Incitec Pivot – New Horizons

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Incitec Pivot

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1. Company Overview

Australia's # 1 Fertiliser Player

Incitec Pivot

Corporate History

1919	Pivot established
1923	Antecedent companies of Incitec established
2002	Divestiture of Incitec's crop protection division
2003	Merger of Incitec Fertilizers Ltd and Pivot Ltd
2003	Demerger of Incitec fertiliser business from Orica's Industrial Chemicals
2005	Appointment of Julian Segal as MD & CEO
2006	Acquisition of SCF and exit of Orica as majority shareholder

Incitec Pivot is Australia's largest integrated fertiliser manufacturer and distributor

Competitive Operational Position

Strong Market Position

- # 1 market position with 65% market share
- Consolidated market – largest two participants supply in excess of 90% of market volumes

Farmers' Preferred Supplier

- Sale to farmers via network of preferred fertiliser retailers
- Farmer preferred distribution assets close to market
- Trusted brands
- Full range of fertiliser products with unique product offerings (e.g. Big N, Granulocks)

Lowest Cost Base

- Efficient manufacturing assets
- Privileged supply chain assets
- Long-term competitive sourcing agreements with global suppliers

Diversified Business Base

- Diversified end market exposure
- Broad product and service offering (e.g. liquid fertilisers, finance)
- Geographic spread

Incitec Pivot's business strategy is focused on remaining "supplier of choice"

Value-Driven Strategic Focus

Value Focused Sales Strategy

Multi-channel approach to secure base volume
- Significant independent market share won and retained
- ELF supply agreements signed February 2006

Commercial discipline: focus on value, not just volume
- Sales force education and training
- Sales prices up 16% YTD March 2006 in line with import parity pricing

Segmented marketing approach to maximise value
- Focus on aligning farmers' needs and value to Incitec Pivot
- New product development: Liquid fertiliser, "green" urea
- Product range rationalisation

Lowest Cost Base

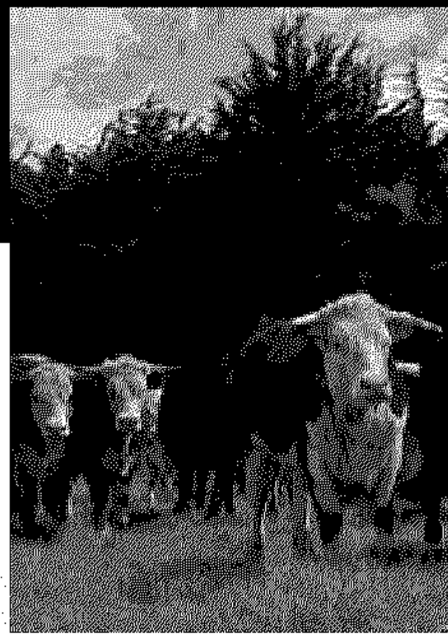
Step change in cost base
- Business restructure to provide $34 million in cost savings

Optimisation of manufacturing base and supply chain
- Acquisition in May 2006 of Southern Cross Fertilisers
- $15m in cost savings from new Gibson Island gas contract from Q4 FY07
- Nauru phosphate rock provides competitive pricing and freight savings
- Potential investment in world scale urea manufacturing plant in Brunei
- Oyster Cove #3 shed ready for Winter Crop 2006

Control of working capital
- Facilitation of third party funding of debtors
- Sharing of carrying costs with suppliers

Management has implemented a focus on "value, not just volume"

2. Overview of Transactions



Incitec Pivot

Summary of Transactions

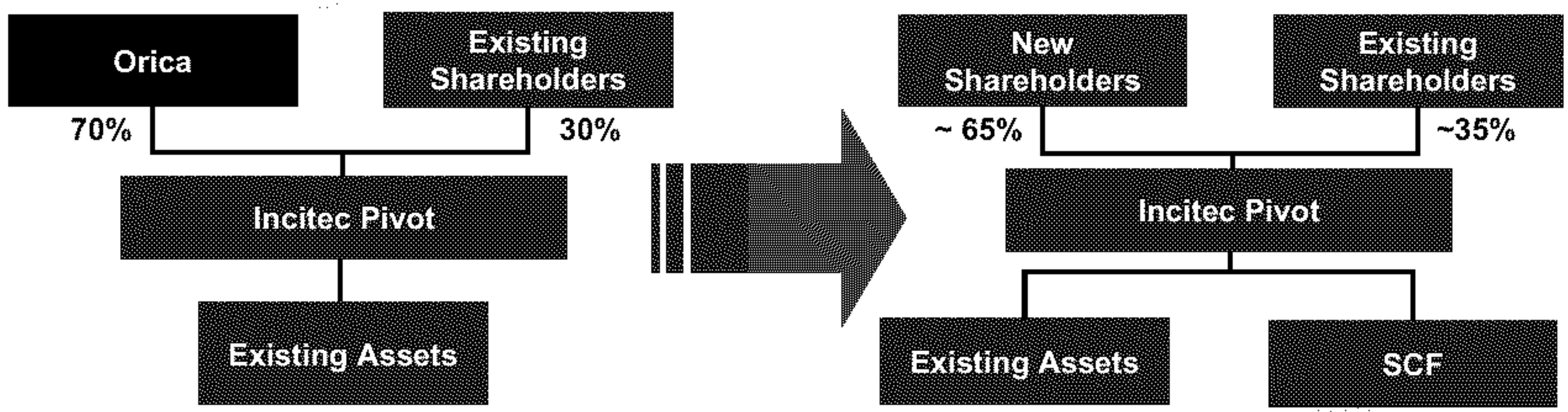
- Incitec Pivot will acquire Southern Cross Fertilisers ("SCF"), Australia's only producer of di-ammonium phosphate ("DAP") and mono-ammonium phosphate ("MAP")
  - Purchase price of $165 million(1) including transaction expenses
  - Acquisition expected to provide average 18% RONA through the cycle
  - Anticipated to be significantly EPS accretive(2)
- Orica has announced its intention to exit its 70% shareholding in Incitec Pivot:
  - An underwritten institutional bookbuild will take place for a 55% holding ("Orica selldown")
  - Incitec Pivot will undertake a selective buyback of Orica's residual holding at the bookbuild price for the Orica selldown, fully debt funded
    - Number of shares bought back will be adjusted so that maximum consideration is not more than $165 million, with balance of shares sold via the Orica selldown
    - Selective buyback anticipated to provide further EPS accretion(3)
    - Subject to various conditions, including shareholder vote(4)

(1) Pre completion adjustments.
(2) Refer p19 for illustrative accretion calculations.
(3) Refer p26 for illustrative accretion calculations.
(4) Refer p22.

Incitec Pivot has announced the acquisition of SCF and a selective buyback of up to 15%

Summary of Transactions

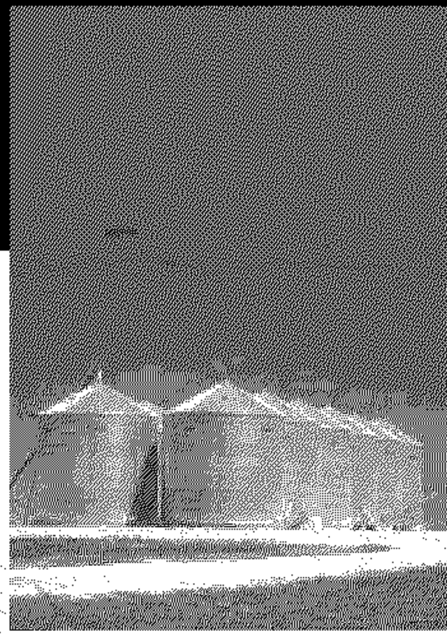
- Combined transactions anticipated to be significantly EPS accretive[1]



(1) Refer pp 19 & 26 for illustrative accretion calculations.

Combined transactions create a leading independent agribusiness, well positioned for future growth

3. Acquisition of SCF



Acquisition of SCF

SCF	▶ Australia's largest producer of ammonium phosphate fertilisers ▶ Vertically integrated from mine to production ▶ Supplier to domestic and international markets
Acquisition Process	▶ BHP Billiton commenced structured sale process in December 2005 ▶ SCF was non-core to BHP Billiton, inherited through WMC takeover ▶ Incitec Pivot and BHP Billiton have entered into a sale and purchase agreement
Acquisition Price	▶ $165 million[1] including transaction expenses ▶ Expected to achieve average 18% RONA through the cycle
Funding	▶ Debt funded through underwritten credit facility
Conditions Precedent	▶ BHP Billiton completes major maintenance shutdown prior to acquisition completion ▶ No objections raised by ACCC
Timetable	▶ Anticipated completion by end July 2006

(1) Pre completion adjustments.

Expected to achieve average 18% RONA through the cycle

Acquisition Strategy and Benefits

Opportunities for Incitec Pivot to generate value from SCF

☑ Integration of manufacturing and distribution

- In FY05[(1)], Incitec Pivot purchased 319kt (34%) of SCF production

☑ Natural extension of Incitec Pivot's core manufacturing capability

- Past experience in all components of SCF's production processes
- Proven track record in extracting value from assets

☑ Financial benefits

- 18% RONA (from year one)
- Significantly earnings accretive (from year one)

(1) 30 June year end.

SCF – Asset Overview

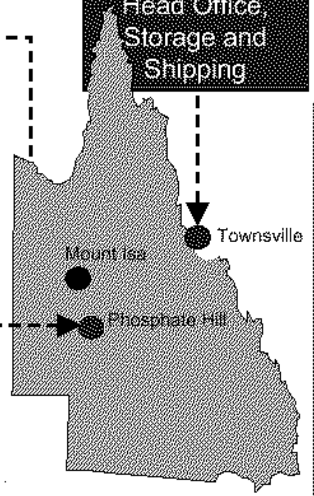
Inputs

- Phosphate Ore (30 year mine life)
- Purchased Sulphuric Acid
- Sulphur
- Sulphur Dioxide (Mt. Isa Copper Smelter)
- Natural Gas

Production Facility

- Mine and Beneficiation Plant
- Sulphuric Acid Plant
- Phosphoric Acid Plant
- Ammonia Plant
- Granulation Plant

Head Office, Storage and Shipping



Output

DAP	MAP
▪ Uses: Cereals, Oilseeds, Legumes, Livestock pastures ▪ Higher nitrogen content than MAP	▪ Uses: Cereals, Oilseeds, Legumes, Livestock pastures, Canopy management cropping ▪ Higher phosphorus content than DAP ▪ Requires higher concentration phosphoric acid ▪ Flexibility in application timing ▪ Strong storage, handling, blending characteristics

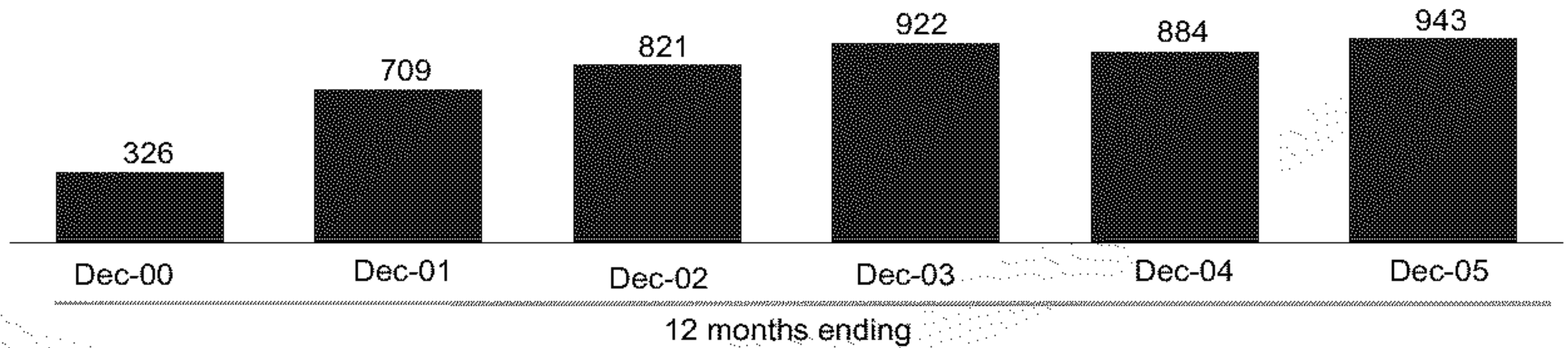
SCF is Australia's only producer of MAP and DAP

Incitec Pivot

Reliable Production Facility

- Nameplate capacity of 975ktpa; 943kt production in CY05
  - Reliability of production has significantly improved in recent years following debottlenecking initiatives
  - Opportunities to further improve reliability and efficiency
- Production is lower in years when major maintenance shutdowns occur

Historical Production
(000s of tonnes)

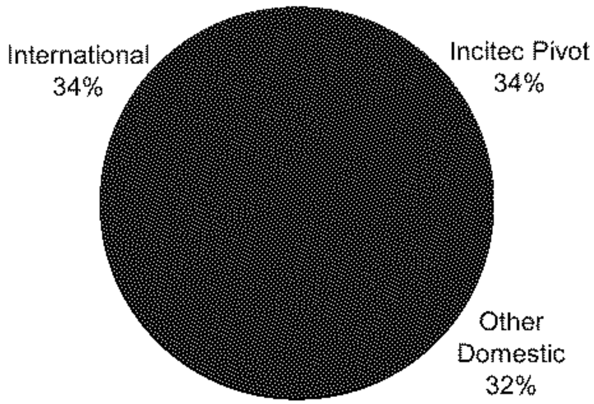


Production near nameplate capacity

Integration of AP Manufacturing and Distribution

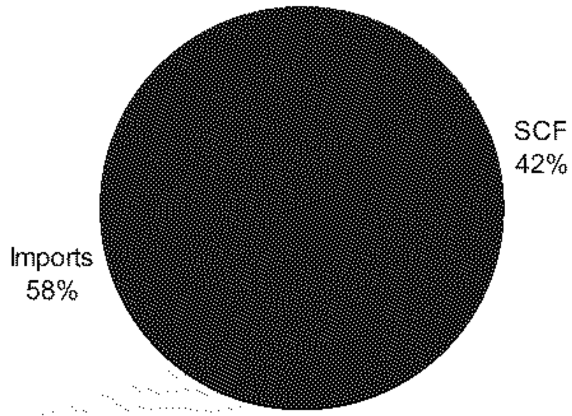
- Incitec Pivot has historically purchased up to ~50% of its AP requirements from SCF
- Contractual arrangements to continue with other East Coast domestic distributors
- Excess SCF supply to be marketed into export markets (predominantly Asia Pacific)

SCF Sales Volumes



FY2005(1) Sales ~ 930kt

Incitec Pivot AP Sales Volumes



FY2005(2) AP Sales ~ 600kt

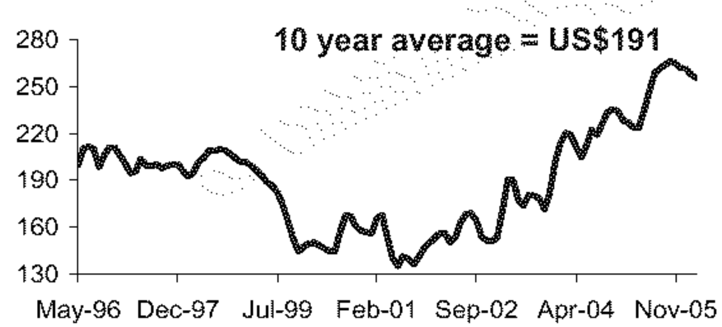
(1) 30 June year end.
(2) 30 September year end (Incitec Pivot financial year end).

Incitec Pivot will be able to more efficiently manage its AP supply chain

AP Price

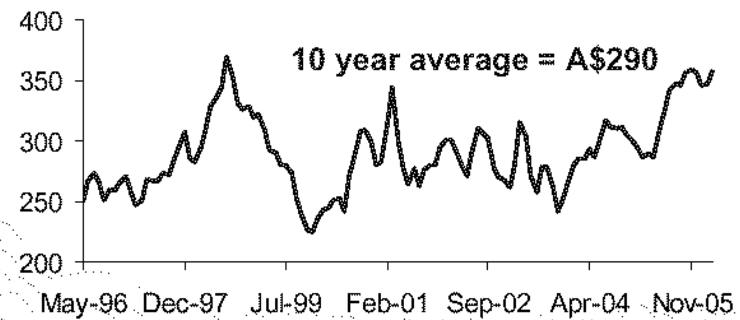
US$ DAP Price – Last 10 Years

(US$ per tonne FOB)



A$ DAP Price– Last 10 Years

(A$ per tonne FOB)



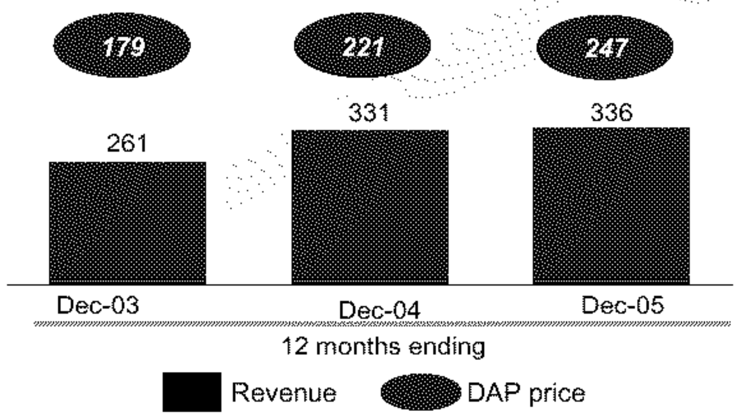
- Import parity pricing implies significant earnings sensitivity to:
  - US$ DAP price
  - Ocean freight differential
  - A$/US$ exchange rate
- DAP price currently trading at historical high (US$268/t) buoyed by strong demand from China and India and high global energy prices
- Forecast for average DAP price over next four years, based on average of industry experts, is US$222/t nominal
- Some softening expected longer term due to capacity increases in Asia and the Middle East
- Mild depreciation in the A$/US$ expected to partially offset decline in US$ DAP price

Current strength of DAP price is driving earnings recovery

Historical Financial Performance

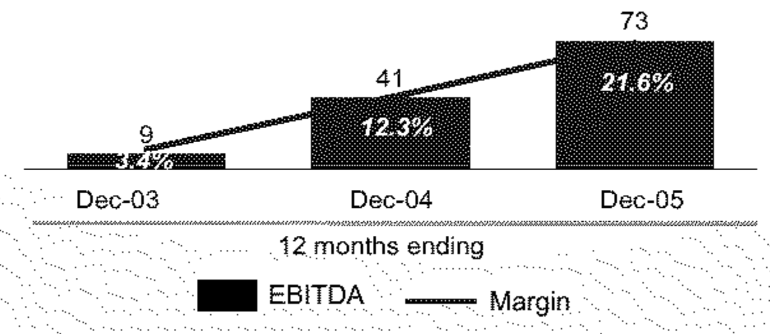
Revenue / *DAP Price*

($ in millions, DAP price in US$/tonne FOB)



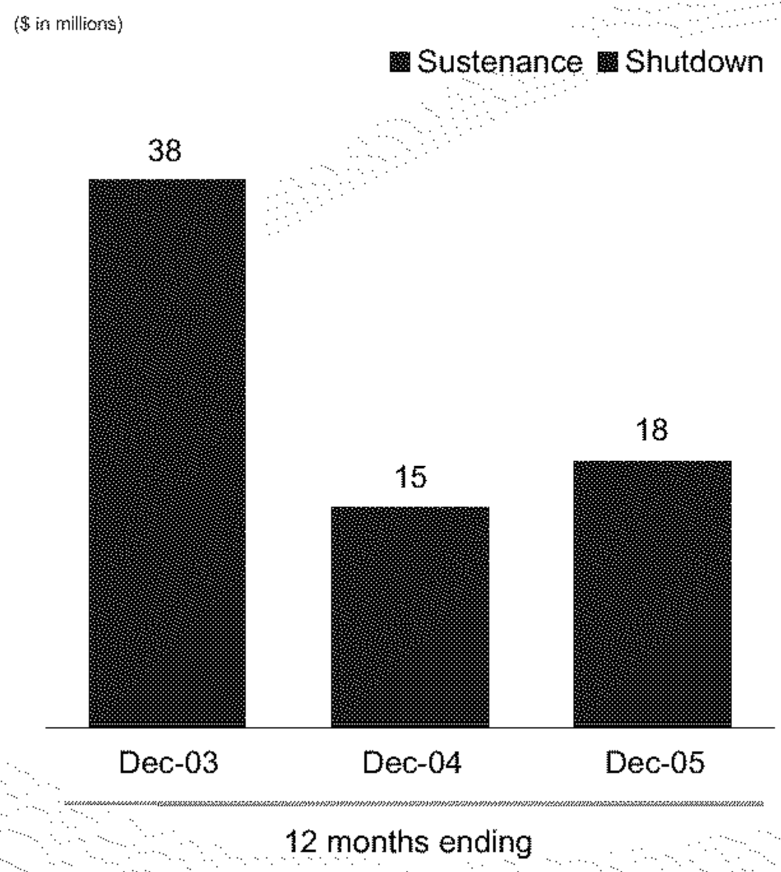
EBITDA / *Margin*

($ in millions)



- Revenue and earnings have significantly improved in recent years reflecting:
  - Increased production
  - Higher average DAP prices and ocean freight differential
- Stable cost base reflecting integrated operations
  - Access to Mt Isa sulphur dioxide and Phosphate Hill ore reserves
  - Simple open cut mining methods
  - Long-term gas contract supporting ammonia production
- Potential for continued strong earnings while DAP price remains above trend
- EBITDA represents a reasonable approximation to operating cashflow before capex

Capital Expenditure Requirements



- Historical capital expenditure
  - Facilities built by WMC Resources at cost of in excess of $800 million
  - Average annual sustenance spend of $13 million
- $20 million expenditure for gypsum cell in FY2007, with further expenditure in FY2012
- Shutdown capex of $35 million every 3 years as part of scheduled outage programme
  - Next maintenance shutdown to be completed by BHP Billiton at its cost prior to acquisition completion
  - Cost of future shutdowns to be capitalised and depreciated over 3 years

Pro Forma Earnings Impact of SCF Acquisition

- Analysis based on Incitec Pivot's FY06E consensus earnings and SCF's FY05 financial performance

Illustrative Pro Forma EPS Accretion

($ in millions)

IPL Consensus FY06E NPAT	**77.7**
IPL Consensus FY06E EPS	**$1.33**
Adjusted for SCF:	
FY05 EBITDA (2)	72.5
D&A (3)	(12.0)
EBIT	60.5
Interest	(11.6)
PBT	49.0
NPAT	34.3
IPL Pro Forma FY06E NPAT	**112.0**
IPL Pro Forma FY06E EPS	**$1.92**
Accretion	***44.1%***

Illustrative Sensitivity to DAP Price(4)

- Sensitivities assume reversion of A$/US$ exchange rate to 75c
- Current DAP price is US$268/tonne

($ in millions)

DAP Price (US$)	$200	$220	$240	$260	$268
SCF EBITDA Impact					
DAP Price	(56.1)	(32.2)	(8.4)	15.5	25.1
FX	3.2	3.5	3.8	4.1	4.3
FY05 Adj. EBITDA	19.6	43.8	68.0	92.2	101.8
Implied IPL EPS	$1.29	$1.58	$1.87	$2.16	$2.27
Accretion	*(3.6%)*	*18.2%*	*40.0%*	*61.8%*	*70.5%*

Note. This analysis is pro forma assuming a full year's contribution from SCF. In actuality, SCF's earnings contribution for the period July to September 2006 is likely to be zero due to completion timing and completion adjustments.

(1) Incitec Pivot management is comfortable with analysts' forecasts, and acknowledges they are subject to the normal caveat of adequate rainfall during the winter cropping period and reasonable water allocations in the cotton market. Consensus includes research from ABN Amro (2-May-06), Credit Suisse (2-May-06), Macquarie Bank (2-May-06) and UBS (1-May-06).

(2) Financials for CY05. Financials reflect an average A$/US$ exchange rate of 0.76c, average DAP price of US$247/tonne FOB and sales volume of 907kt.

(3) Includes $4 million p.a. depreciation relating to gypsum cell.

(4) Assumes no change in ocean freight differential.

Key Risks of SCF Acquisition

Earnings Sensitivities	▶ Import parity pricing links earnings to changes in global commodity prices, exchange rate and ocean freight differential
Peak Cycle Earnings	▶ DAP price currently trading at historical high in US$ terms ▶ Softening anticipated as further supply comes onstream, however, may be somewhat mitigated by any depreciation of A$/US$ ▶ Cost structure supports profitability through the cycle
Inelastic Cost Base	▶ Relatively high proportion of fixed costs due to integrated or contracted raw materials supply, fly-in / fly-out operations and inland location
Exposure to Weather	▶ Rainfall is a key factor in determining demand ▶ Mitigated by flexibility to supply offshore markets
Competitive Environment	▶ SCF is the only domestic DAP and MAP manufacturer ▶ Ocean freight differential mitigates risk of displacement from imports
Capital Expenditure Requirements	▶ Significant continuing sustenance capital expenditure requirements ▶ 2006 shutdown to be completed prior to completion of acquisition by Incitec Pivot
Operational Risks	▶ Historically impacted by a number of unforeseen plant outages, now addressed ▶ Future operations underpinned by ongoing maintenance and ongoing capital expenditure ▶ Integration risk

Incitec Pivot believes risks of the acquisition are manageable

4. Selective Buyback

Selective Buyback Overview

- Agreement with Orica to undertake a selective buyback of Orica's residual 15% holding[1]

Buyback Price	- Selective buyback price agreed at Orica selldown price - Number of shares bought back will be adjusted so that maximum consideration is not more than $165 million, with balance sold via the Orica selldown
Funding	- Debt funded through underwritten credit facility
Other Agreements	- Arms-length agreement of ongoing commercial supply agreements - Separation Deed signed governing transition agreements - Ammonia swap and sale / purchase agreement with Orica to continue, underpinned by Orica's agreement to have first right on Gibson Island if Incitec Pivot chooses to sell this asset
Key Conditions Precedent	- 75% shareholder approval at an EGM - Completion of Orica selldown - No termination of Debt Underwriting Agreement
Termination Events	- Orica sells shares pursuant to a takeover offer - Conditions precedent not satisfied by 31 August 2006

(1) Total shares bought back may be less than 15% depending upon final buyback price.

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Benefits of Selective Buyback and Orica Selldown

- ☑ Allows greater access to capital markets to fund growth
- ☑ Delivers earnings per share accretion
- ☑ Creates a more efficient capital structure
- ☑ Further enhances free float and expected trading liquidity following Orica sell-down
  - ▶ Likely to be considered for inclusion in S&P/ASX200 Index

5. Transaction Funding and Pro Forma Financial Impact

Transaction Funding and Separation Costs

Sources and Uses	
Sources of Funding	
Debt Funding	$335 million
Total Sources	**$335 million**
Uses of Funding	
SCF Acquisition	$165 million(1)
Selective Buyback	$160 million(2)
Transaction / Separation Expenses	$10 million(3)
Total Uses	**$335 million**

- Fully underwritten debt funding
  - 5 year unsecured term debt facilities
- Expected increase in ongoing costs of $2 million as a result of Orica separation

(1) Includes expenses associated with the SCF acquisition.
(2) Based on buyback price of $18.30 which Incitec Pivot understands is the bottom of the proposed bookbuild range to be conducted by Macquarie. Total consideration may be up to $165 million, depending on final buyback price.
(3) Includes transaction and separation expenses for selective buyback only (not SCF acquisition).

Funding has been underwritten providing transaction certainty

Pro Forma Earnings Impact of Combined Transactions

- Analysis based on consensus FY06E earnings outlook for Incitec Pivot and FY05 earnings for SCF

Illustrative Pro Forma EPS Accretion

($ in millions)

IPL Consensus FY06E NPAT	**77.7**
IPL Consensus FY06E EPS	**$1.33**
Adjusted for SCF[1]:	
NPAT Impact	34.3
Adjusted for Selective Buyback[2]:	
Post Tax Interest Cost	(8.3)
NPAT Impact	(8.3)
IPL Pro Forma FY06E NPAT	**103.7**
IPL Pro Forma Shares[3]	**49.6**
IPL Pro Forma FY06E EPS	**$2.09**
Accretion	***57.0%***

Illustrative Sensitivity to DAP Price

($ in millions)

DAP Price (US$)	$200	$220	$240	$260	$268
SCF EBITDA Impact					
DAP Price	(56.1)	(32.2)	(8.4)	15.5	25.1
FX	3.2	3.5	3.8	4.1	4.3
FY05 Adj. EBITDA	19.6	43.8	68.0	92.2	101.8
IPL EPS Pre Buyback	$1.29	$1.58	$1.87	$2.16	$2.27
Pre Buyback Accretion	*(3.6%)*	*18.2%*	*40.0%*	*61.8%*	*70.5%*
IPL EPS Post Buyback	$1.34	$1.69	$2.03	$2.37	$2.51
Post Buyback Accretion	*0.8%*	*26.5%*	*52.1%*	*77.7%*	*88.0%*

(1) Based on SCF financials for CY05.
(2) Illustrative analysis conducted at $18.30 which Incitec Pivot understands is the bottom of the proposed bookbuild range to be conducted by Macquarie. Total consideration may be up to $165 million, depending on final buyback price.
(3) Assumes Orica's entire 15% residual holding is bought back. Total shares bought back may be less than 15% depending upon final buyback price.

The combined transactions are expected to be significantly earnings accretive

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Capital Structure

- Analysis based on 31 March 2006 reported balance sheet and consensus FY06E earnings outlook

($ in millions)

	31-Mar-06 AIFRS $M	Adjustments for SCF[1] $M	Adjustments for Buyback[2] $M	31-Mar-06 Pro Forma $M
Net Debt	138	165	170	473
Equity	532		(170)	362
Net Debt / FY06E EBITDA	**0.9x**			**2.1x**
Net Debt / FY06E EBIT	**1.2x**			**2.6x**
Net Debt / Total Capitalisation	**20.6%**			**56.6%**
FY06E EBIT / Interest	**13.5x**			**5.5x**

(1) Pre completion adjustments. SCF financials based on CY05, refer p19 for details.
(2) Illustrative analysis conducted at $18.30 which Incitec Pivot understands is the bottom of the proposed bookbuild range to be conducted by Macquarie. Total incremental net debt may be as high as $175 million if buyback cap of $165 million is reached.

- Following the exit by Orica, Incitec Pivot will continue to target a dividend payout ratio of approximately 65-75% through the cycle and will frank dividends to the maximum extent possible
- However, given regearing, special dividends are unlikely

Pro forma leverage retains flexibility with EBIT/interest cover >5x

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Conclusion

- SCF is a strong strategic fit with Incitec Pivot
  - Natural extension of Incitec Pivot's core manufacturing capability
  - Expected to deliver average 18% RONA through the cycle
  - 100% debt funded
- Selective buyback of up to 15% is attractive
  - 100% debt funded
- Combined transactions are significantly earnings accretive
- Efficient capital structure with suitable financial flexibility

6. Timetable to Completion

Indicative Timetable

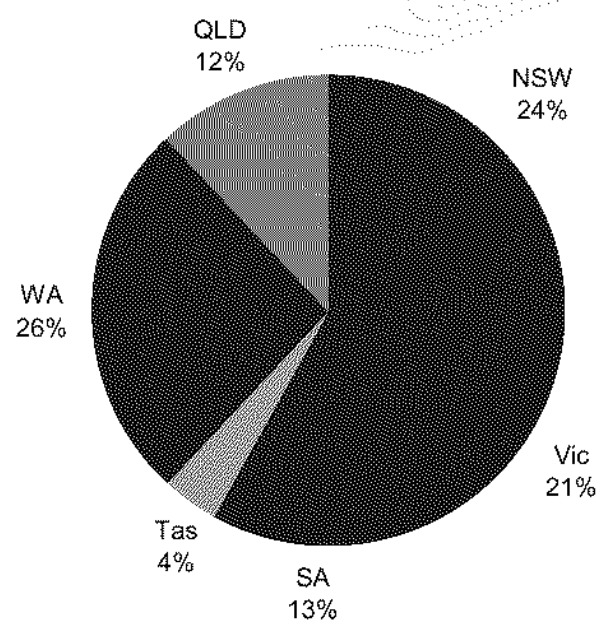
▶ Explanatory Memorandum dispatched	Late May
▶ Shareholder meeting to approve selective buyback	Late June / Early July
▶ Selective buyback completion and proceeds to Orica	Late June / Early July
▶ Settlement of SCF acquisition	By end July

Anticipated completion of transactions by end of July

Appendix Industry Overview

Australian Fertiliser Demand By Region & Use

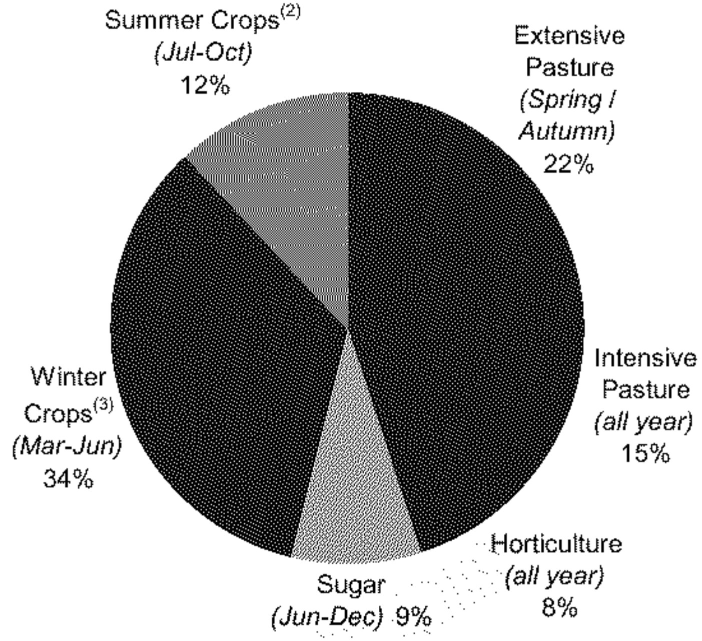
Australian Fertiliser Consumption by State (1)



2004 Demand ~ 5.4 million tonnes

Note: WA market primarily comprises CSBP (80%) and Summit (20%). Market is largely exposed to cropping.
(1) Measured by volume.

East Australian Fertiliser Consumption by Use (1)



2004 Demand ~ 4.0 million tonnes

(1) Measured by volume.
(2) Summer crops include cotton, sorghum and rice.
(3) Winter crops include wheat, barley and canola.

The East Australian fertiliser market represents approximately 70% of Australian demand and is well diversified in terms of sector exposure

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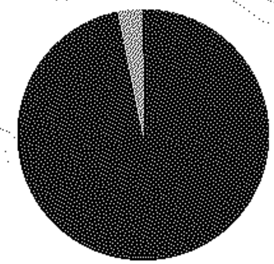
East Australian Fertiliser Participants

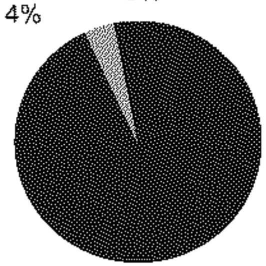
Importer / Wholesale Distributors (1)



- Industry dynamics changed in 2005 when Elders and Landmark, two major Australian rural service companies, combined to acquire HiFert, the #2 market player
- Strong support from the independents has underpinned Incitec Pivot's leading market position
- Incitec Pivot has also recently concluded supply agreements with ELF

(1) Measured by volume.
(2) HiFert is 100% owned by ELF, an Elders-Landmark consortium.

Retail Channel (1)



- Fragmented market with 1,000 independent rural outlets
- 7 out of 10 farmers choose to buy fertiliser from the independents

(1) Measured by volume.

Incitec Pivot leads the East Australian market with a 65% market share by volume

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Appendix Risks

Key Risks Associated with Incitec Pivot

Exposure to Weather	▸ Rainfall is a key factor in determining demand ▸ Partially mitigated through diversity of customer base
Agricultural Risk	▸ Demand for fertiliser is impacted by rural incomes, soil moisture profiles and crop selection and rotations which, in turn, influence changes in nutrient requirements and products
Exposure to Exchange Rate	▸ Movements in the A$/US$ exchange rate may have adverse financial implications ▸ From time to time Incitec Pivot enters into hedging contracts to hedge some of this exposure
Exposure to Commodity Prices	▸ Prices of fertiliser in the Australian market are generally based on import parity and domestic competition ▸ Movements in global commodity prices may therefore have adverse financial implications
Operating Risks	▸ Normal risks of fertiliser manufacturing include the timely and economic supply of raw materials, energy, water and labour and the ongoing availability and efficient use of production machinery
Competitive Environment	▸ The Australian fertiliser industry is characterised by low barriers to entry and a number of major international fertiliser groups have established, or are establishing, a presence in the market ▸ An increase in domestic competition has the potential to significantly impact domestic fertiliser prices and sales volumes
Environmental Exposure	▸ In operating fertiliser manufacturing plants, there are a number of environmental risks which can lead to remediation obligations