Louisiana ammonia plant under construction

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INCITEC PIVOT LIMITED ABN 42 004 080 264

Presentation outline

Performance Overview	James Fazzino Managing Director & CEO
Financial Performance	Frank Micallef Chief Financial Officer
Outlook	James Fazzino Managing Director & CEO

Performance Overview

James Fazzino
Managing Director & CEO

Customer site – bench and blast area

Safety performance

Half year ended 31 March	2015	2014
Fatalities	0	0
TRIFR (1)	0.81	1.11
Recordable cases	28	41
Percentage of sites injury free	95%	93%

(1) Total Recordable Injury Frequency Rate – rolling twelve months per 200,000 hours
Note – Safety metrics are subject to finalisation of classification of any pending incidents

Safety - a continued priority

Group performance

Half year ended 31 March ($Am)	$m	Change %
Net Profit After Tax (NPAT)	146.4	27%
Business Results		
- Fertilisers EBIT	59.0	18%
- Explosives EBIT	168.1	5%
Total dividends (cents per share)	4.4	26%

Balanced result in challenging external environments

Half year 2015: What were the highlights?

- ✓ Continued improvement in safety performance
- ✓ EBIT: $A growth in fertiliser and explosives businesses
- ✓ Productivity focus: Business Excellence (“BEx”) delivered
- ✓ Solid earnings growth from Moranbah
- ✓ Improved production from Phosphate Hill (507kt)
- ✓ Cost control and financial discipline
- ✓ Louisiana ammonia plant: approximately 75%* complete and on track

Successful execution of strategy through BEx delivers growth

* as at 31 March 2015

Half year 2015: Improvement opportunities

- Safety performance – continuous improvement
- AN capacity in North America
- Phosphate Hill cost per tonne

Plans in place to drive improvement

Half year 2015: What were the external factors?

Significant impact from external factors:

- ✓ Quarry & construction growth in North America
- ✓ Lower $A
- ✓ Net fertiliser prices – DAP higher, Urea lower
- ✗ Drought & poor rainfall on the East Coast of Australia
- ✗ Weak hard commodity prices & softer mining markets globally

Internal focus on the controllables

Strategy Overview

JAMES FAZZINO
Managing Director & CEO

Louisiana ammonia plant under construction

Strategy on a page

Industrialisation of China

+

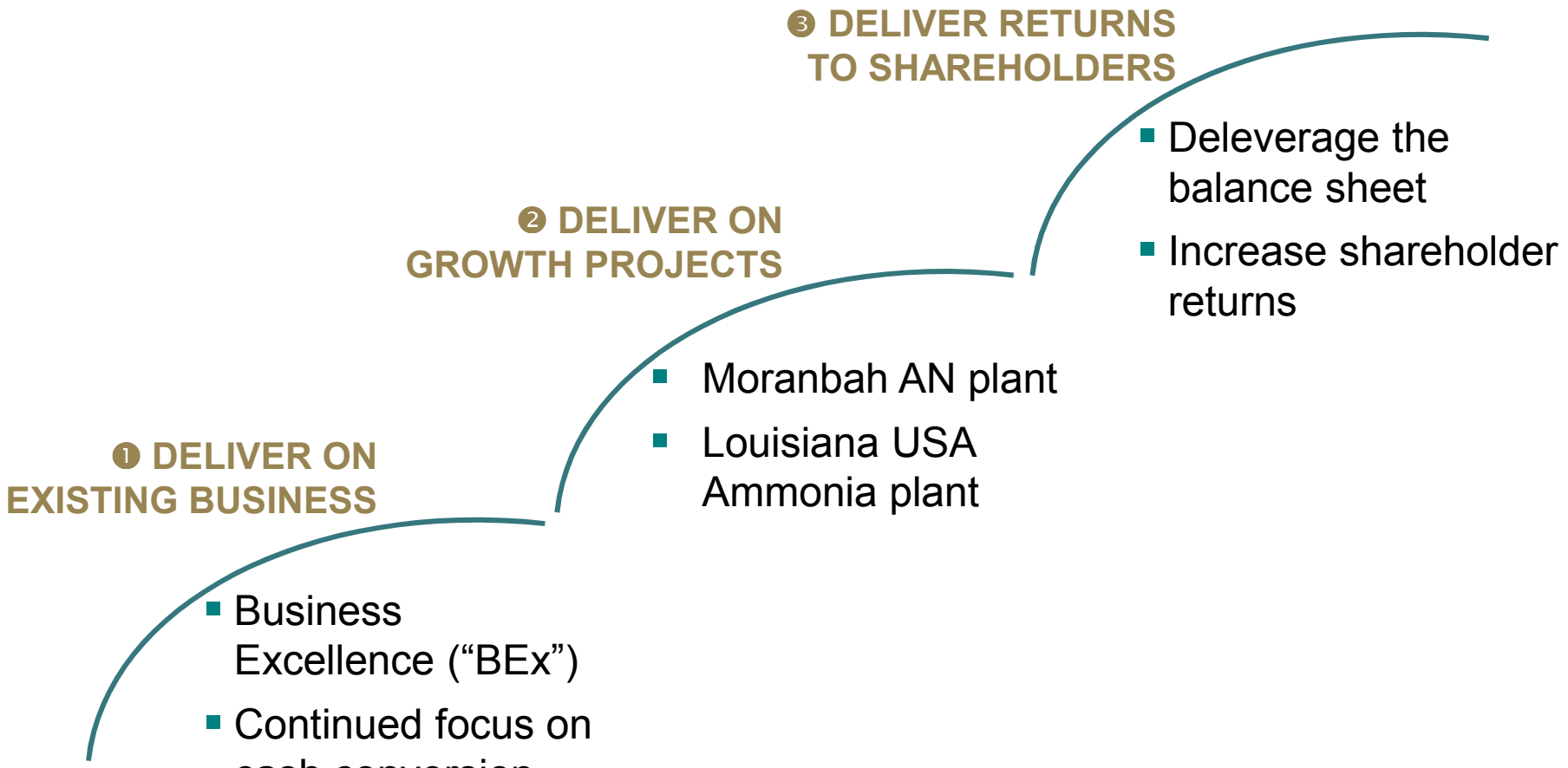
Shale gas revolution

Core nitrogen manufacturing

Input side of value chain

Customer aligned downstream businesses

Strategy execution



Focus on execution and delivery

Medium term growth and value drivers

IPL's growth is linked to two global economic engines:

- **USA: the recovery and re-industrialisation of the United States:**
  - The Louisiana ammonia investment is set to capitalise on the shale gas revolution which is revitalising the North American economy
  - Leveraged to the economic recovery through the Dyno Nobel Americas (DNA) business
  - Leveraged to the depreciation of the AUD against the USD through the Fertiliser and DNA businesses
- **Asia: the Industrialisation of Asia, in particular China:**
  - Moranbah ammonium nitrate plant is producing explosives for the metallurgical coal mines which feed blast furnaces in China and other parts of Asia

Louisiana ammonia plant update

- **At 31 March 2015**
  - Project is 75% complete and on track
  - TRIFR of 0.35
  - Project cost = $US850m; $US550m spent to date
  - First production 3Q calendar 2016
- **Construction**
  - Ammonia tank nearing completion; successful execution of pneumatic air test, acoustic emission test and hydro test
  - 85% of structural steel in place
  - Large mechanical equipment erected (eg reformer, compressor, absorber) with alignment and piping connection underway
- **Operating metrics**
  - Gas: 32 mmbtu per metric tonne
  - Cash cost (excl gas): $US45/tonne
  - Average sustenance capex per annum $US10m
  - Accelerated tax depreciation
- **Outlook**
  - Fundamentals under-pinning project remain positive

Heavy lift columns installed – CO2 absorber installed

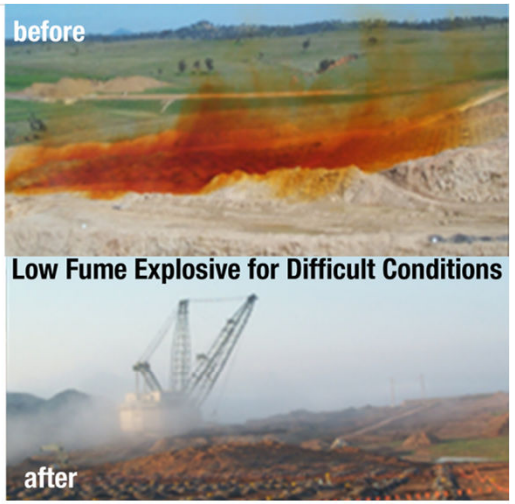
Overview looking south

Louisiana update video

Louisiana ammonia plant under construction

Explosives and Fertilisers Innovation in 2015

TITAN 9000xero



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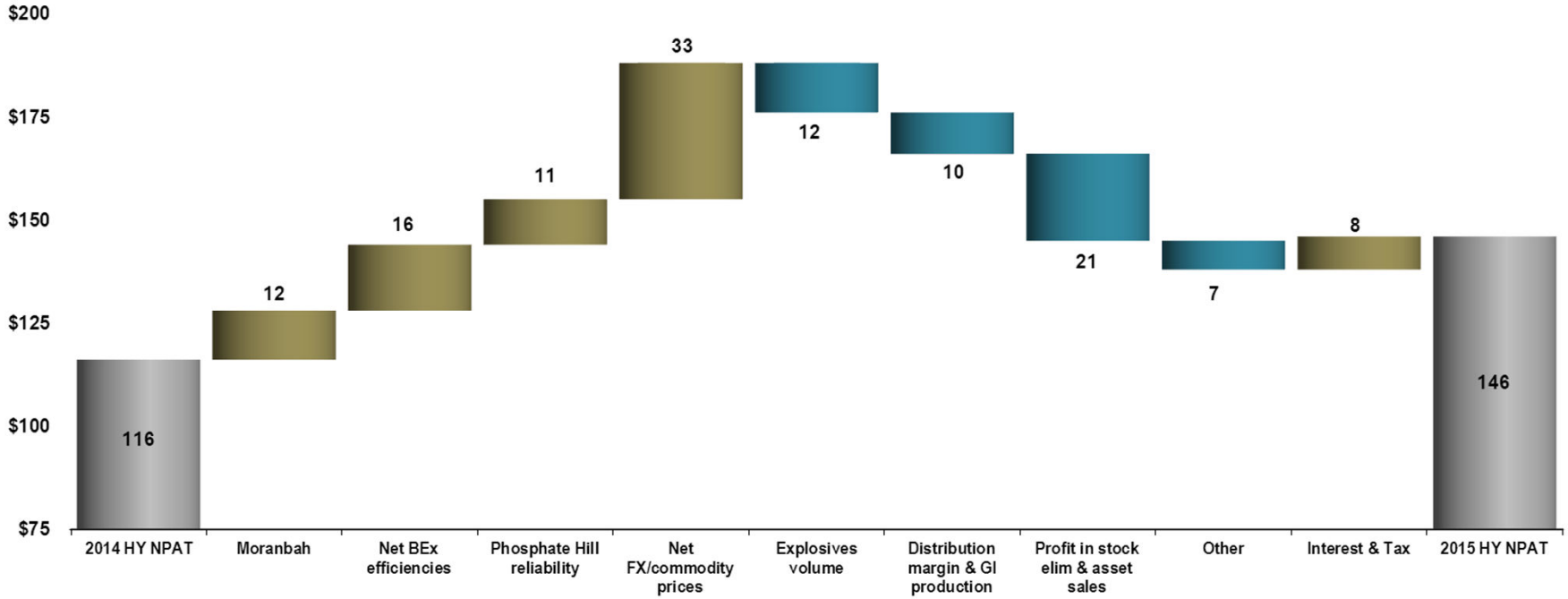
Making nitrogen fertilisers even more effective

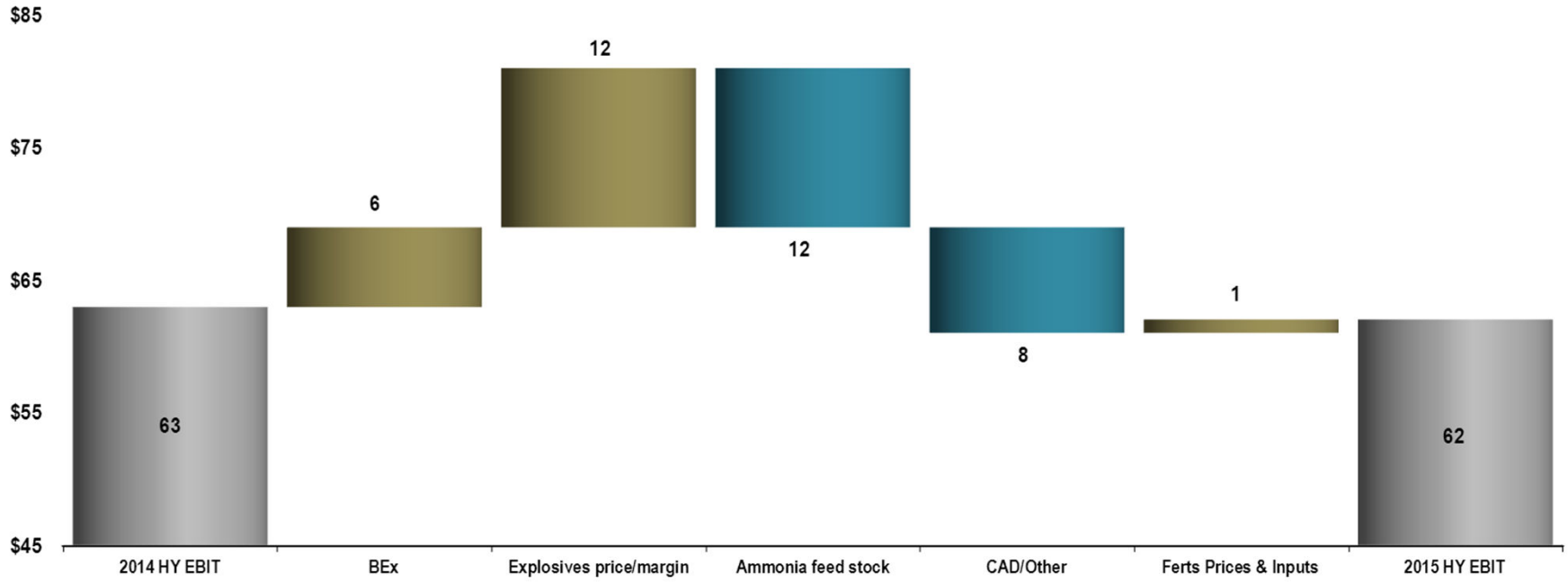
Moranbah ammonia plant

GROUP – NPAT waterfall



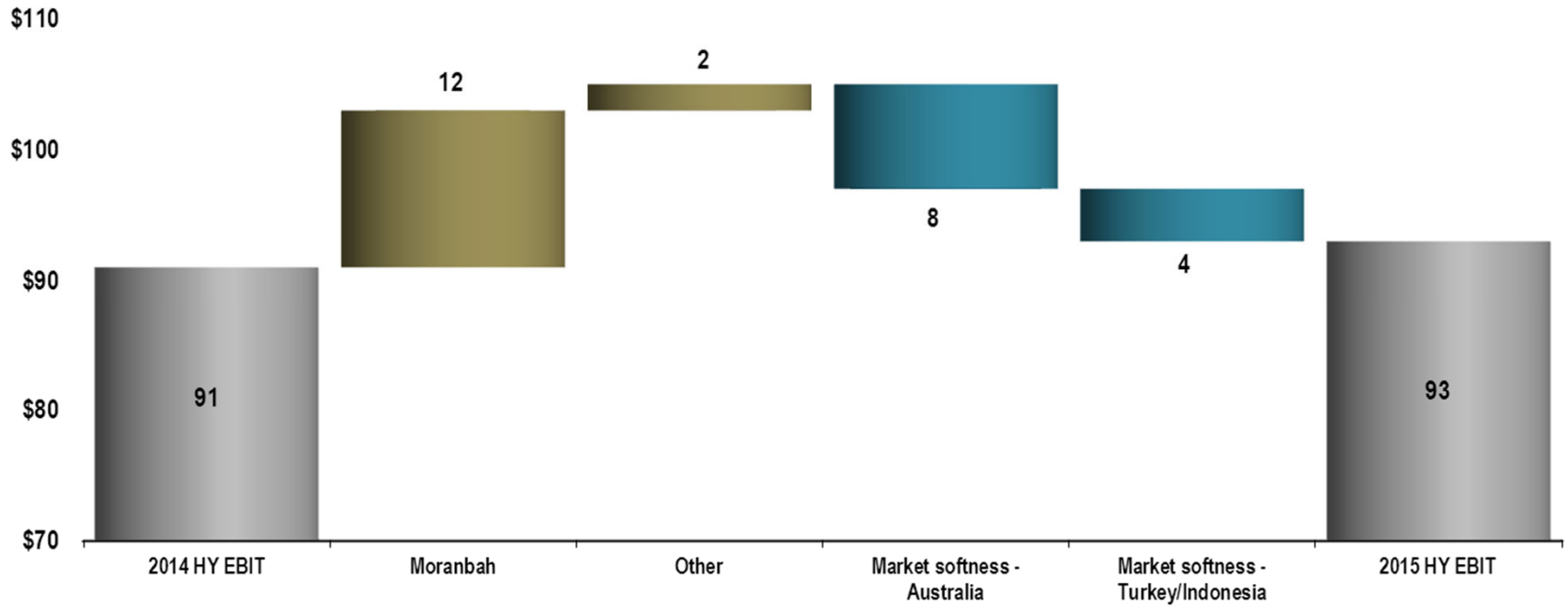
- ✓ Reliable manufacturing at Moranbah & Phosphate Hill
- ✓ BEx: driving net productivity gains
- ✓ External factors: Lower $A, higher net fertiliser prices
- ✗ Hard commodity prices impacting explosives volumes in all markets
- ✗ Contraction of IPF distribution margins and Gibson Island volume down

DNA ($US) – EBIT waterfall



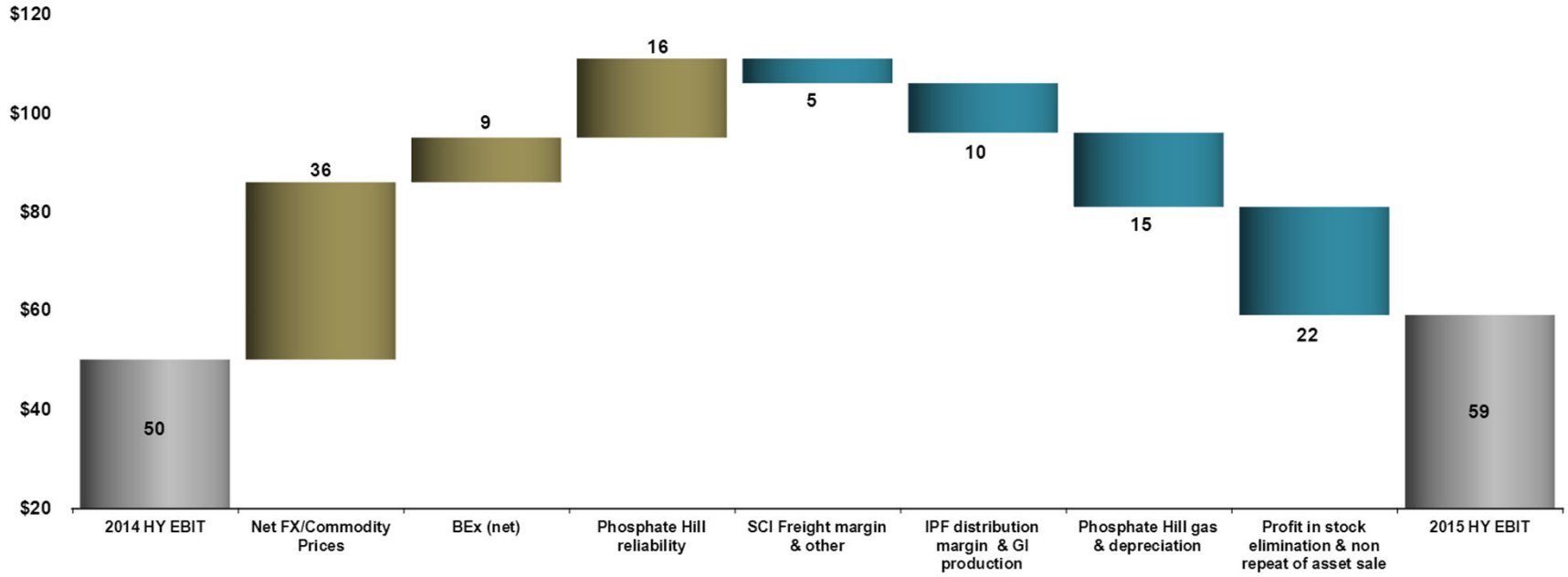
- ✓ BEx productivity improvements
- ✓ Improved explosives margins
- ✗ Increased ammonia feedstock cost reflecting higher global ammonia prices
- ✗ Impact of the lower CAD on business inputs and translation of earnings

DNAP – EBIT waterfall



- ✓ Moranbah reliability & contracts drive earnings growth
- ✗ Services earnings challenged by mine closures and insourcing
- ✗ Challenging international markets: Nitromak (Turkey) and Indonesia

Fertilisers – EBIT waterfall



- ✓ External factors: Lower $A, higher DAP prices, higher sulphuric costs
- ✓ 2014 turnaround and BEx productivity improvements drive strong Phosphate Hill first half production tonnes. Reliability remains a key focus.
- ■ Non repeat of profit on sale of excess assets
- ✗ Freight and distribution margins contract
- ✗ 2 months of increased gas cost

Investment grade capital structure

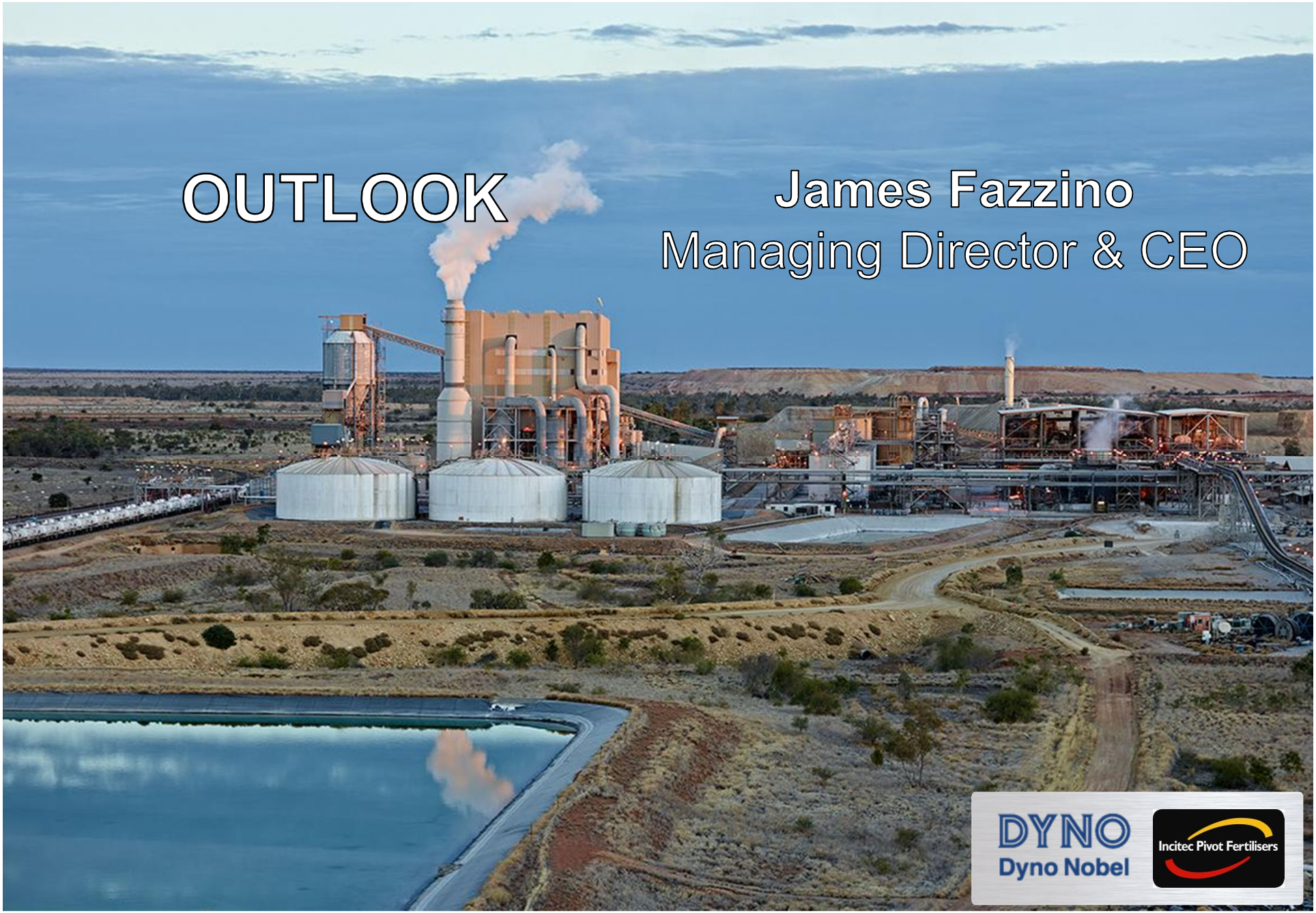
Half year ended 31 March	2015	2014
Net Debt	$1.7b	$1.7b
Net Debt / EBITDA(1)	2.2x	2.4x
Headroom (including cash)	$1.20bn	$1.34bn
Average tenor of drawn funds	3.0 years	4.0 years
Operating cashflow	$16.5m	($39.9m)

- Funding in place for the remaining Louisiana build
- Net debt / EBITDA inside target of not more than 2.5x
- Average tenor expected to increase following the planned refinancing of a bond maturing in December 2015
- Positive cashflow performance: primarily EBITDA driven
- Currently no transactional hedging in place for the second half of the 2015 year or beyond

(1) Net Debt / EBITDA is based on Net Debt at point in time / last 12 month historical EBITDA excluding IMIs

OUTLOOK

James Fazzino
Managing Director & CEO



Phosphate Hill manufacturing plant

Full Year Outlook - unchanged

Positives

- Moranbah EBIT to $140m (full production)
- Lower $A average vs prior year
- US Quarry & Construction growth
- Benefit of renegotiated contracts in North America
- Improved Phosphate Hill production
- Full benefit of 2014 corporate restructuring
- Louisiana ammonia plant on track: first production expected in 3Q calendar year 2016

Negatives

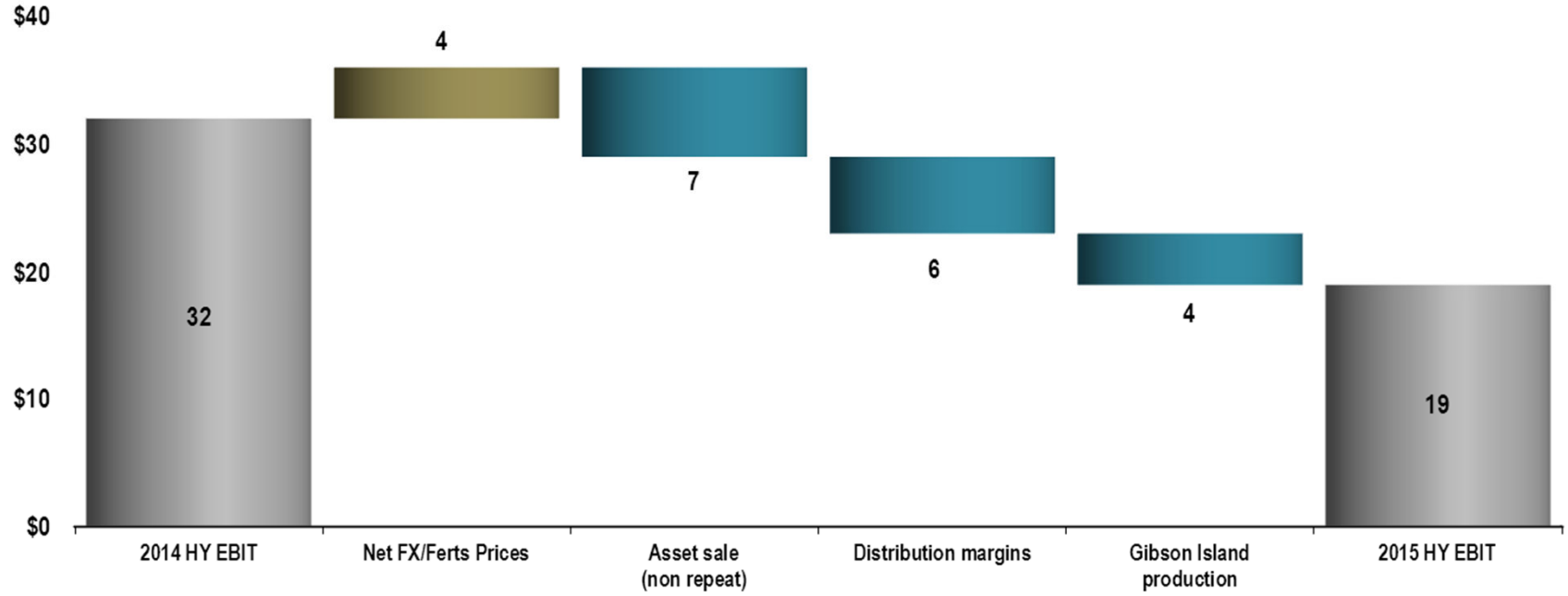
- Soft global mining markets
- US interim ammonia costs
- Gas cost increase at Phosphate Hill
- Drought/poor rainfall on the East Coast of Australia


Questions ?
DYNO
Dyno Nobel
Incitec Pivot Limited
DYNO
Dyno Nobel
Incitec Pivot Fertilisers

Appendix 1
Other Business Information

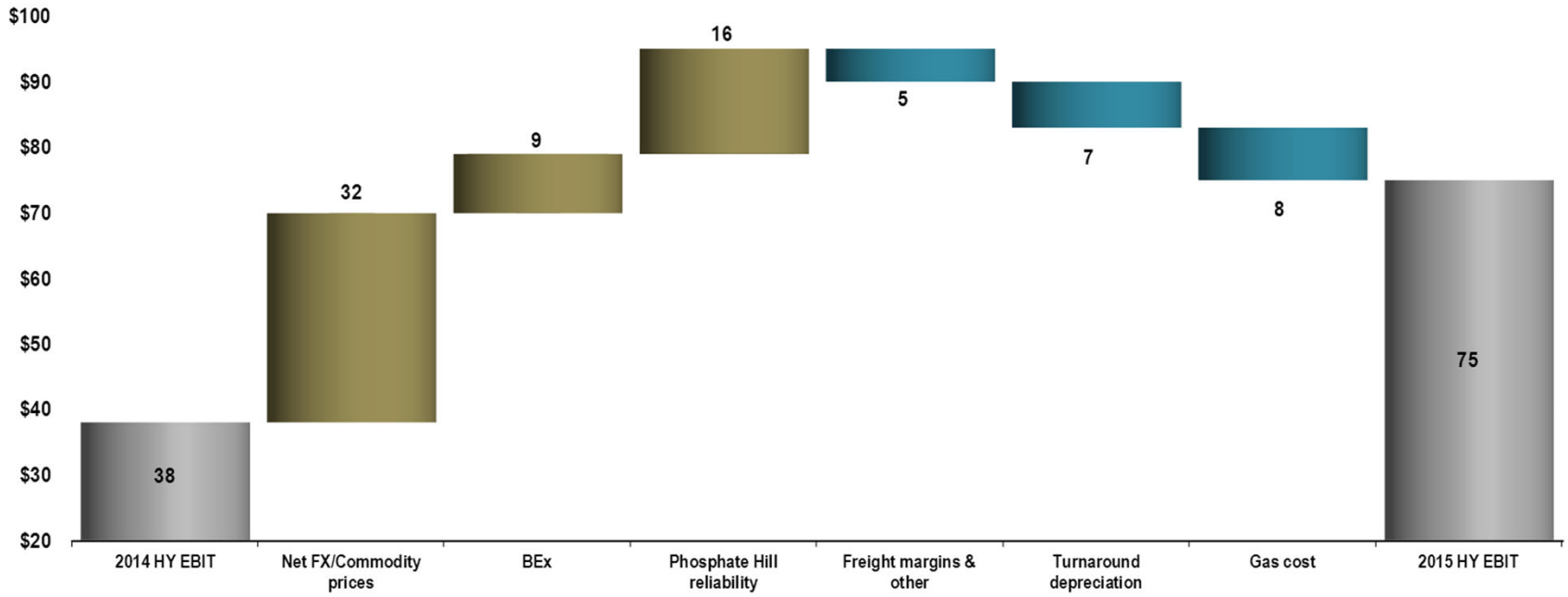
Portland SSP facility

IPF – EBIT waterfall



- ✓ External factors: Lower $A benefit, partially offset by softer fertiliser prices
- ■ Non repeat of profit on sale of excess assets
- ✗ Distribution margins contraction
- ✗ In fifth year since turnaround, Gibson Island volume is down 19%. Turnaround in March 2016.

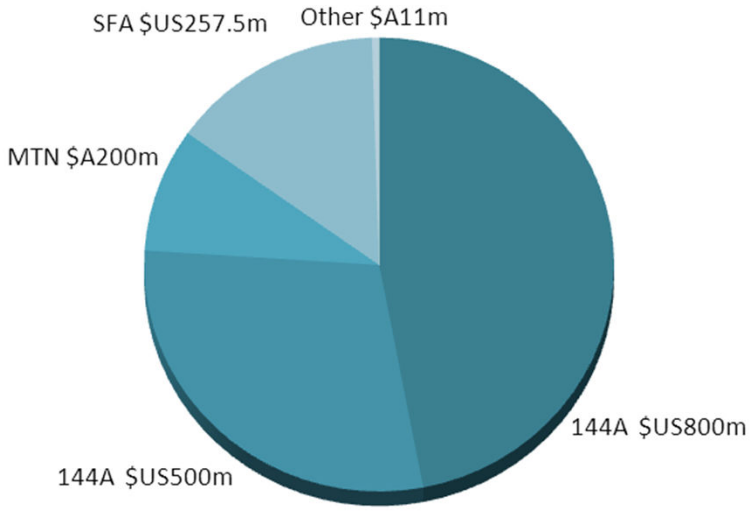
SCI – EBIT waterfall



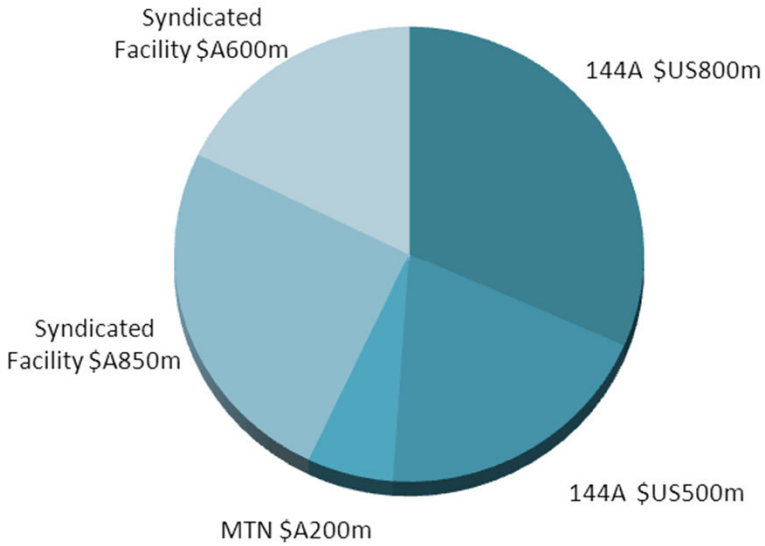
- ✓ External factors: Lower $A, higher DAP prices, higher sulphuric costs
- ✓ 2014 turnaround and BEx productivity improvements drove strong first half production tonnes. Reliability remains a key focus.
- ■ Depreciation increase following 2014 turnaround
- ✗ 2 months of increased gas cost

Debt structure

Drawn Funds



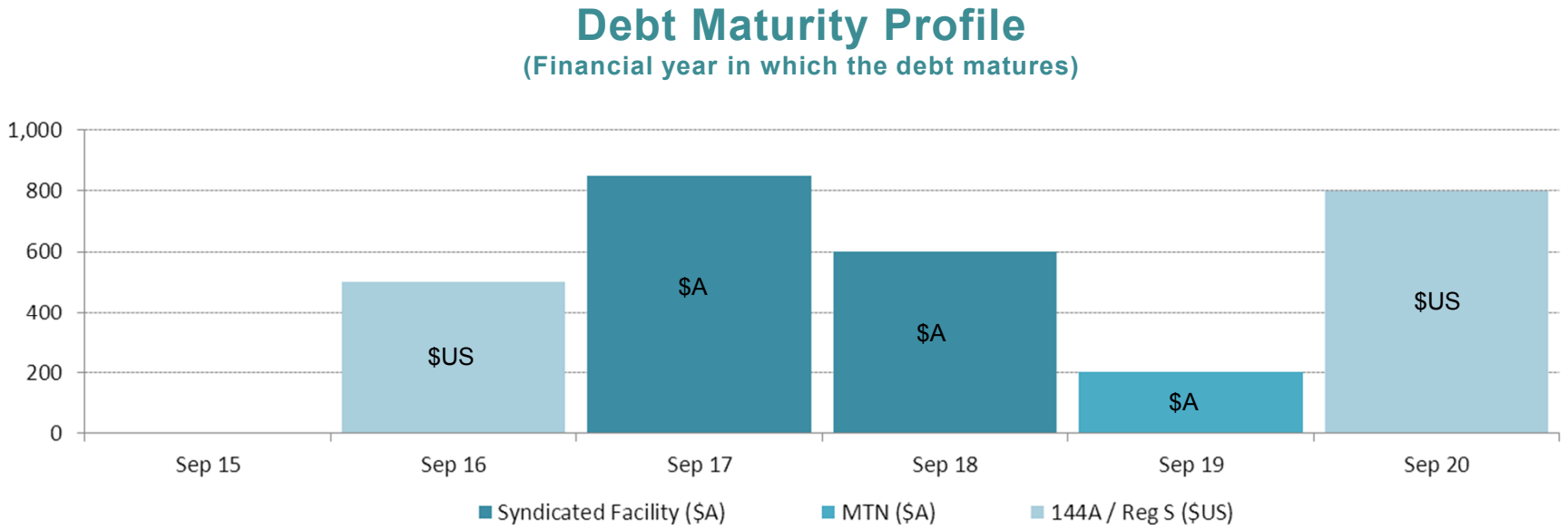
Available Limits



- ✓ Louisiana construction fully funded
- ✓ Mix of $A and $US debt to mirror earnings and cash flows

Diverse sources & surplus headroom

Debt in place for Louisiana construction



- Headroom including cash: $1.2b
- Varied sourcing, currency and maturity provides diverse debt profile
- Average tenor expected to increase following the planned refinancing of a bond maturing in December 2015

Diverse sources & surplus headroom

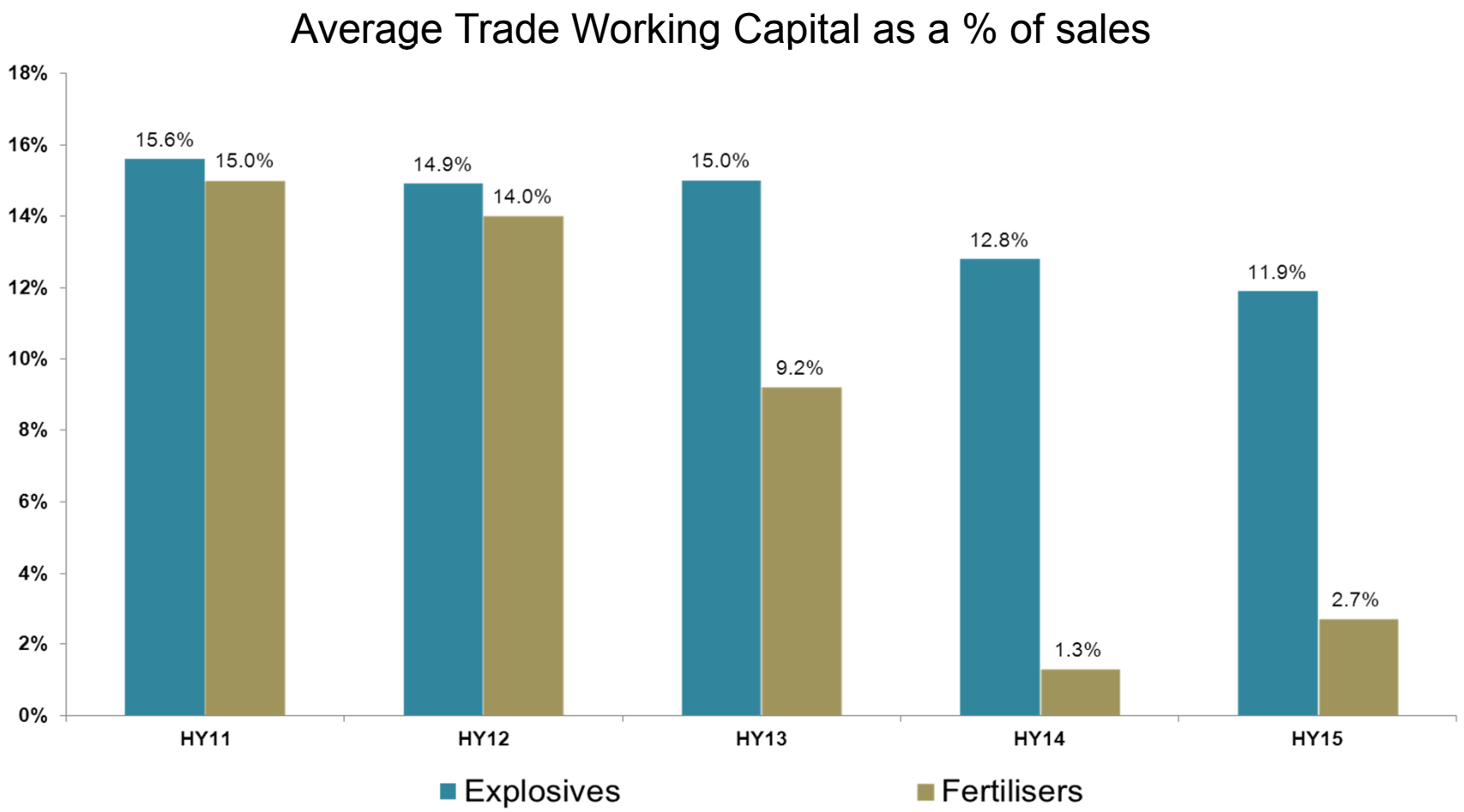
Net debt & capital spend

Net debt at $1.71bn (pcp: $1.66bn)

- Operating cash flow increased by $56.4 to an inflow of $16.5m
  - 11% increase in Group EBITDA
  - Lower TWC outflow
  - Lower environmental and site clean up costs
- Louisiana construction spend of $129.9m (excludes capitalised interest)
- Sustenance spend of $57.9m (pcp: $113.3m)
  - Turnaround preparatory work for St Helens and Gibson Island
  - Productivity improvement projects such as DCS replacement at SHOR and Phosphate Hill gypsum cell
- Dividend payment $61.6m (pcp: $54.9m)

Growth capital channelled into Louisiana ammonia plant

Continuous improvement in trade working capital



13 month rolling average Trade Working Capital as % of Annual Net Revenue

EBIT sensitivities

IPF: Urea - Middle East Granular Urea (FOB)(1)	+/- $US10/t = +/- $A4.4m
SCI: DAP - Di-Ammonium Phosphate Tampa (FOB)(2)	+/- $US10/t = +/- $A10.3m
Forex - transactional (DAP & Urea)(3)	+/- 1 cent = -/+ $A6.7m
DNA: Urea (NOLA FOB)(4)	+/- $US10/t = +/- $US1.8m
DNA: Forex - translation of Explosives earnings(5)	+/- 1 cent = -/+ $A2.4m

Assumptions:

(1) 405kt (Gibson Island Fertiliser name plate production capacity) urea equivalent sales at 2014 realised price of $US323/t and the 2014 realised exchange rate of $A/$US0.9132

(2) 950kt (Phosphate Hill Fertiliser name plate production capacity) DAP sales at 2014 realised price of $US450/t and the 2014 realised exchange rate of $A/$US0.9132

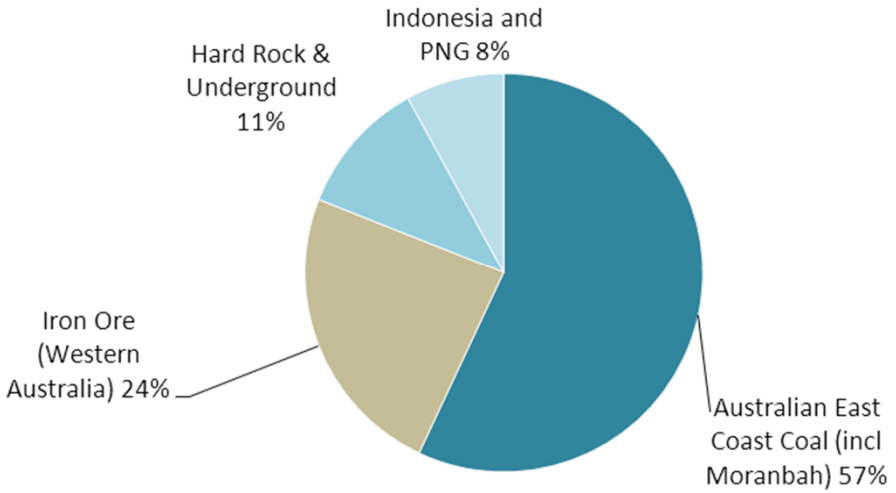
(3) DAP and Urea volumes, as well as FOB price based on assumptions (1) and (2) (excludes the impact of hedging)

(4) 180kt (St Helens Fertiliser name plate production capacity - short tonnes) urea equivalent sales 2014 NOLA Urea average price of $US349

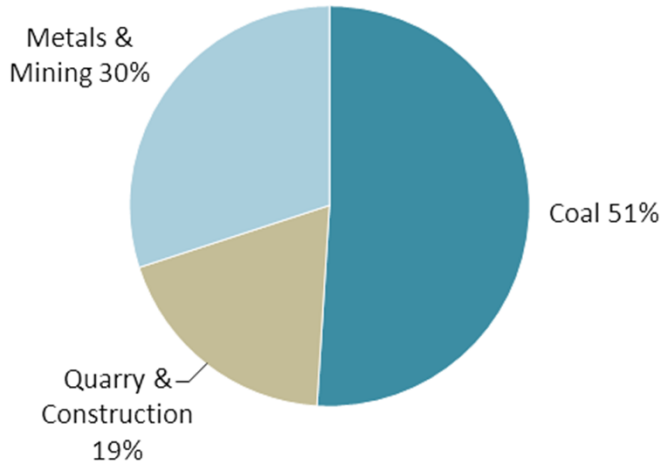
(5) For each $US200M EBIT

Explosives end-markets

DNAP – AN Volumes by end-market HY15



DNA – AN Volumes by end-market HY15



Source: IPL

Key raw materials - Australia

Natural Gas:

Gas tranche	Amount (PJs/pa)	Contract Expiry
Gibson Island	16.8	30 September 2017(1)
Moranbah	7.0	31 March 2025(1)
Phosphate Hill	8.7	31 December 2016

(1) Extends for up to 12 months to take any banked gas

Sulphuric Acid:

Sources	Sulphuric Acid (%)	Location
Metallurgical gas	45%	Mt Isa
Sulphur burn	25%	Mt Isa
Purchased & Reclaimed sulphuric acid	30%	Through Townsville & Decant
Total Sulphuric Acid	1,290kt	
Uses		
DAP Production (nameplate)	950kt	Phosphate Hill

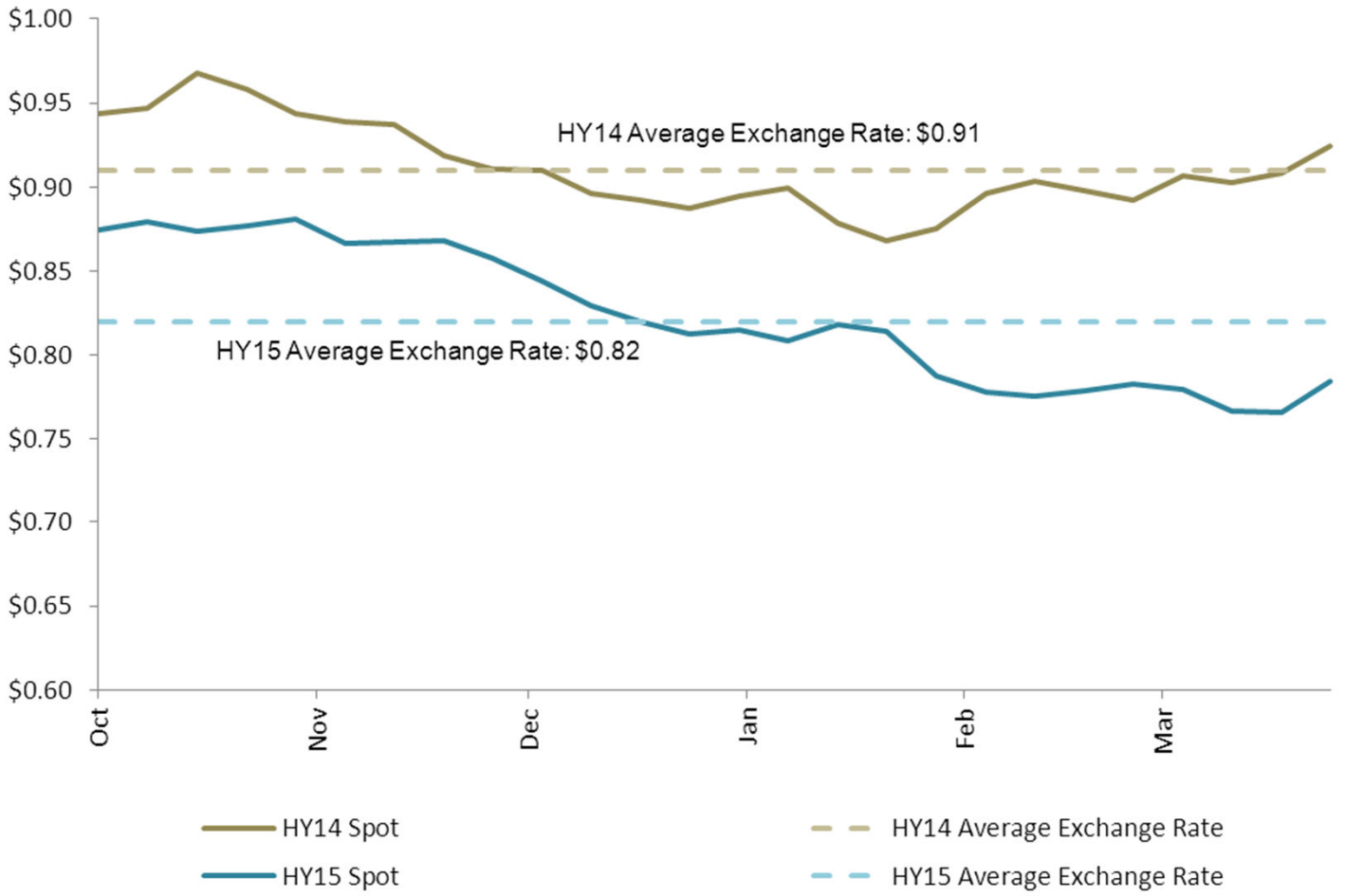
Source: IPL

Appendix 2
External Market Information

Wheat crop

Market information – Foreign exchange

Foreign Exchange Rate ($A:$US):

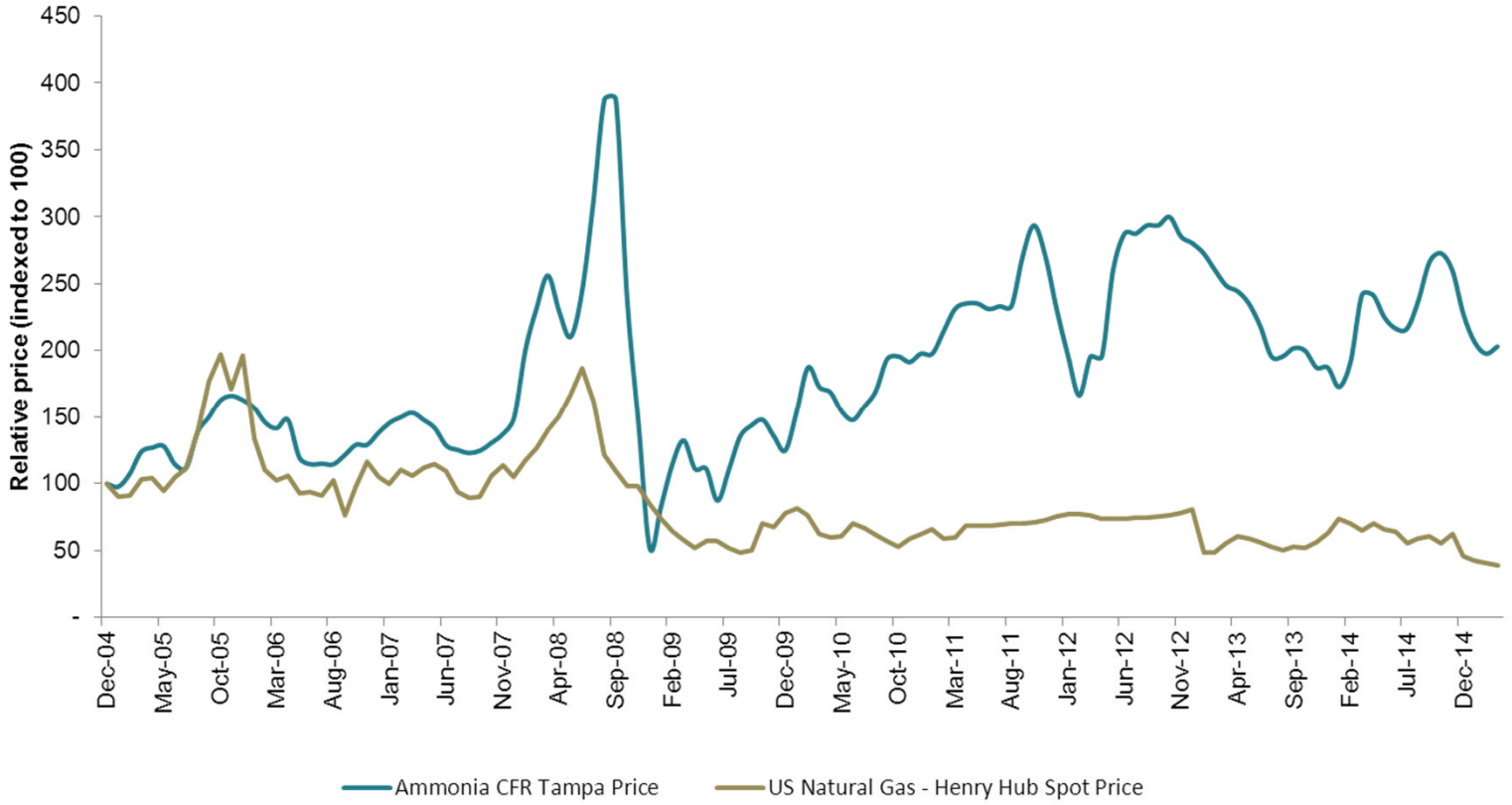


Source: Bloomberg

Market information - Ammonia

- Global ammonia price has historically trended closely with cash costs of marginal production, currently from European producers
- US has a deep, low-cost supply curve for gas with multiple suppliers

Ammonia CFR Tampa vs. US gas (Henry Hub):



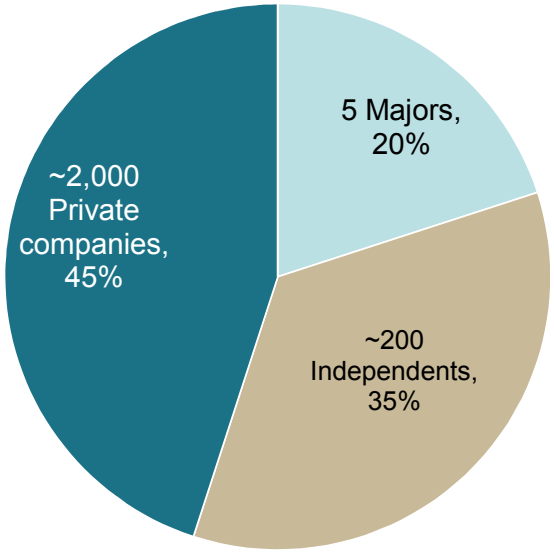
Source: U.S. Energy Information Administration ("EIA") and Fertecon

Market information - US gas supply

Gas market structure

- Current positive gas supply dynamic in the US is expected to continue into medium to long term
- US has diverse gas supplies with significant resources remaining economic at low gas prices
- Highly fragmented market for gas production
- Supportive government policy

Fragmented US gas market:



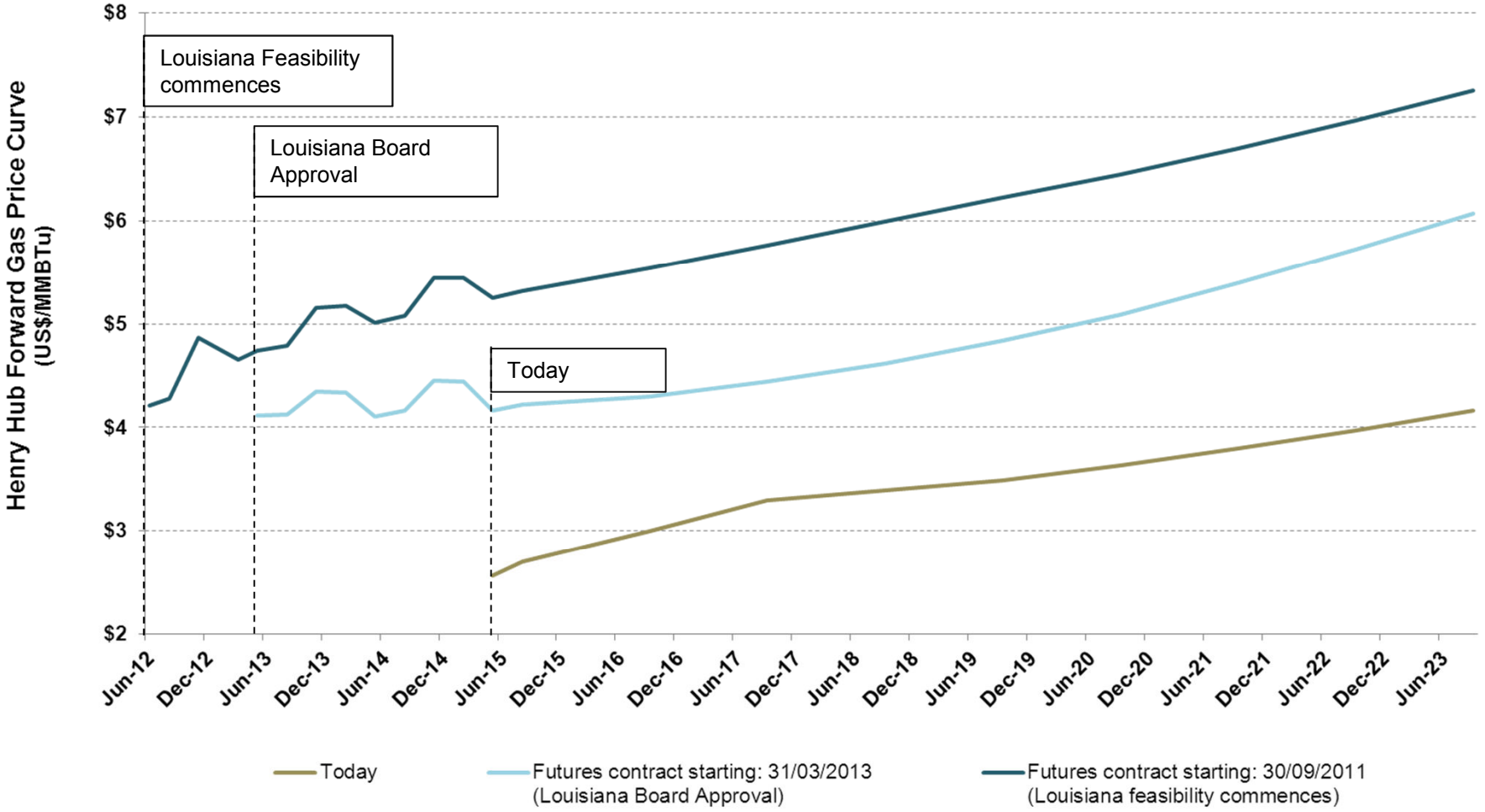
Gas prices:

	$US/MMBtu
Current (as at 5 May 2015)	$2.81

Sources: U.S. Energy Information Administration ("EIA"), Bloomberg

Market information – US gas

US Natural Gas Forward Curve (NYMEX):



Source: Bloomberg

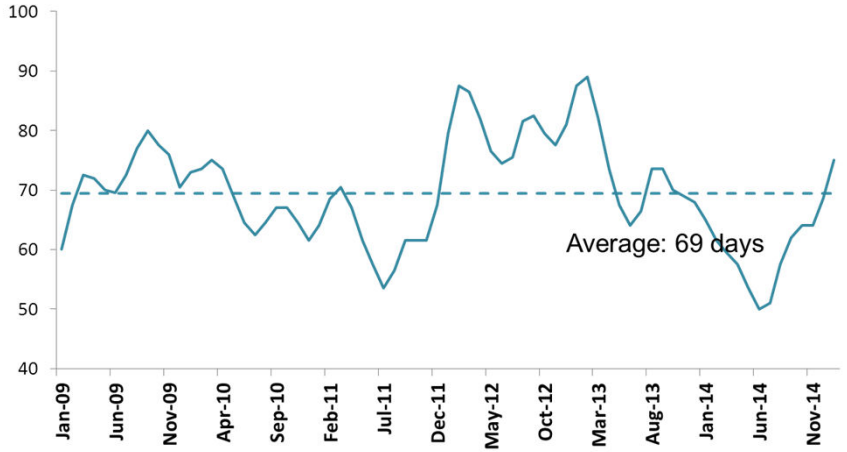
Market information - US Coal

	HY15	% change to pcp
Total US coal Production (mst)	487.0	0.5%
Appalachia coal Production (mst)	130.5	(0.6%)
Interior coal Production (mst)	91.4	1.3%
Western coal Production (mst)	265.3	1.0%
US coal exports (mst)	43.6	(21.4%)

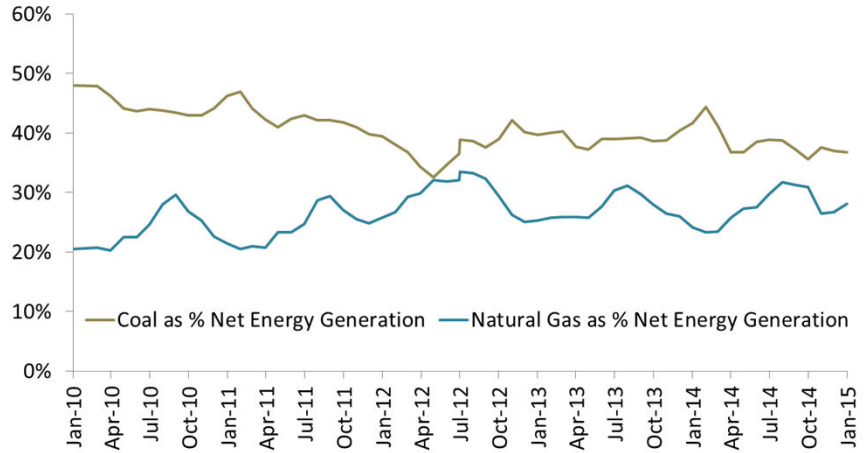
Key facts	
Switching point from coal to gas	Powder River Basin: $2.50-2.75 Illinois Basin: $3.50-3.75 Central Appalachia: > $4.50
DNA coal exposure:	Powder River Basin: 65% Illinois Basin(1): 10% Appalachia: 25%

(1) Reduced from previous years due to loss of customer volumes from 1 January 2015

Average coal inventory days



Net energy generation by fuel source:



Source: U.S. Energy Information Administration ("EIA")

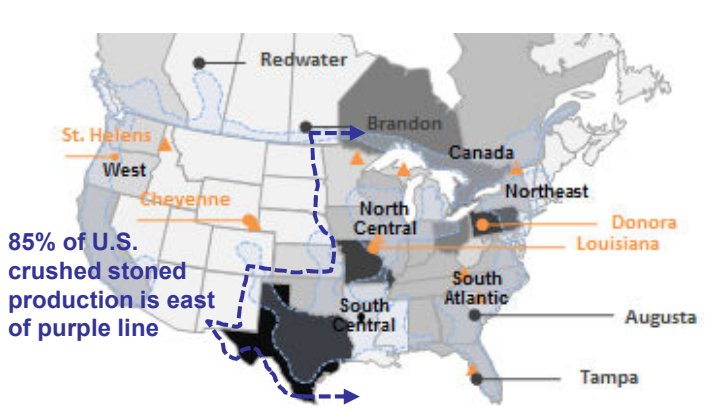
Market information - US Quarry & Construction

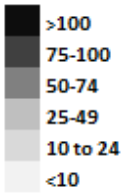
US construction value

Construction value put in place (not seasonally adjusted)[1]	HY15 US$bn	% change to pcp
Total Construction	471	5.6%
Residential	168	2.2%
Non-residential – private	174	11.7%
Non-residential – public	129	2.3%

North American Crushed Stone Production

(million metric tonnes)

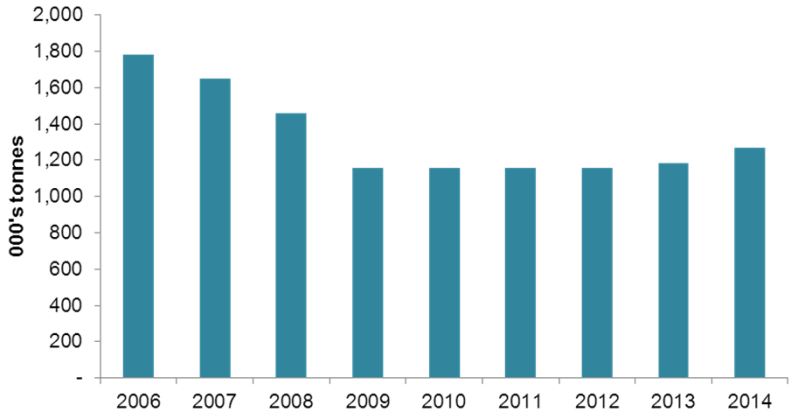




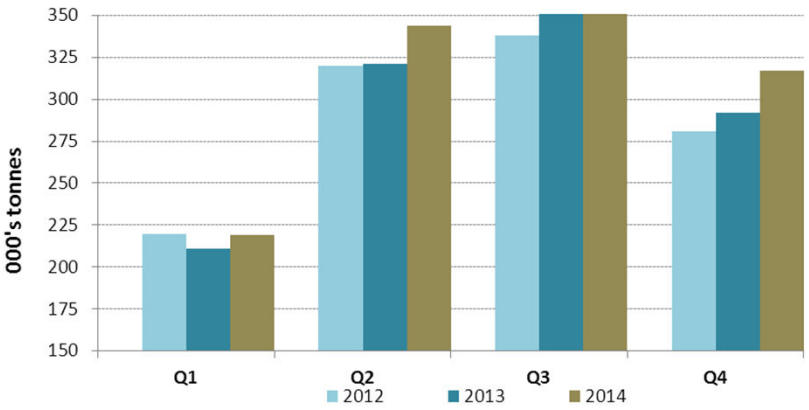
Top 10 States

1. Texas
2. Pennsylvania
3. Missouri
4. Ohio
5. Illinois
6. Virginia
7. Kentucky
8. North Carolina
9. Florida
10. Indiana

US annual crushed stone production:



US quarterly crushed stone production:

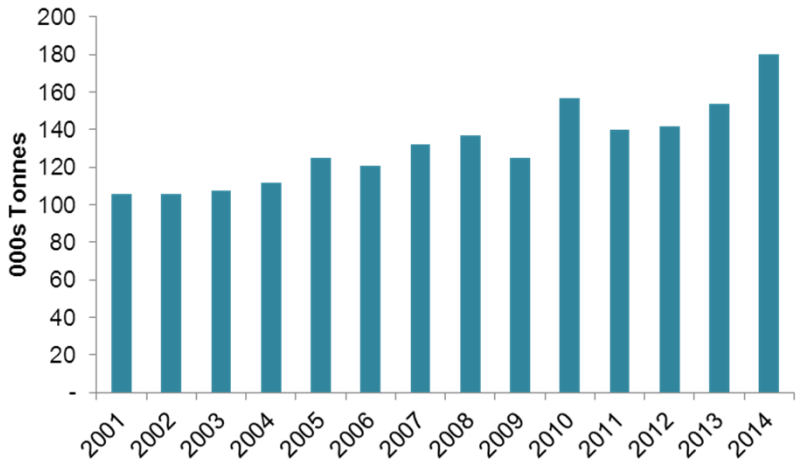


Source: US Geological Survey (USGS); US Census Bureau

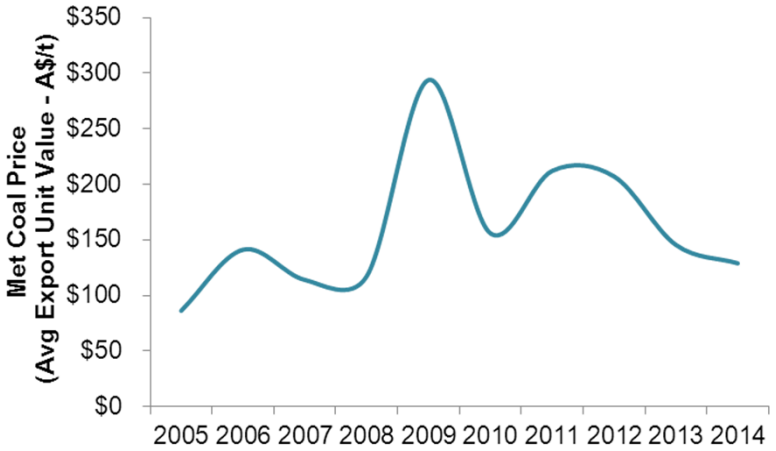
(1) A measure of all the costs of labour and materials, architectural and engineering work and overhead costs associated with construction work done each month on new private residential, non-residential construction and public construction; 6 month period Sept 14 – Feb 15

Market information - Australian hard commodities

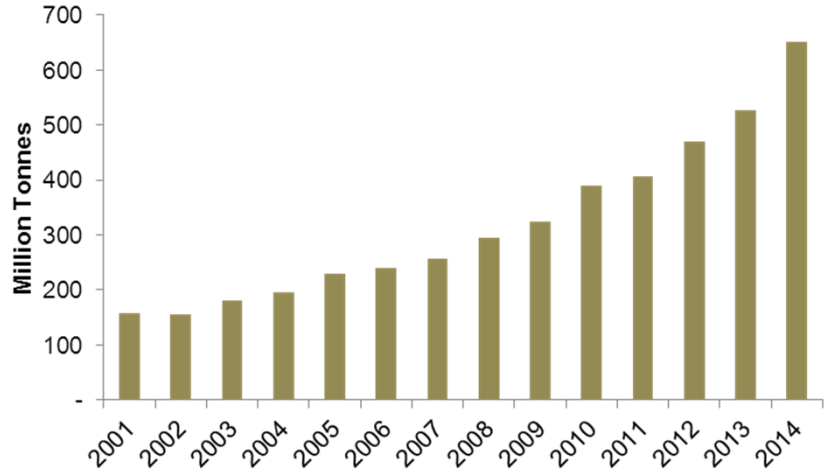
Australian metallurgical coal exports:



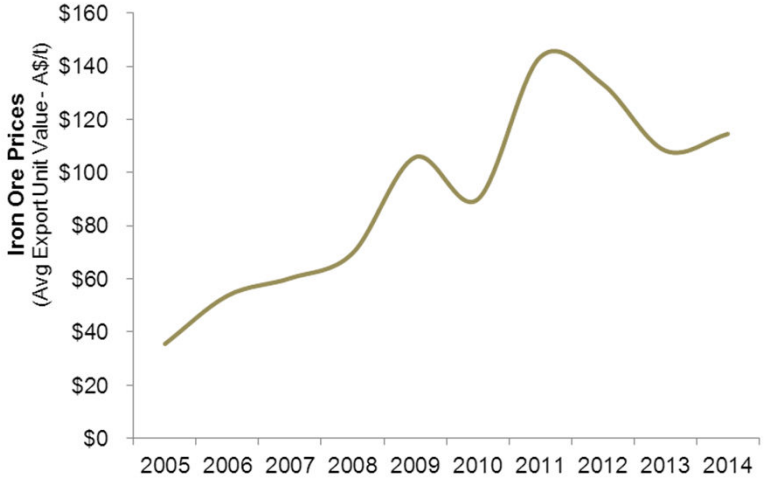
Metallurgical coal prices (Average export value):



Australian iron ore exports:



Iron ore prices (Average export value):



Source: Australian Government Department of Industry & Science, Resources and Energy Quarterly, March 2015

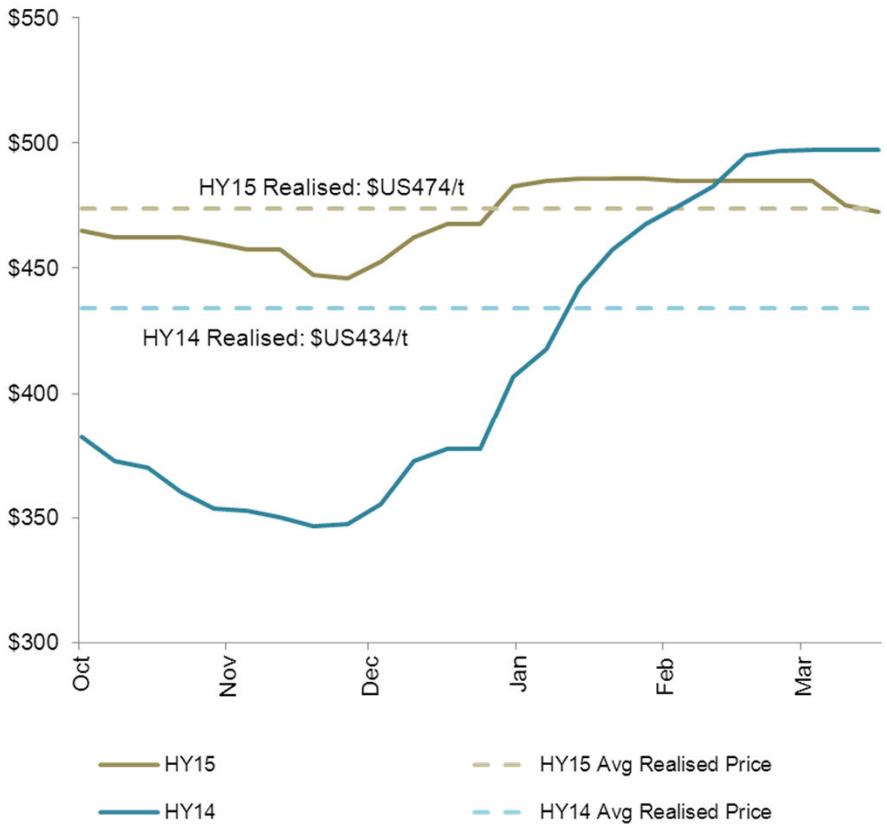
Market information - Ammonium Phosphates

Global phosphate fertiliser consumption : ~60mt

Million tonnes	2009	2010	2011	2012	2013	2014
World DAP seaborne trade	14.7	15.7	14.1	14.3	13.9	14.6
India DAP imports	6.2	7.8	7.0	5.9	3.5	3.9
China DAP exports	2.1	3.9	3.9	3.9	4.1	5.0

Sources:
2009: Fertecon
2010-2014: CRU, IPL estimates

DAP FOB Tampa prices ($US):



Source: Fertecon

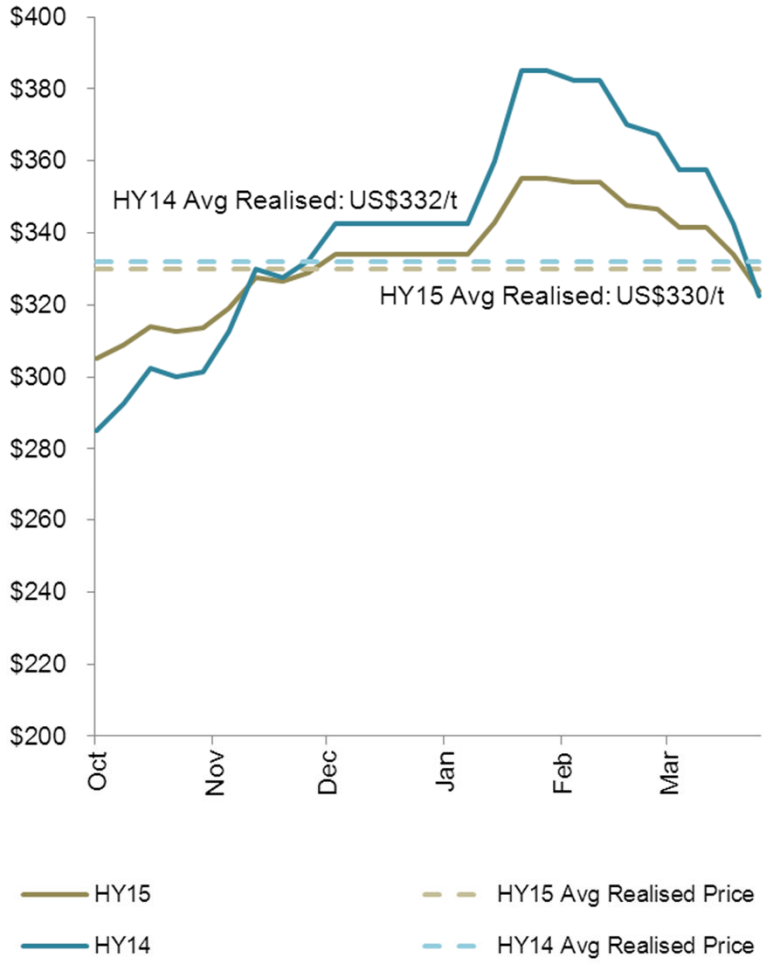
Market information - Urea

Urea global market size: ~165mt

Million tonnes	2009	2010	2011	2012	2013	2014
World Urea seaborne trade	36.6	39.9	38.7	42.4	44.4	47.6
India Urea imports	6.0	6.6	7.6	7.8	7.6	8.0
China Urea exports	3.4	6.9	4.0	6.8	8.4	12.6

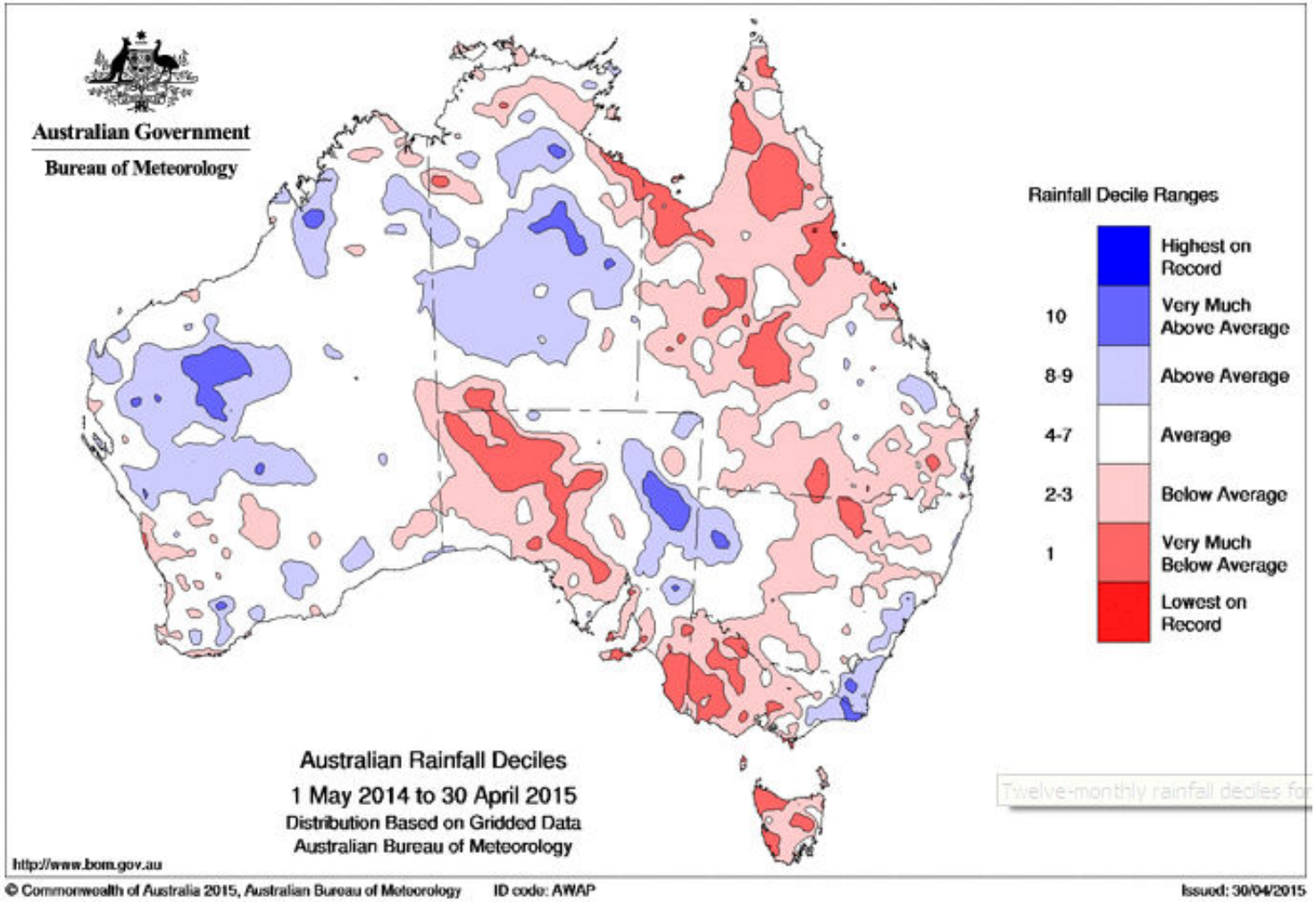
Source: CRU Urea Market Outlook – Dec 2014

Urea (Granular) FOB Middle East prices ($US):



Source: Fertecon

Australian seasonal conditions



Rain required in broadacre & cotton growing regions