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ASX ANNOUNCEMENT – 3 February 2009

2009 Update

Incitec Pivot Limited (ASX: IPL) today announced that, while the business performance for quarter 1 2009 (October – December 2008) had been in line with expectations, the outlook had deteriorated materially in January 2009. This is a result of the significant slowing of the global economy, with the US economy now in recession and, importantly, Asian economies have followed rather than being decoupled.

“January 2009 has seen a slower than expected pick up in international demand for fertiliser. Consequently, while we believe fundamentals remain strong and markets will eventually improve when demand returns, recent developments indicate that this may not occur until the second half of calendar year 2009, after the Australian winter crop planting window. This view is consistent with the news flow from major international industry participants released in January” said Managing Director & Chief Executive Officer, Julian Segal.

In the Dyno Nobel explosives business, the North American business has slowed, with coal production cutbacks in the Powder River Basin and accelerating softness in the quarrying and construction sector. In Australia, 2009 demand is now expected to be on par with 2008 and the actions taken by mining companies, in response to the global economic situation, have directly impacted forecast ammonium nitrate (AN) demand growth in the medium term.

The forecast lag in Queensland AN demand growth pushes the demand and supply balance out 12 months to 2014 rather than 2013. Consequently IPL has reviewed the implications for the off-take loading of the planned 330kt Moranbah AN facility.

2009 Profitability based on current spot prices

Consistent with the developments in January, IPL’s 2009 earnings are likely to be adversely impacted. Assuming current market conditions prevail, and taking into account the difficulty in forecasting expected full year earnings in the current economic environment, 2009 full year net profit after tax (NPAT) before individually material items is likely to be circa A\$450M. Individually material items, primarily relating to the Velocity efficiency program, are likely to be an after tax cost of A\$50M.

Key assumptions underpinning the forecast are average Di-Ammonium Phosphate (DAP) pricing of US\$410/t and Urea pricing of US\$300/t and A\$/US\$ exchange rate of 70 cents. Based on the revised forecast, the profit sensitivities are:

- +/-US\$10 DAP price = +/- A\$12.9M EBIT
- +/-US\$10 Urea price = +/- A\$6.1M EBIT
- +/-1 cent A\$/US\$ = +/- A\$15.9M EBIT

Pricing and market conditions may vary from these assumptions. They should therefore be used with care.

Revised Moranbah completion

Following the revised forecast AN demand growth for Queensland coal, IPL has decided to slow the construction of the AN facility at Moranbah in Queensland to better align demand and supply. During this period the project focus will be on detailed design engineering.

“We remain confident about the future of this project and the value it will deliver to IPL. However, as demand growth is forecast to pause, we consider it prudent to align supply to match demand” Mr Segal said.

While mechanical completion will now be up to 12 months later than planned, beneficial operation will commence from quarter 4, calendar year 2011, only 6 months later than previously expected.

“Allowing for the revised timeline, the project still meets IPL’s strict financial criteria” Mr Segal said.

“We have commenced discussions with our alliance partners for the project, United Group Resources Pty Ltd, Bilfinger Berger Services (Australia) Pty Ltd and BGC Contracting Pty Ltd.”

“It is regrettable that there will be temporary job losses in the Moranbah community as a result of this decision” Mr Segal said.

Kerry Gleeson Company Secretary

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About Incitec Pivot

Incitec Pivot (ASX: IPL), an S&P/ASX Top 50 company, is a leading global company which manufactures, markets and distributes a range of fertilisers, industrial explosives, related products and services to customers around the world. A leader in its chosen markets, the Company holds a portfolio of recognised and trusted brands and is the No. 1 supplier of fertilisers in Australia and the No 1 supplier of industrial explosives, related products and services in North America. Employing more than 4,400 people, IPL owns and operates 20 manufacturing plants in the USA, Canada, Australia and Mexico and has joint venture operations in Turkey, South Africa, Malaysia and China.

Forward-looking statements

This announcement includes forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of IPL, and which may cause actual results to differ materially from those expressed in this announcement.