(6.4)
Cockle Creek closure	(22.0)
Elders settlement	(7.7)
Orica separation	(3.7)
SCF integration & restructuring	(4.7)
Profit on sale of QGC shares	8.4
<b>Total</b>	<b>(36.1)</b>

**Costs capitalised:**

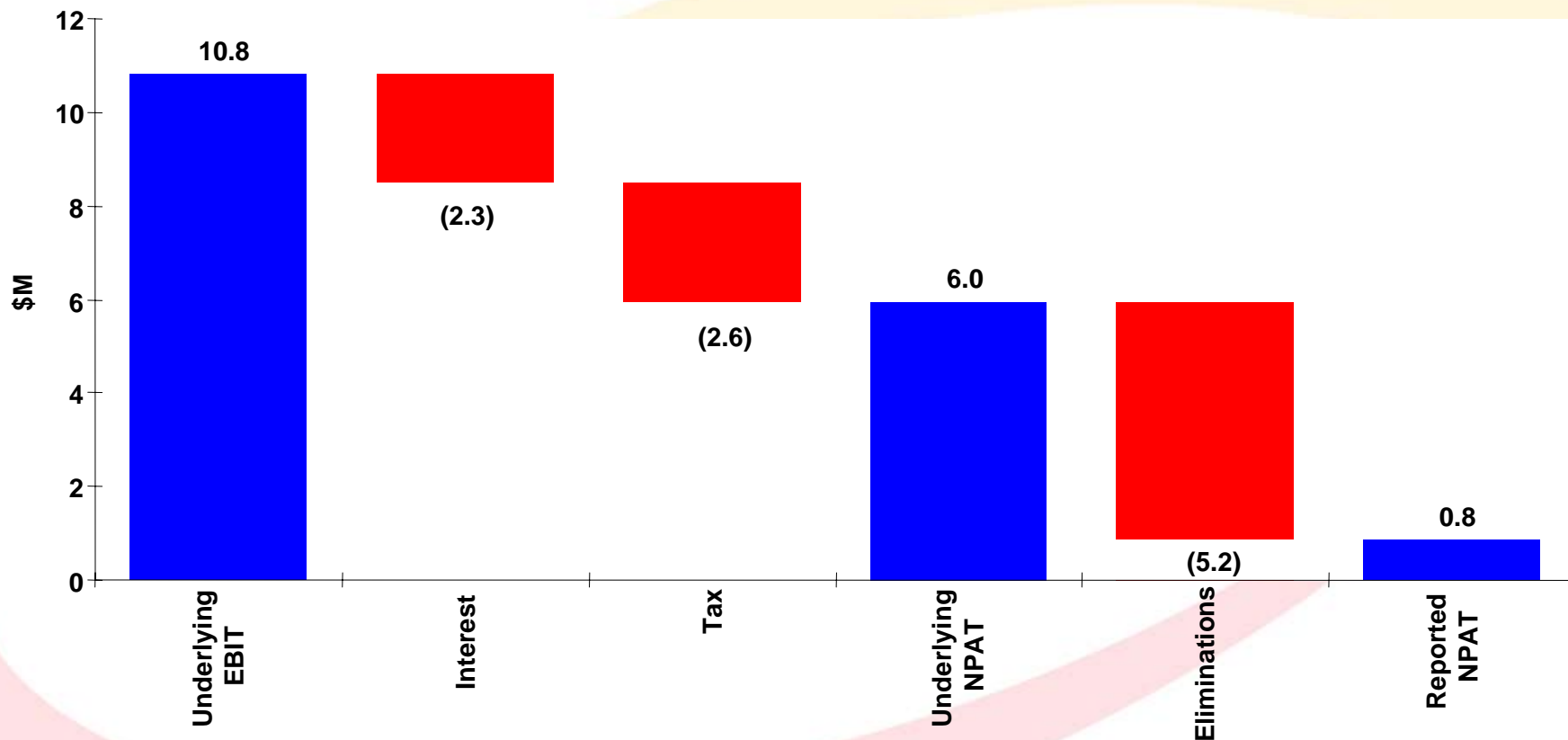
Buyback costs - charged to equity	(6.7)
SCF transaction costs	(4.5)

**Total cash:**

SCF acquisition/ restructuring	(9.2)	} as forecast on 9/5/06
Share buyback/ Orica separation	(10.4)	



# Southern Cross Fertilisers Earnings – August & September 2006

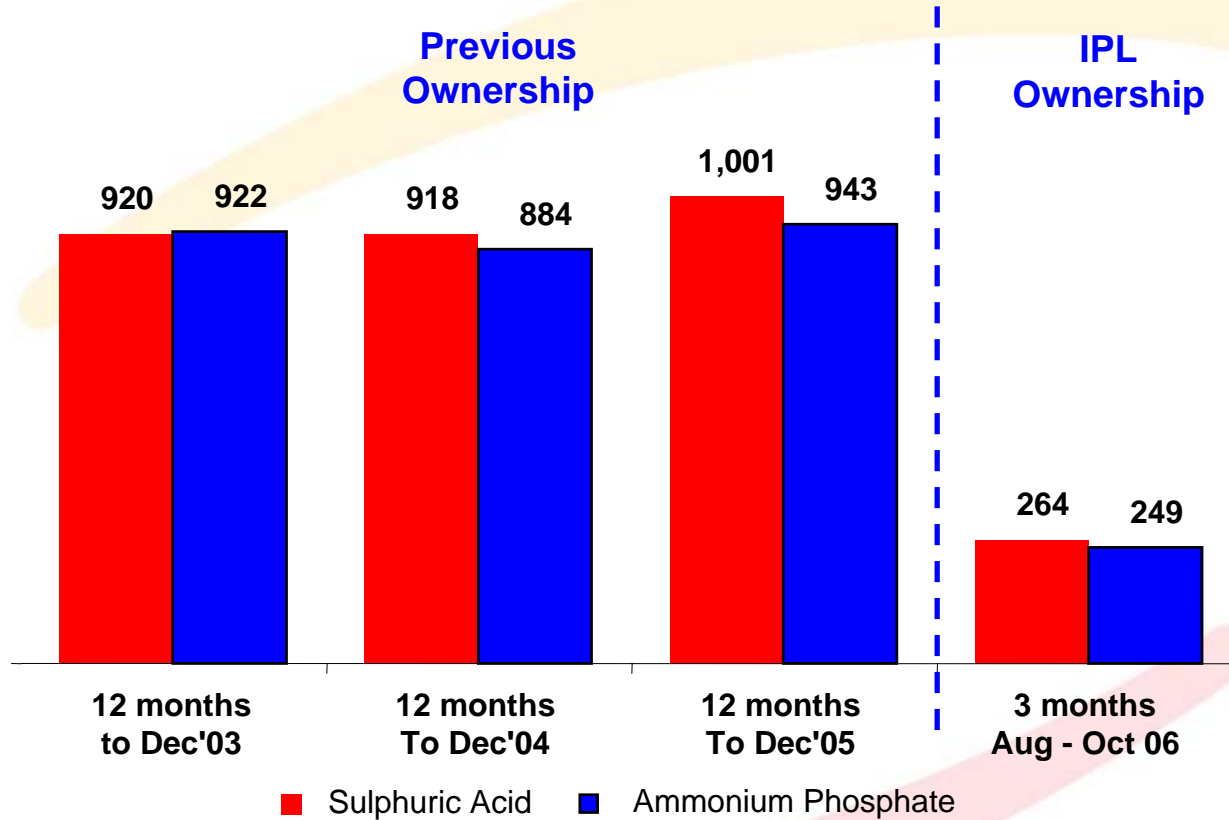


**EPS positive day 1, >18% RONA from day 1**

Aug/Sept 06 EBITDA \$12.1M



# Southern Cross Fertilisers Production – kte

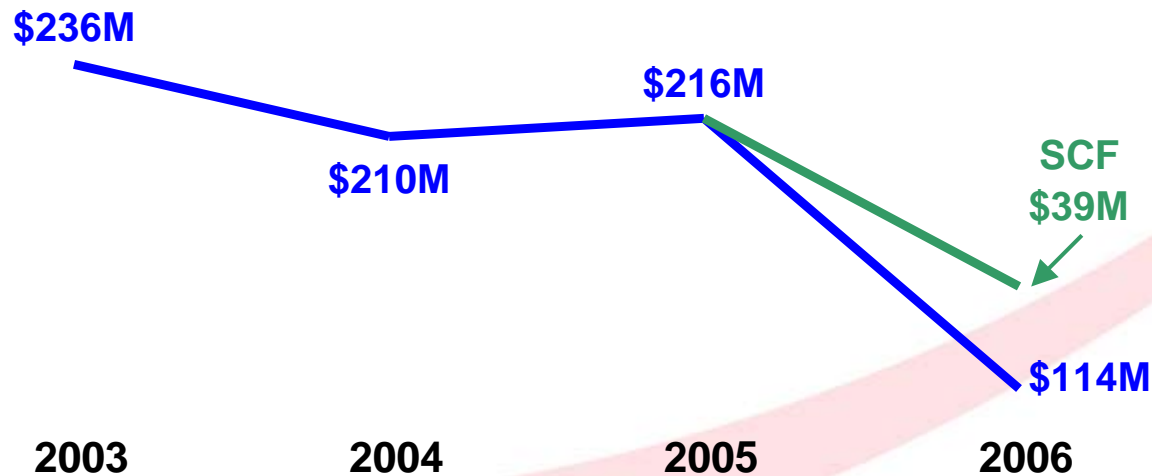


**Reliable Production**

# Disciplined capital management

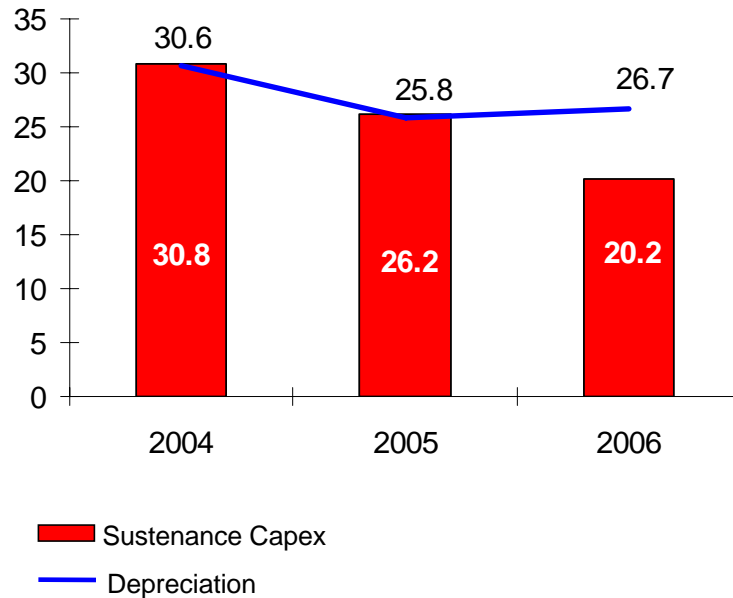
## Trade working capital

- \$102M improvement in trade working capital in the base business



## Disciplined capital management

### Capital spending



### 2006 items

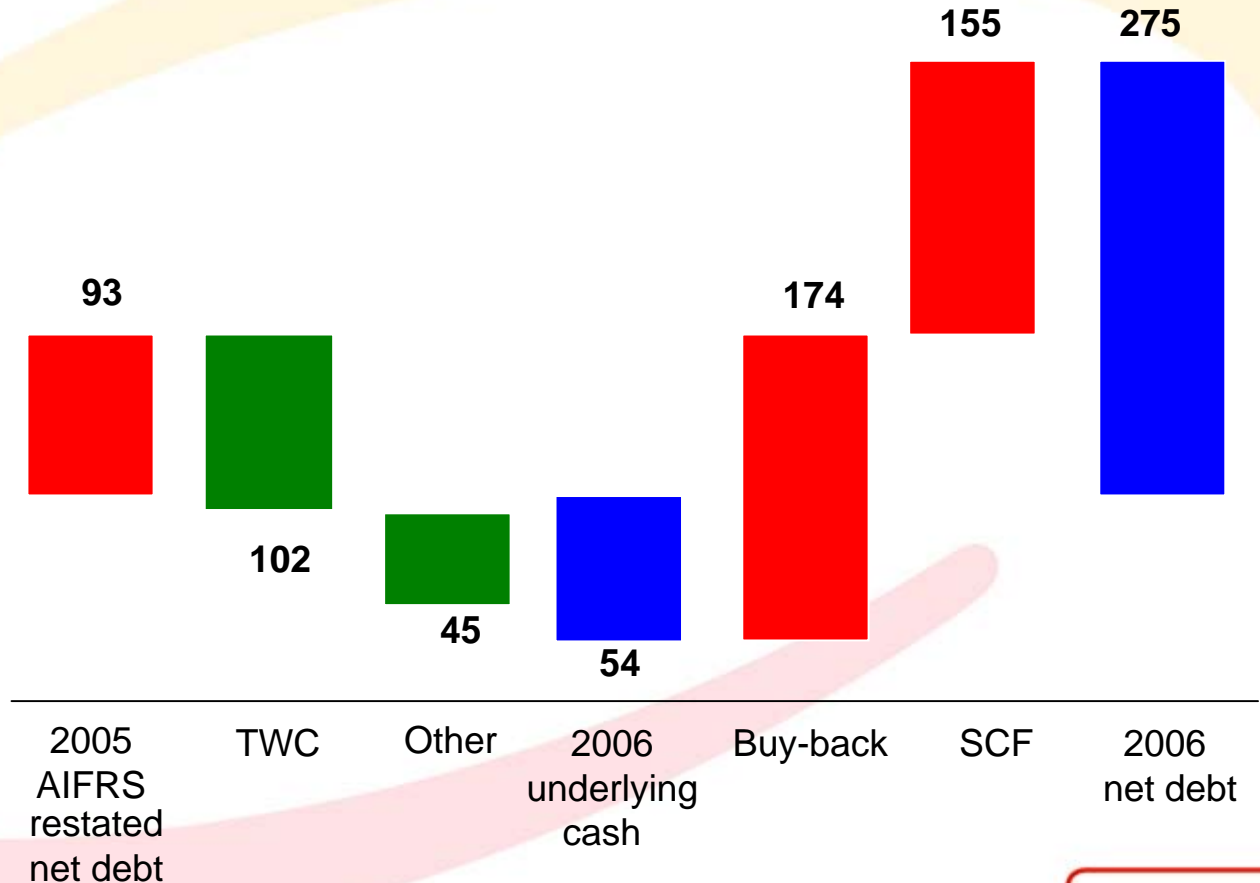
- Sustenance capex 76% of depreciation
- GI reset expenditure: \$3.8M
- Gypsum cell: \$4.0M

### Future capital program

- Control sustenance spending at below depreciation
- 2007: \$5M in minor expansion to drive manufacturing efficiencies (business now above 18% RONA)
- 2007: GI reset expenditure: \$37M
- 2007: SCF gypsum cell: \$11M
- 2007: SCF IT system integration: \$4M
- 2007/08: Supply chain optimisation: \$10M

## Disciplined capital management **Net debt**

- \$147M reduction in underlying debt
- Gearing 42% (target band 40% - 45%)



## Tardis phase one improvements

<b>A\$M</b>	<b>2006</b>	<b>Exit rate</b>
FTE	11.4	13.8
Quick wins	8.0	8.0
Operations optimisation	10.7	16.2
<b>TOTAL</b>	<b>30.1</b>	<b>38.0</b>

**2006 exit rate 52% above initial target**

## Tardis phase two improvements

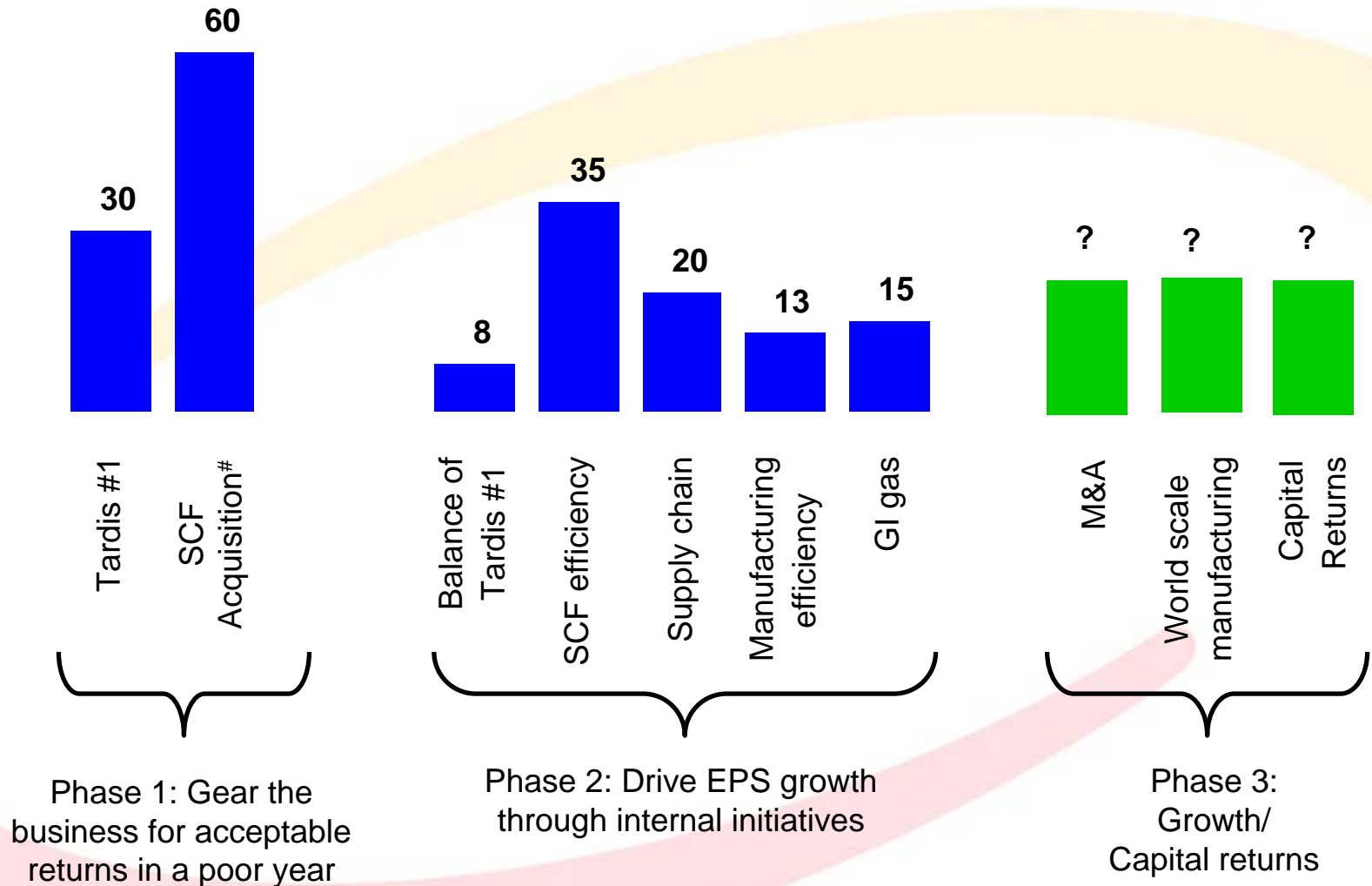
<b>A\$M</b>	<b>2007 Exit rate</b>	<b>2008 Exit rate</b>
Manufacturing efficiency	9.1	13.0
GI Gas	15.0	15.0
Supply chain optimisation	6.8	20.0
SCF efficiency <sup>#</sup>	20.0	35.0
<b>TOTAL</b>	<b>50.9</b>	<b>83.0</b>

**Low risk, controllable EPS growth**

# SCF implementation costs \$5.0M

JULIAN SEGAL  
Managing Director and CEO

# Tardis program summary



**Low risk, controllable EPS growth**

# 2005 Calendar year – as disclosed in May 2006



# Tardis culture program

- New beginnings workshops
- New values and behaviours

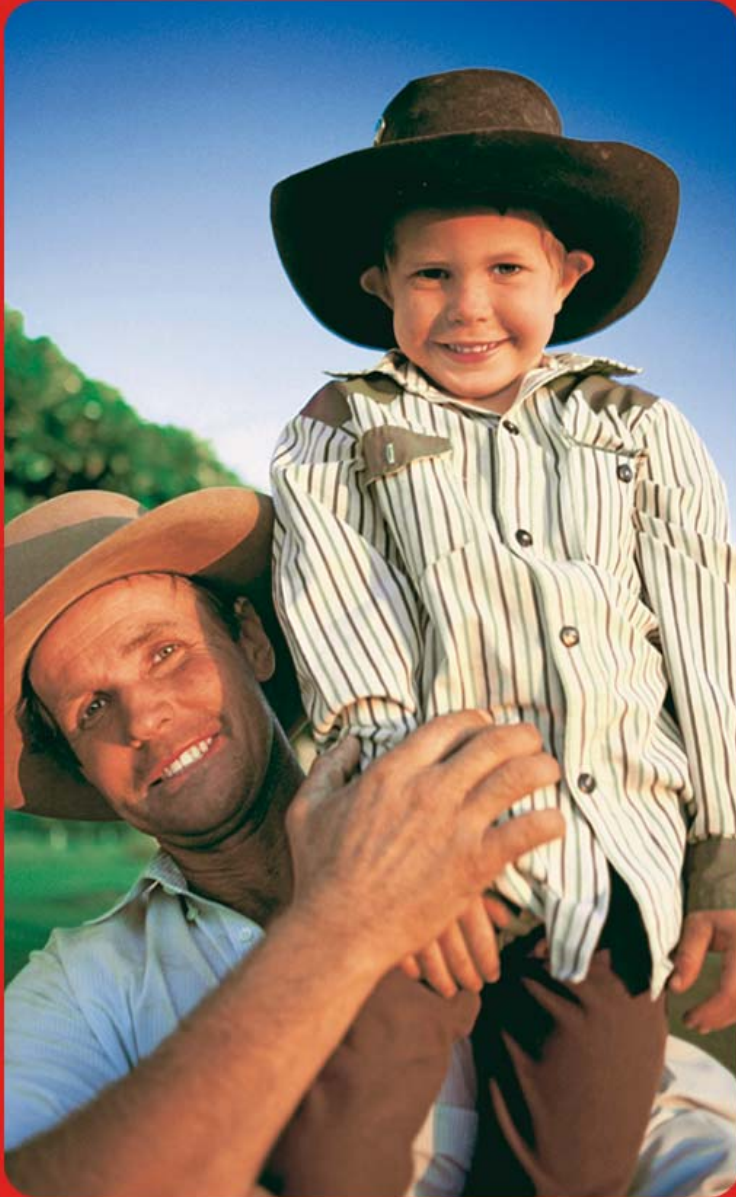
Getting things done

Incitec Pivot

## 2007 Outlook

- ✗ Gibson Island planned maintenance shut
- ? Challenging seasonal conditions
- ✓ Full year of SCF
- ✓ Balance of Tardis phase one
- ✓ Tardis phase two

**Continued earnings momentum**



**Getting  
things done.**

**Incitec Pivot**