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Questioning Market Leaders For Long Term Investors

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THE WALL STREET TRANSCRIPT

COMPANY INTERVIEW

DOUGLAS A. PERTZ
IMC Global Inc.

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IMC Global Inc. (IGL)



DOUGLAS A. PERTZ is Chairman of the Board, President and Chief Executive Officer of IMC Global Inc., headquartered in Lake Forest, Illinois. Mr. Pertz joined IMC Global in October 1998 as President and Chief Operating Officer and a Director. He was elected Chief Executive Officer, effective October 1999, and Chairman of the Board in October 2000. He previously served as President and Chief Executive Officer for Culligan Water Technologies, Inc., positions he had held since January 1995. Under his leadership, Culligan revenues more than tripled through an aggressive growth program that accelerated internal growth and completed and integrated more than 60 strategic acquisitions. Mr. Pertz was also responsible for taking Culligan public in December 1995, listing

the company on the New York Stock Exchange and, more recently, completing its sale in June 1998. Prior to joining Culligan, Mr. Pertz was a Group Vice President of Danaher Corporation, and held executive-level positions at Onan Corporation and Caterpillar, Inc. While at Caterpillar, he lived in Hong Kong, Malaysia and Singapore. Mr. Pertz is Vice President, United States, and a member of the Board of Directors of the International Fertilizer Industry Association. He is also a member of the Board of Directors of The Fertilizer Institute, The Chicago Council on Foreign Relations and The Mid-America Committee. He is a member of the National Mining Association, The Economic Club of Chicago, the Executives' Club of Chicago, and the Young Presidents' Organization. Mr. Pertz earned a Bachelor of Science degree in Mechanical Engineering from Purdue University in 1975.

SECTOR – AGRICULTURAL CHEMICALS
(NAT624) TWST: Would you begin with a brief historical sketch of IMC Global Inc.?

Mexico and, later, some of the first production of Canadian potash in our Esterhazy, Saskatchewan, mines in the early 1960s.

Mr. Pertz: IMC Global and its predecessor companies have been leaders in the phosphate and potash crop nutrient, or fertilizer, industries since the early 1900s. The original company was known as International Agricultural Corporation in 1909, when it began mining and processing phosphate in the southeastern part of the United States. It began as a

major potash fertilizer player when it opened up operations in the early 1940s in Carlsbad, New

and has been headquartered in the Chicago area since then. The company was renamed International Minerals & Chemical Corporation, better known as IMC, in 1942

In an IPO spinout from its parent company in early 1988, the company became IMC Fertilizer Group, traded on The New York Stock Exchange, and then, in 1994, was renamed IMC Global to better re-

fect its strong worldwide market positions in fertilizer. The company has expanded its phosphate

Highlights

IMC Global is the largest global producer and supplier of concentrated phosphates and potash fertilizers. It is also a major provider of phosphorus and potassium feed supplements for the animal nutrition industry. CEO Douglas A. Pertz says that the company is focusing on strengthening its balance sheet and stressing a continuous improvement culture that is designed to give IMC Global a sustainable competitive advantage in the future. He says that the company has suffered from the phosphate downturn of the past few years, but it also is now best positioned to derive the greatest benefit on the upside. Its earnings and cash flow leverage to improved DAP prices and volumes is significant and he believes the factors are all in place for a recovery in the phosphate industry worldwide beginning in 2002.

and potash mineral reserves and production capacity over the years, including through acquisitions. One of these acquisitions, in March 1996, was The Vigoro Corporation of Chicago, a move that doubled IMC's annual potash capacity to close to what it is today — some 10 million short tons. Earlier, in mid-1993, IMC Global also expanded its phosphate operations and capacity through a joint venture with Freeport-McMoRan's phosphate business and, later in late 1997, by purchasing Freeport's interest in the partnership. Today, as I will no doubt emphasize elsewhere in this conversation, IMC Global is the world's lowest-cost leader in the production and sale of concentrated phosphates and potash crop nutrients through its large and efficient North American operations and distribution network. IMC Global sells more tons of potash and phosphates annually than any other company. We also are one of the world's top producers and sellers of phosphorus and potassium feed supplements for the animal nutrition market (cattle, hogs and poultry), which makes for a strong adjunct to our base fertilizer operations.

"Today IMC Global is the best-positioned company in our industry to maximize its earnings and cash flow as global phosphate conditions begin to improve in 2002 and beyond."

TWST: Would you break down what you're doing to give us an overview of the company and your strengths, etc.?

Mr. Pertz: IMC Global is very well-positioned as the worldwide leader in both phosphates and potash, which are two of the three primary crop nutrient categories. We're fully integrated in our two nutrient product lines, which is a key to our low-cost production and overall efficiencies. We produce from the ground up, with surface min-

ing at our four large Florida rock mines through our finishing plants in Florida and Louisiana on the phosphate side and, in the potash area, through several smaller locations in the US and then predominantly in Canada, from four major mining and processing sites in Saskatchewan. Our vast and low-cost distribution operations allow us to move some 14-15 million tons of phosphate and potash annually to North American and overseas customers. We also have about 30 years of high quality phosphate rock reserves in Florida and more than a century of potassium chloride (KCl), or potash, nutrient reserves in the US and Canada.

Both phosphates and potash, I think, are very similar in terms of their more favorable industry structures in the global fertilizer business. Both have relatively limited mineral reserve bases worldwide from which they can be economically and efficiently mined. And both crop nutrient categories have high barriers to entry and generally require significant amounts of capital and long lead times as well as operations that are highly integrated from, again, the mining all the way through the chemical finishing process. This is in sharp contrast to nitrogen, or ammonia, which is the third primary crop nutrient and where natural gas is essentially 80% or more of the product's cost structure. Natural gas, obviously, is not as integrated and does not have the more difficult barriers to entry like potash or phosphates in terms of the mining and the production process. And natural gas is abundantly available throughout the world and often as a by-product or as a low-cost portion of product from oil operations. This is particularly true in the North American marketplace from areas such as Venezuela, Trinidad and Qatar.

When one examines the global industry composition for each of the three crop nutrients, it is clear that for both potash and phosphates, though

Investors Brief



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agricultural and industrial customers. It has an annual capacity of 10.1 million short tons representing 14 percent of global capacity and 37 percent of North American capacity. Its primary products are red muriate of potash (potassium chloride), white muriate of potash (potassium chloride), potassium magnesium sulphate (K-Mag® and Sul-Po-Mag®), and potassium sulphate.

Feed Ingredients

Feed ingredient products from IMC represent one of the largest and lowest-cost phosphate and potassium animal feed supplement product lines in the world.

Market Position

IMC Global plays a prominent role in the production of the world's food supply. As the world's largest and lowest-cost producer and seller of concentrated phosphates and potash fertilizers, and one of the world's largest producers of animal feed ingredients, the company provides the international agricultural community with nutrients to nourish the land and animals that feed an ever-increasing global population.

What has enabled IMC Global to expand into a worldwide operation is its ongoing commitment to producing innovative, environmentally friendly and cost-efficient solutions to feeding the earth's rapidly growing population. Through the company's agronomic research and the use of its crop nutrients, growers are able to produce higher crop yields and ultimately a greater amount of food on the same amount of arable land.

IMC Global also is recognized as an international leader in promoting advances in food production. Through its ongoing series of World Food Production Conferences, the company provides a unique forum for the world's leading agronomists, economists, trade experts and government policy leaders. These conferences have occurred throughout the world for more than 45 years and allow leaders to openly discuss and debate agricultural trends, conditions and advances. The collective goal of conference participants is to find solutions for achieving global food security and forever end the human misery of hunger and malnutrition. The most recent conference, held in Melbourne, Australia, attracted more than 200 leaders from the global agricultural community. They came from 35 countries and represented the highest levels of industry, academia, research and government. IMC Global is the only company in the world to sponsor this type of event.

IMC Global moves into the new millennium well positioned to meet this growing need for food and better diets. With its award-winning environmental practices, modern facilities, and a highly skilled and motivated work force, IMC Global is prepared for tomorrow's challenges and opportunities.

Corporate Business Description

IMC Global Inc. serves world agriculture as the largest global producer and supplier of concentrated phosphates and potash fertilizers. The company also is a leading provider of phosphorus and potassium feed supplements for the global animal nutrition industry.

IMC Global had revenues and EBITDA cash flow from continuing operations in 2000 of \$2.1 billion and \$398 million, respectively.

PRODUCTS

Phosphates

IMC is the world's leading and lowest-cost producer of concentrated phosphates. IMC's phosphates business, the world's preeminent phosphate company, has an annual capacity of 8.5 million short tons of concentrated phosphates from approximately 4 million short tons of phosphoric acid, representing 9 percent of global capacity and 30 percent of U.S. capacity. Principal products include diammonium phosphate (DAP), monoammonium phosphate (MAP) and triple superphosphate (TSP). Its four central Florida phosphate rock mines have an annual capacity of about 18 million short tons. Proven rock reserves of about 475 million short tons represent an operating life of nearly 30 years at current production rates. The company's feed ingredients business, with an annual capacity of about 800,000 short tons, features a well-known line of branded mineral nutrient products, including Biofos®, Dynafos®, Multifos®, Monofos® and Dyna-K®.

Potash

The world's premier potash company, IMC's potash unit is the industry's low-cost producer with the broadest product offering for

probably a little less so, the industry structure is superior to that for the nitrogen market. The worldwide potash industry is relatively consolidated, which has provided for historically stable pricing and an equally stable supply/demand environment, conditions which we believe should continue in the years ahead. Phosphate is less consolidated but it is still much more consolidated than the ammonia fertilizer industry. Phosphate pricing is cyclical, driven by worldwide supply and demand. Nitrogen, on the other side, is a highly fragmented business and very regional; pricing is very volatile, driven by supply and demand as well as, obviously, gas pricing and the ease of entry into the business. To emphasize, IMC Global is the world's lowest-cost and largest producer of both concentrated phosphates, primarily diammonium phosphate (DAP) and monoammonium phosphate (MAP), and potash, the most common form being muriate of potash (MOP). Interestingly, IMC Global is the largest buyer of ammonia in North America, and perhaps worldwide, as ammonia is a key raw material in the production of concentrated phosphates. So we are able to leverage our size in phosphates to buy ammonia generally at prices slightly below spot market levels in the Gulf of Mexico. Ammonia prices have been falling throughout much of 2001 in the Gulf, which has been good for IMC's cost structure.

We think this is a strong position to be starting from. You then can add IMC Global's number-one North American market shares to the more favorable structures and characteristics of potash and phosphates versus nitrogen in the global fertilizer industry. We have the strongest platforms in both potash and phosphates, with a 50% potash market share in North America and a more than 30% share in the phosphate business.

For IMC, our PhosFeed business — which includes our very steady, but smaller animal feed ingre-

dients operations — constitutes about 60% of our annual worldwide revenues, with potash at about 40%; 50% to 55% of our annual sales are exports, primarily to Asia, Latin America and the Indian subcontinent.

“IMC Global is uniquely positioned as the leader in the global phosphate fertilizer business, suffering much from the downturn of the past few years, but also deriving the greatest benefit by far on the upside. Our earnings and cash flow leverage to improved DAP prices and volumes is significant and material!”

Cash flows generated from our core businesses during mid-cycle pricing levels is almost equivalent to our ratio of revenues — roughly 60% for PhosFeed and 40% for potash. As an example, in 1998, our PhosFeed business generated about \$450 million in EBITDA cash flow. And in 2000, our potash business generated just under \$300 million in EBITDA cash flow, one of its best years ever. So this cash flow split between phosphates and potash is much like the proportion of our segment revenue generation, or the 60/40 split. These are strong and solid cash flow businesses. Unfortunately, we have experienced bottom-of-the-cycle conditions for nearly three years in phosphates, which went through previous, but shorter, cyclical downturns in 1993 and 1986. This has dramatically reduced the business's cash flows versus the strong levels of 1997 and 1998 during mid-cycle conditions. Fortunately, our potash business has continued its steady and solid performance. We have instituted aggressive and sweeping actions during this depressed phosphate period in terms of cost reductions and industry-leading, supply-side management. Today IMC Global is the best-positioned company in our industry to maximize its earnings and cash flow as global phosphate conditions begin to improve in 2002 and beyond.

TWST: Could you sketch out your strategic direction for the next two or three years?

Mr. Pertz: Let me first give a little more background on the competitive phosphate environment and, specifically, where we are today with the supply-and-demand situation because this is really the key to IMC's recovery and improvement in earnings and cash flow to the more robust levels of a few years ago.

"We have instituted major production cutbacks to help improve the supply-and-demand balance and, just as importantly, achieved huge cost reductions and "rightsized" our business so we are uniquely positioned to enjoy the benefits of the cycle upturn. Unlike many of our competitors, we've taken dramatic amounts of cost out of our operations. We believe this positions IMC Global well into the future as a global leader in phosphates, potash and animal feed ingredients."

It's important to start with where we are in the business cycle. First, over the last few years, North American crop prices — such as for corn, soybeans and wheat — have been at relatively depressed levels due primarily to high grain inventories and lower exports. This has hurt fertilizer consumption by farmers as they have sought to hold down their input costs wherever possible. But more importantly, specifically even more so for our business, global phosphate pricing has been at the bottom of its cycle; this is particularly evident if you look at a 20-year spot price chart for diammonium phosphate, or DAP, the key phosphate product in world trade. In other words, the supply and demand of phosphates has been out of balance, which began to drive down pricing starting in the second half of 1999, and, therefore, IMC's cash flow and earnings as the worldwide leader in the business. What are the causes for this? Well, in early 1999, new greenfield phosphate capacity to-

taling about 2.5 million metric tons of DAP annually started to be built in the key markets of India and Australia. This was largely fueled or encouraged by three or four years of good, mid-cycle phosphate pricing and margins from which investments in new plant projects could be economically justified. This large amount of capacity all at once pushed the supply/demand situation out of balance and dramatically weakened world selling prices, in fact, probably close to \$50 per ton over the course of a little more than six months. However, as this excess supply was absorbed in the marketplace over the course of one and a half to two years going into 2001, aided significantly by IMC's unprecedented permanent and indefinite production cutbacks, we started to see a slight recovery in the industry's supply/demand equation and spot prices as well. Unfortunately, the market was then hit by a significant "demand shock" in March and April of this year from China, the world's largest importer of phosphate, or DAP, by a wide margin. The Chinese government announced a new quota level that would allow DAP imports in 2001 of only about 2 million metric tons versus prior-year imports of 4 million tons based on a first-ever Chinese annual quota of 3.8 million. Obviously, this was very tough news for a phosphate market that truly was triggered by the new Indian and Australian plants. The unprecedented China action in the spring of 2001 — most of it political, in our view, to press their case for World Trade Organization (WTO) admission — caused a severe global phosphate demand shock. The spot DAP price dropped another \$25 or so per ton through the summer and early fall to its lowest level in this downturn as supply-and-demand again was out of balance. Obviously, our sales volumes suffered, too, in addition to price, as IMC is one of the two largest suppliers of DAP to China. The initial 2001

quota was raised some more by China later on so that actual imports will end up at around 3 million tons, well below the 4-million-ton level of 2000 and still higher levels of about 5 million tons throughout much of the 1990s. Today, the good news is that China has come back into the market in the fourth quarter of 2001 with extremely strong DAP orders as it became clear that the country was in the process of being admitted into the WTO. All of the questions going into 2002 and beyond regarding Chinese phosphate quotas have now been largely taken out of the equation. Beginning in 2002, under an agreement with the US implemented upon WTO accession for China, a new tariff rate quota (TRQ) program has been started which sets DAP import levels initially at 5.4 million metric tons annually. This quota is to increase about 5% annually to 6.9 million metric tons six years out. So low, restrictive quota levels are no longer a confining issue for Chinese DAP imports from the US, which provides about 95% of China's annual purchases of the product, with IMC one of the two largest individual suppliers. In 2002, the underlying agricultural demand in China for phosphates is clearly there as the country has drawn down its year-ending inventories to very low levels through its restrictive and agronomically unjustifiable 2001 import quota. This underlying Chinese demand has been illustrated by very strong orders of more than 1 million metric tons of DAP in the fourth quarter of 2001, which are for use in China's 2002 spring planting season. We anticipate — and probably more importantly, industry consultants and some Wall Street analysts suggest — that Chinese DAP imports in 2002 will likely be closer to the 4 million metric ton level, an amount we saw in 2000 but still below China's annual import levels of 4.5 to 5.5 million metric tons in the mid-to-late 1990s. We expect Chinese or-

ders, as well as other international buying, to start pushing demand back up in the global marketplace in 2002 and beyond. In fact, the supply/demand picture is already showing early signs of a tightening situation. Third-party confirmation of a start in the recovery from the bottom of the phosphate cycle comes from well-known industry consultants, FERTECON and British Sulphur, both of London. They both project a steady upturn in worldwide phosphate demand, led by China following its WTO admission and the implementation of its TRQ policy, and, therefore, increased capacity utilization rates and selling prices over the next several years. DAP export prices, in fact, have already risen in the last two months by about \$15-20 per metric ton. The additional good news is that there are no major new phosphate greenfield projects in sight as depressed conditions over the past few years have rendered such moves uneconomical. Several projects have been cancelled and a couple of US DAP producers are in bankruptcy or liquidation proceedings.

"IMC is uniquely positioned in the industry to have meaningful upside leverage in cash flow and earnings. At the same time, we expect our potash and animal feed businesses to remain solid contributors to our ongoing results."

During the phosphate downturn we've experienced over the last several years, IMC Global has clearly played the major role in our industry as the swing producer. In fact, in 2001, our Louisiana phosphate operations, which constitute about 45% of our system-wide capacity, were totally shut down for seven months. Now this seven months of downtime helped to better balance supply-and-demand and, we think, likely prevent DAP pricing from falling further than it did — to the \$130-135

per metric ton range. But this aggressive action, along with the shutdown of our four rock mines for two months for inventory control, has hurt IMC to the tune of about \$58 million in idle plant costs in 2001. I am happy to note that this amount is expected to drop sharply in 2002 to only about \$10 million since we plan to operate our phosphate production system at the current rate (which is still at a reduced level) as a result of increased Chinese demand and with the beginning of a phosphate market recovery apparent. Most notably, China has already signed major, new DAP contracts for 2002 that are a minimum of 3 million metric tons, of which PhosChem, the US phosphate export association, has over 2 million (plus options for another 500,000 metric tons). IMC Global is the largest member of PhosChem with an approximately 65% share. So this means that IMC Global will have more sales volume in 2002 and a major reduction in our idle plant costs versus 2001, along with lower natural gas costs. These factors, among others, are expected to help improve our earnings and cash flow results in 2002 compared with 2001's bottom-of-the-cycle levels.

Let me emphasize again that IMC Global is uniquely positioned as the leader in the global phosphate fertilizer business, suffering much from the downturn of the past few years, but also deriving the greatest benefit by far on the upside. Our earnings and cash flow leverage to improved DAP prices and volumes is significant and material. We believe the factors are in place for a turnaround in the phosphate industry and better times ahead.

Helping to improve the phosphate market, we think, should be stronger fertilizer consumption levels for this spring's North American crop planting season. This includes potash, too. As your readers may know, nitrogen fertilizer pricing was extremely high going into the March/April time

frame of 2001, as natural gas prices spiked over the winter of 2000-01 and gas constitutes some 80% of the cost of producing a ton of ammonia fertilizer. This caused many US farmers to focus on getting nitrogen applied first in their fields somewhat at the expense of dollars for phosphate and potash usage. Farmers also shifted to planting more soybeans and wheat, and away from corn by about 3% or 4%. Corn is the highest user of fertilizer per planted crop acre. We see a shift this spring back to more corn acre plantings and, along with lower nitrogen prices from reduced gas prices, this bodes well for higher phosphate and potash applications as farmers generally need to replenish these depleted nutrient levels in the soil.

"It's very important that everyone throughout the corporation, from the phosphate dragline operator to the potash shipping manager, knows that he or she makes a difference and that they can play a key role in achieving our vision and our goals and objectives. It's good for everybody in the company; our employees have to be a committed part of the process to fully maximize the benefits."

TWST: Would you sketch out your strategic direction for the next few years?

Mr. Pertz: First, it is important to review recent history in terms of our acquisition record and how we have been positioned as a result.

In December 1997, IMC Global purchased Freeport-McMoRan's minority position in our phosphate joint venture, which started in mid-1993, as I mentioned earlier. The goal was to expand and consolidate our phosphate business by gaining strategic and operating control of the joint venture, which was good for the phosphate industry structure. But this expensive \$1.1 billion Freeport merger also resulted in IMC assuming more debt and adding more shares

outstanding. We then took on additional debt of about \$1.5 billion in April 1998 through our purchase of privately-held Harris Chemical Group and resulting expansion outside of our core phosphate, potash and animal feed businesses. The Harris purchase brought IMC businesses in salt, specialty potash, soda ash and boron chemicals. Looking back, IMC's prior management obviously paid a higher price than it should have for the Harris businesses, as well as taking on non-core operations such as soda ash, boron chemicals and sodium bicarbonate. The result, which was exacerbated shortly thereafter by the unforeseen start of a significant and prolonged phosphate market downturn, was that the company had added far too much debt to the balance sheet. Since I became CEO in October 1999, our focus has clearly been to strengthen the balance sheet through reduction of our high debt level. We have made substantial progress in this area from the sale of non-core businesses in late 2001. The divestiture of our salt business was recently completed for about \$640 million, of which we already have received \$600 million in cash to pay down debt. IMC also retains a continuing equity interest in the salt business. We also recently sold our Australian soda ash business for \$43 million. These divestitures have enabled us to significantly reduce debt, completely pay down our bank revolver, and satisfy all liquidity and debt maturity obligations well into 2003. We also have improved our focus on free cash flow by reducing capital expenditures over the past few years to a level which we think can be largely maintained for at least the next several years. Maximizing free cash flow is a high priority for IMC Global now and in the future.

A second strategic focus is positioning IMC as the low-cost producer in our core businesses of phosphate and potash. Over the last two and a half years, we've taken dramatic steps to assure this with company-wide cost reductions of about \$160

million, including \$140 million in our phosphate business alone. We have implemented many steps — including permanently closing a DAP plant and two phosphate rock mines in Florida, consolidating potash mining to maximize efficiency, exiting non-core businesses such as oil and gas and uranium, reducing our employee headcount by 15% to 20%, and cutting our fixed costs significantly. This has positioned IMC as the low-cost phosphate producer through our Florida operations, as well as overall in our North American potash business. I think it's important, though, to note that we're not stopping here with our cost-reduction focus. We have launched important new continuous improvement programs. And I think it's more than just programs — it's a continuous improvement culture across IMC Global that we are instituting.

I'm personally committed to this program and to this direction. A key component was the launch in 2000 of our Six Sigma cost-reduction program and tools. We now have nearly 20 "Black Belts," more than 125 "Green Belts," and some 40 cost-reduction programs in place through Six Sigma that should generate about \$8 million in annualized savings. This will help assure that IMC has a continuous, competitive advantage.

Over the past several years, IMC Global has experienced the difficult times of the down cycle in its core phosphate business. But we have not merely waited for the upturn during this period of time. We have instituted major production cut-backs to help improve the supply-and-demand balance and, just as importantly, achieved huge cost reductions and "rightsized" our business so we are uniquely positioned to enjoy the benefits of the cycle upturn. Unlike many of our competitors, we've taken dramatic amounts of cost out of our operations. We believe this positions IMC Global well into the future as a global leader in phos-

phates, potash and animal feed ingredients. If we look back to 1998, the last mid-cycle pricing period before the phosphate downturn began in 1999, IMC's PhosFeed business generated \$450 million in EBITDA cash flow. Unfortunately, over the two-year time period between 1998 and 2000, phosphate prices and volumes unfavorably impacted our business by more than \$380 million. Our idle plant costs in 2001 have been another unfavorable impact of about \$50 million. These are tremendous amounts to overcome. Yet cost reductions of about \$140 million in our phosphate business over the last several years dramatically offset key pieces of this unfavorable amount. And only with our cost savings were we able to achieve EBITDA cash flow in our PhosFeed business of \$142 million in 2000. The key point, again, is that we are well-positioned for 2002 and beyond. The phosphate market is starting to recover (and we are highly leveraged to it), our idle plant costs are coming way down, and our large cost-reduction programs have solidified IMC Global as the low-cost producer. IMC is uniquely positioned in the industry to have meaningful upside leverage in cash flow and earnings. At the same time, we expect our potash and animal feed businesses to remain solid contributors to our ongoing results.

As an example of our phosphate business leverage, for every \$10 per short ton increase in the price of DAP annually, we gain about \$65 million of EBITDA cash flow and earnings per share of about \$0.30. If we see pricing in the phosphate business similar to the mid-cycle level of \$178 per short ton in 1998, this would translate into an extra \$340-\$350 million of cash flow and an EPS improvement of roughly \$1.60. And these amounts do not even include the impact of reduced idle plant costs and successful cost-reduction programs.

Our near-term strategy is obviously to continue to focus on improving our balance sheet. As I described earlier, we've already taken major steps to do just that. And we will do what needs to be done to maintain our low-cost producer status in the industry, focus on trying to help consolidate our core phosphate industry, and carefully add incremental, low-cost potash capacity as well. With these efforts all aimed at maximizing shareholder value, we think IMC has meaningful upside potential in its results over the next few years. We have worked hard to put ourselves in this position as 2002 unfolds.

TWST: What are your feelings on the subject of acquisitions?

Mr. Pertz: As I noted earlier, the global potash business is relatively consolidated and generally well disciplined. The phosphate business is less consolidated than the potash industry. So we'd like to see — and should see — more consolidation in the phosphate industry. Looking at the three crop nutrient categories on a continuum in terms of their relative attractiveness, potash would be on the one end as the most attractive, phosphate is somewhere in the middle, and ammonia is on the other end. We think that more consolidation, particularly in the phosphate business, is needed. As we continue to improve our balance sheet, we would like to be a participant in that in some way. We wish we could have already been more active during the phosphate industry downturn as there have been a number of compelling opportunities.

TWST: What will you be worrying about over the next couple of years?

Mr. Pertz: We need to make sure we have a company culture of continuous improvement. We have dramatically lowered our cost structure and established IMC Global as the low-cost player in the phosphate and potash businesses, which will con-

tinue to expand at about 3% or more annually with world population growth and an improvement in diets, particularly in developing countries, as the key drivers. We want to combat, or offset, the impact of ongoing cost escalations in our businesses from such factors as inflation, higher utility costs like electricity, increased environmental costs such as land reclamation, and so on. Six Sigma and other important programs will help us do so and, in general, continue to improve in areas over which we have direct control.

From an industry standpoint, we need to make sure that we have more open and unrestricted global markets for our crop nutrient products. The underlying demand for fertilizers will remain solid as the result of population growth, better living standards and changing diets.

TWST: You speak of the changing diets. What specifically did you have in mind?

Mr. Pertz: Global population growth should continue at about 1.5% annually. This drives the consumption of grains, which, in turn, drives higher overall fertilizer usage around the world. Probably just as important is the multiplier effect on that from changing diets, notably in developing countries. I speak of the change from basic grain diets to much higher protein diets, or, looking at it another way, the consumption of more meat, whether it be poultry, pork or beef. As this happens, the demand for grain significantly increases. For example, it takes about seven pounds of grain to produce a pound of beef, four pounds to produce a pound of pork, and so forth. This drives the requirement for more grain output on a generally finite amount of arable land in the world. And fertilizers, especially phosphate and potash which are generally underapplied in the soils of farmland in developing countries, play a major part in increasing crop yields. It is said that proper fertilization accounts for at least one-third of a crop's yield.

TWST: Is there anything in the world situation, especially the way it's changed recently, that will impact on you very much over the next few years? What do you have to be concerned about there?

Mr. Pertz: The tragic events of September 11, 2001, and ongoing conflicts in the Middle East have had no measurable impact on IMC Global, and we don't anticipate they will in the future. The one development that is having a major positive impact is China's admission into the WTO, which hopefully signals a greater global trend toward more open trading patterns. The China WTO admission also has impacted North America as we have recently seen some additional US grain exports to China. The absence of arbitrarily low DAP import quotas for China should have a very positive impact on IMC Global.

TWST: How would you state the long-term objective of IMC?

Mr. Pertz: Our number-one objective is to maximize shareholder value over time. I know that sounds like "mom and apple pie." But it's what we need to make sure we're on a path to do. And today we think we are on track to do that with an improving balance sheet and our focus on maximizing our core business leadership positions, both in terms of market share and being the low-cost producer. Finally, we must assure that we maximize the consolidation of our industries where we can, and the complementary strategies that go with that, so that IMC reinforces the strong positions it has enjoyed historically and even builds upon them.

TWST: What is the key element in the corporate culture that you think is helping you to advance?

Mr. Pertz: We utilize Six Sigma as a major tool, but not the only one. The IMC culture we strive for has two components. First, every-

body in our organization must know and understand our vision and our direction, and how they can be a part of accomplishing that. It's very important that everyone throughout the corporation, from the phosphate dragline operator to the potash shipping manager, knows that he or she makes a difference and that they can play a key role in achieving our vision and our goals and objectives. It's good for everybody in the company; our employees have to be a committed part of the process to fully maximize the benefits. We have a somewhat unique tool called "strategy deployment" that we use. Strategy deployment is designed to ensure that our key corporate objectives or strategies are, in effect, deployed through a fairly straightforward and measurable process across the entire company. This is the first component. The second piece is that we believe in and live continuous improvement. This means that in every way, shape or form — no matter how big or small it is — we believe we can continuously improve on what we're doing at IMC. We have ways to make that happen. Six Sigma is a fundamental tool to attain a culture of continuous improvement. It's a process, or a way of making that happen.

TWST: Are there any big technological advances coming along soon that will affect what you're doing?

Mr. Pertz: In our core businesses, we don't see that. The important characteristic of fertilizers is they are absolutely essential for crop growth and maximizing crop yields. Fertilizers have no substitutes. At IMC, we have products that are essential for life. We are proud to say that IMC Global "feeds the land that feeds the world."

TWST: Are there things about the company that investors don't understand at the present time?

Mr. Pertz: I think the fertilizer industry is often thought of as primarily nitrogen or ammonia, and therefore linked strongly to natural gas. I mention this because IMC Global is not in the ammonia business, but, instead, is the world leader in the other two primary crop nutrient categories — phosphate and potash. So we are not linked to the shifting fortunes of ammonia and the volatility of natural gas to the degree that so many of our competitors are. Also, phosphate and potash are more underapplied vis-à-vis ammonia in the soil by farmers in developing nations. Thus, the opportunity for growth in these two categories is generally greater around the world. It is important for investors to understand IMC Global's unique leadership position in the global fertilizer industry and that it is a major buyer, and not a merchant producer, of ammonia or nitrogen. This is a key distinction.

And if you follow this train of thought a bit further, industry consultants and others are suggesting that the phosphate industry in specific, after being in a major downturn for a few years, is poised for a recovery that will probably be stronger and more sustained than the other two nutrient categories, especially ammonia. And IMC Global is the world's largest and most leveraged phosphate producer. This also is very important for investors to keep in mind, in my view.

TWST: What are the three or four best reasons why the long-term investor should be paying close attention to IMC?

Mr. Pertz: I have already touched on that in terms of our company's special position in the global fertilizer sector. I think there's a compelling opportunity for both the short-term and the longer-term investor. Both should take note of our low-cost operations and leading North American market positions in phosphates and potash. Now

support that with our emphasis on a continuous improvement culture that is designed to give IMC Global a sustainable competitive advantage in the future. Finally, add that the major upside potential we have from a phosphate market recovery in the next several years. What emerges, we think, is a very clear and exciting picture of an IMC Global that is poised to deliver greater shareholder value in 2002 and beyond.

TWST: Thank you. (MC)

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Each Executive who is the featured subject of a TWST Interview is offered the opportunity to include an Investors Brief or other highlight material to be provided and sponsored by and for the company. This Interview with Douglas A. Pertz, Chairman, President & CEO of IMC Global Inc., is accompanied by an Investors Brief containing corporate information.
