



Full Year Results

**Full Year ended
30 September 2015**

Presentation

10 November 2015

Incitec Pivot Limited

DYNO
Dyno Nobel



Picture of the 1 millionth tonne being added to the stockpile at Phosphate Hill

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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



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Safety performance

| Year ended 30 September | 2015 | 2014 |
|---------------------------------|------|------|
| Fatalities | 1 | 0 |
| TRIFR ⁽¹⁾ | 0.67 | 0.97 |
| Recordable cases | 52 | 76 |
| Percentage of sites injury free | 92% | 91% |

(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

| Year ended 30 September (\$Am) | \$m | Change |
|----------------------------------|---------|----------|
| Net Profit (NPAT) | \$398.6 | 12%* ✓ |
| Business Results | | |
| - Fertilisers EBIT | \$224.1 | 22% ✓ |
| - Explosives EBIT | \$376.0 | 1% ✓ |
| Operating Cashflow | \$756.2 | 41% ✓ |
| Gearing (Net debt/EBITDA) | 1.6x | (0.4x) ✓ |

* Movement from 2014 NPAT excluding individual material items "IMIs"

Good result in challenging external markets

2015 Summary

- ✓ Good result in challenging markets
 - NPAT up 12%*
 - Operating cashflow up 41%
- ✓ Driven by strategy and execution
 - Right strategic choices
 - Right execution: BEx
- ✓ Best is yet to come: Louisiana

Successful execution of strategy through BEx delivers growth

* Movement from 2014 NPAT excluding IMIs

STRATEGY OVERVIEW

James Fazzino – Managing Director & CEO



WALA ammonia plant under construction

Strategy on a page

**Industrialisation
of Asia**



**Shale gas
revolution**



**Core nitrogen
manufacturing**



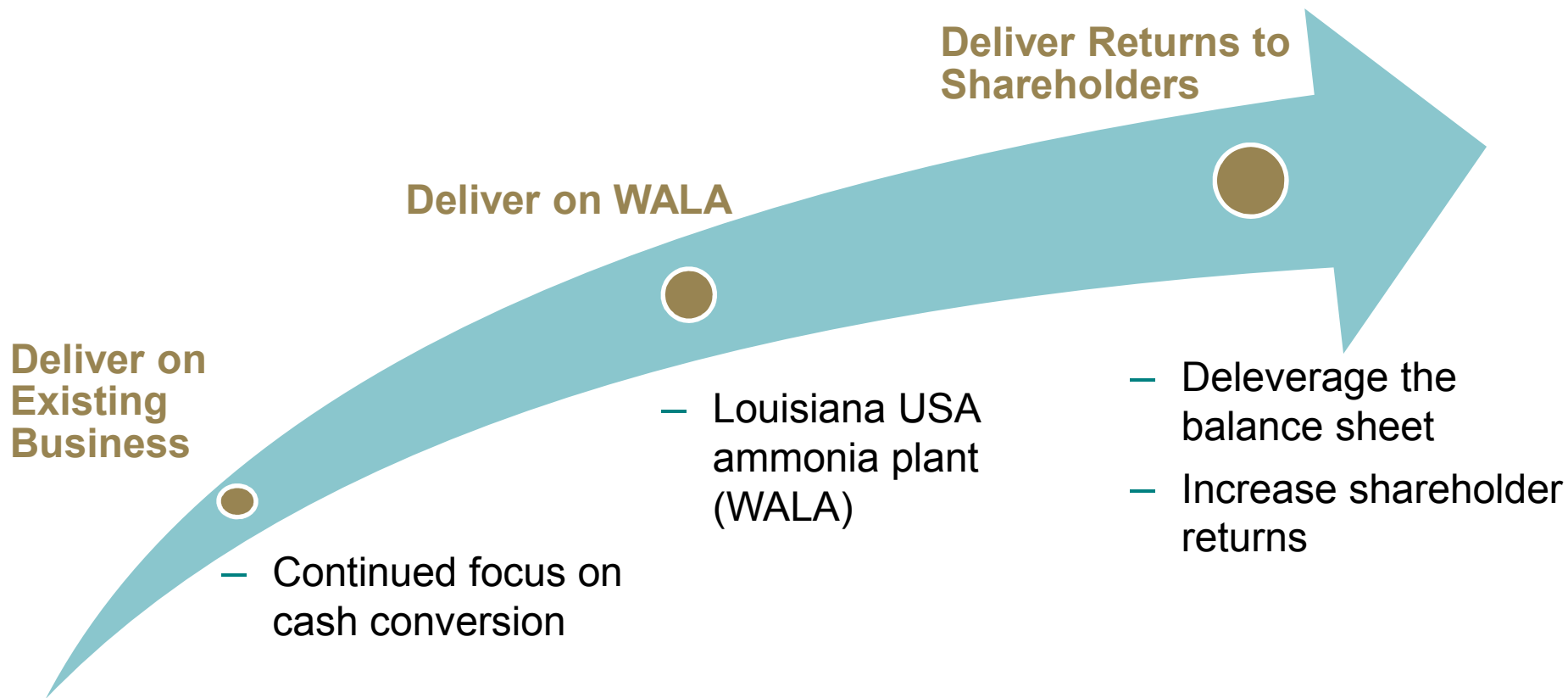
**Input side of value
chain**



**Customer aligned
downstream
businesses**



Strategy execution



BEx – Superior Execution
Continuous Improvement and Productivity

Louisiana ammonia plant update

■ At 30 September 2015

- Project is 90% complete and on track
- TRIFR of 0.37
- Project cost = \$US850m; \$US634m spent to date*
- First beneficial production 3Q calendar 2016

■ Construction & commissioning

- Installation complete: ammonia tank, water cooling system, water treatment plant, all structural steel, reformer, absorber and compressors
- Construction underway: 85% of all piping complete, 61% of electrical wiring complete
- Commissioning: ammonia pipeline, rail and barge load out facilities ready for commissioning

■ Operating metrics

- Gas: 32 mmbtu per metric tonne
- Cash cost (excl gas): \$US47/tonne
- Average sustenance capex per annum \$US10m
- Accelerated tax depreciation

■ Outlook

- Fundamentals under-pinning project remain positive



Ammonia loading pumps system being completed



Piping being connected on the top of Stripper Column

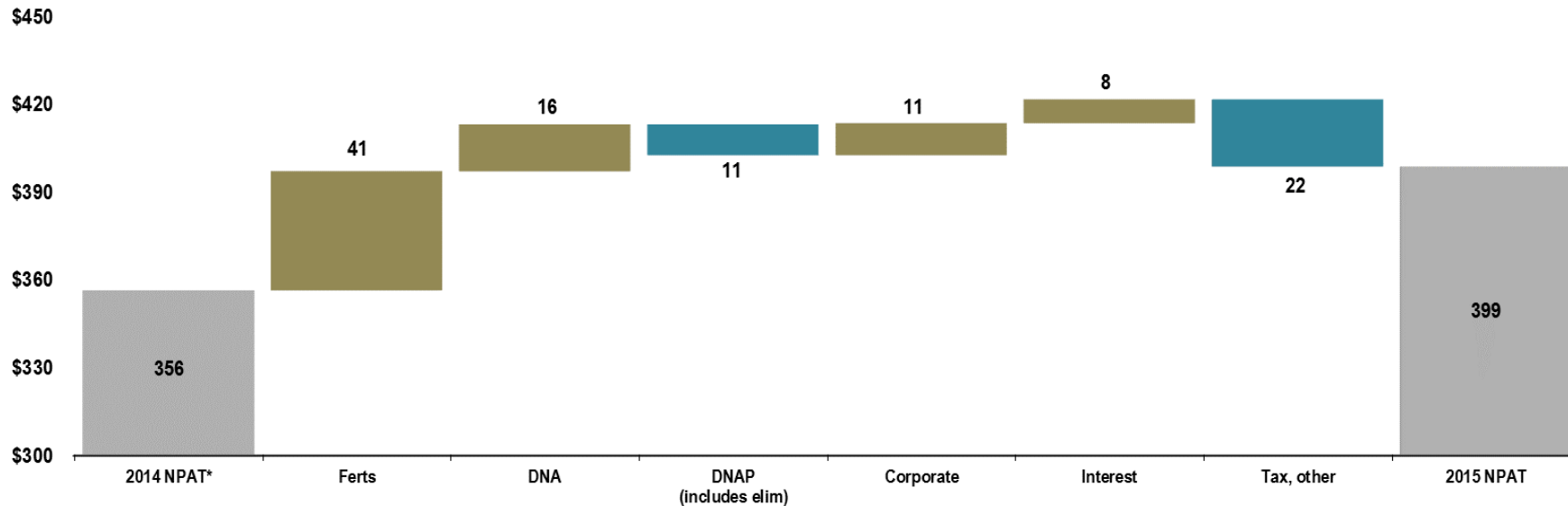
* cashflow is based on the contracted payment schedule, not the project completion percentage.

FINANCIAL PERFORMANCE

Frank Micallef – Chief Financial Officer



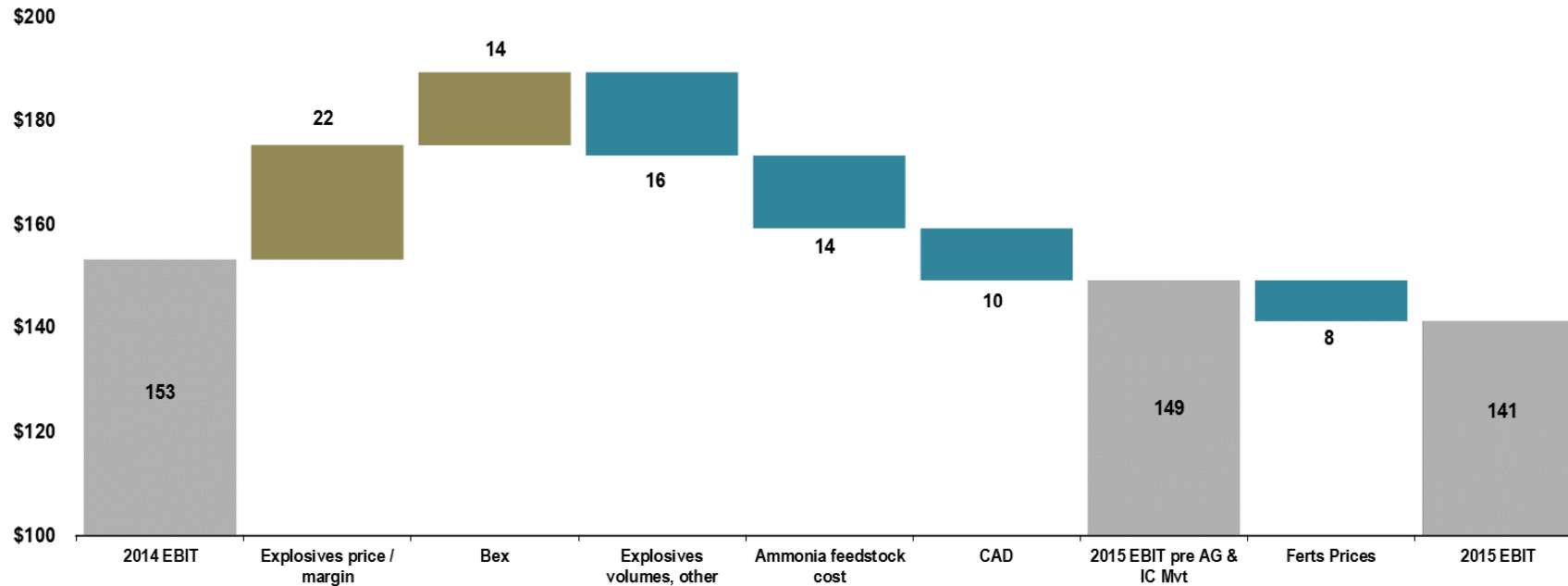
GROUP – NPAT waterfall



- ✓ Fertilisers: Strong Phosphate Hill earnings growth driven by record manufacturing result
- ✓ DNA: Good results with \$A EBIT growth in challenging markets
- DNAP earnings decline in challenging markets
- ✓ Lower corporate cost with benefit of 2014 cost down program
- ✓ Interest down due to strong operating cashflow

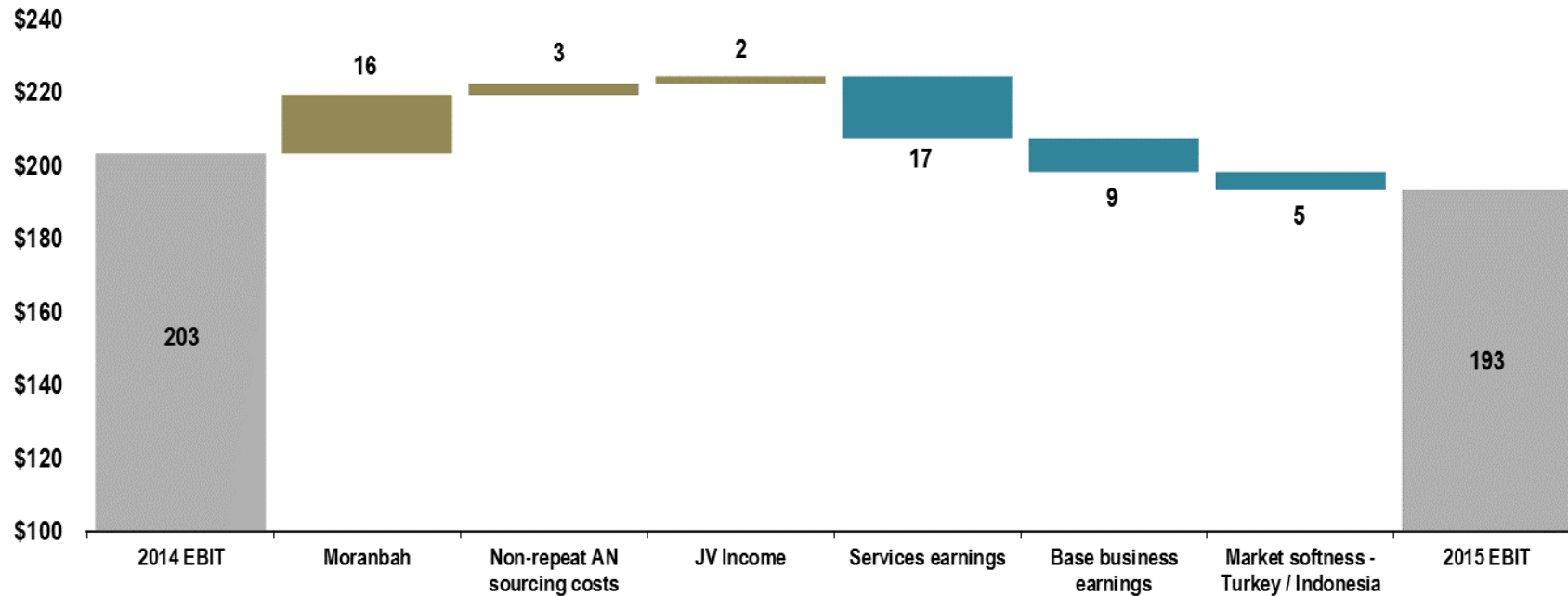
* pre IMIs

DNA (\$US) – EBIT waterfall



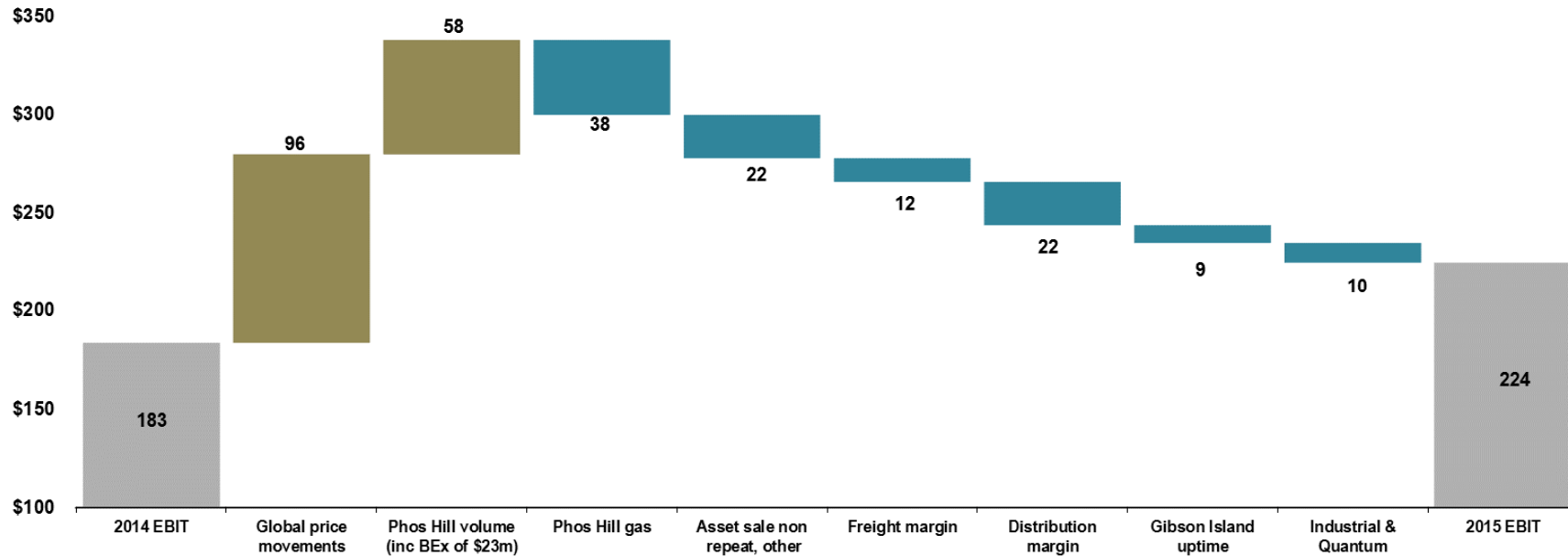
- ✓ Improved explosives margins
- ✓ BEx productivity improvements
- ✗ Explosives volumes impacted by soft mining markets
- ✗ Increased ammonia feedstock cost
- ✗ Impact of the lower CAD on business inputs and translation of earnings

DNAP – EBIT waterfall



- ✓ Moranbah earnings growth
- ✗ Services earnings challenged by mine closures and insourcing
- ✗ Base business earnings challenged by customer efficiency programs
- ✗ Challenging international markets: Nitromak (Turkey) and Indonesia

Fertilisers – EBIT waterfall



- ✓ External factors: Lower \$A, higher DAP prices leading to margin improvement
- ✓ Reliability and BEx improvements drove record Phosphate Hill production
- ✗ Increased Phosphate Hill gas cost
- ✗ Gibson Island lower uptime (improvement expected post March/April turnaround)
- ✗ Distribution earnings impacted by season & competitive market

Strong investment grade capital structure

| Year ended 30 September | 2015 | 2014 |
|----------------------------------|----------|----------|
| Net Debt | \$1.3bn | \$1.5bn |
| Net Debt / EBITDA ⁽¹⁾ | 1.6x | 2.0x |
| Headroom (including cash) | \$2.1bn | \$1.5bn |
| Operating cash flow | \$756.2m | \$535.2m |

- Funding in place for the remaining Louisiana build
- Two new banking facilities established: 3 year \$A0.6b and \$US0.6b and 5 year \$US0.4b
- \$US500m 144A bond to be repaid in Dec 15 using banking facilities
- Net debt / EBITDA improvement whilst investing in Louisiana
- EBITDA growth drove 41% improvement in operating cashflow

(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



WALA ammonia plant under construction

2016 Outlook

Positives

- Louisiana ammonia plant on track: first beneficial production expected in 3Q calendar year 2016
- Lower \$A average vs prior year
- US Quarry & Construction growth
- BEx benefits to continue
- Gibson Island uptime improvement post turnaround
- Partial recovery of IPF distribution margins

Negatives

- Soft global mining markets
- Moranbah gas shortage
- Remaining gas cost increase at Phosphate Hill
- Potential El Nino impact on the East Coast of Australia agriculture markets

QUESTIONS ?

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APPENDIX 1

Other Business Information

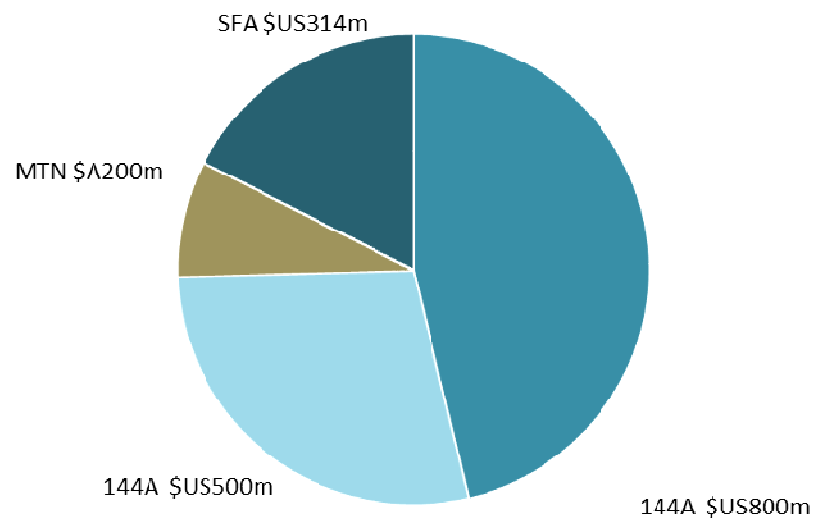
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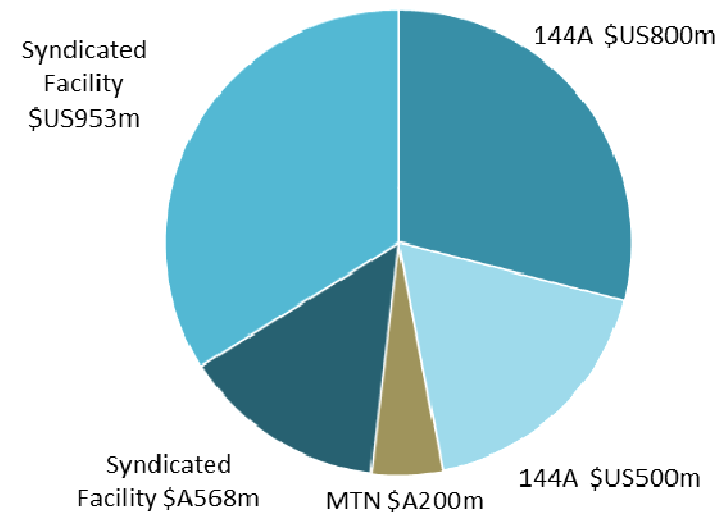
Canola Crop

Debt structure

Drawn Funds



Available Limits

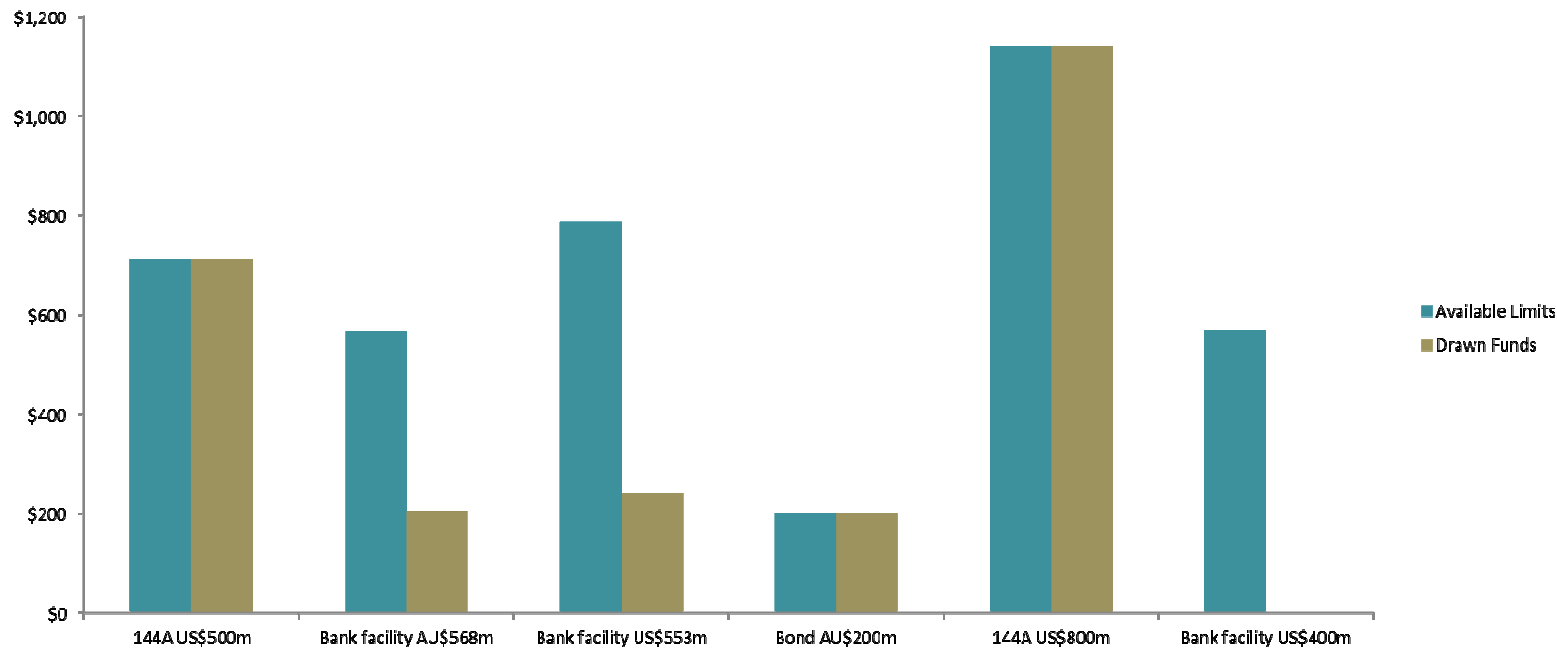


- ✓ Louisiana construction fully funded
- ✓ Mix of \$A and \$US debt to mirror earnings and cash flows

Diverse sources & surplus headroom

Debt in place for Louisiana construction

Funding Profile (\$Am)



- Headroom including cash: \$2.1bn
- Varied sourcing, currency and maturity provides diverse debt profile
- Average tenor expected to increase following the repayment of a bond maturing in December 2015

Diverse sources & surplus headroom

Net debt & capital spend

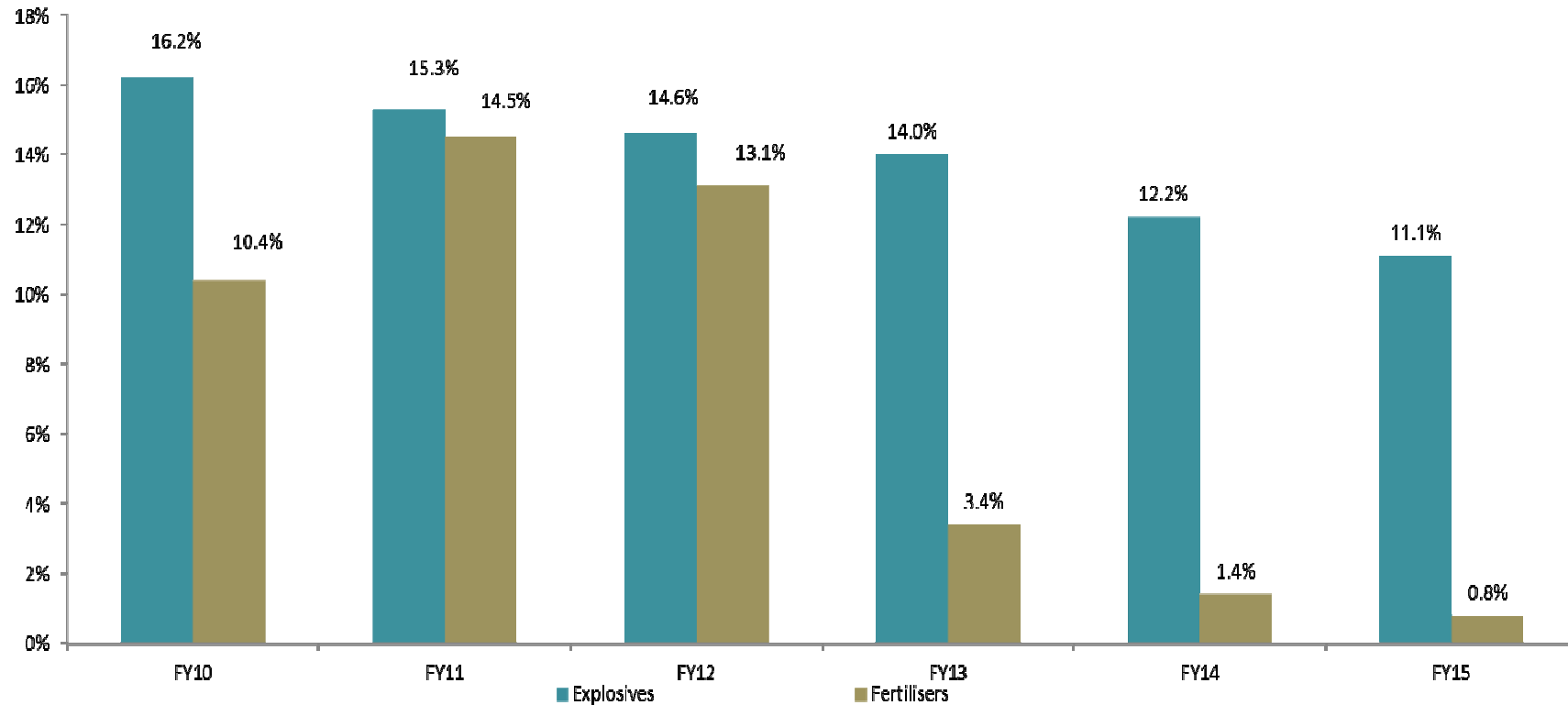
Net debt at \$1.3bn (pcp: \$1.5bn)

- Operating cash flow increased by \$221.0m to an inflow of \$756.2m
 - 11% increase in Group EBITDA
 - Strong TWC result
- Louisiana construction spend of \$218.7m (excludes capitalised interest)
- 2015 sustenance spend of \$100.0m (pcp: \$256.9m) includes:
 - St Helens turnaround & DCS upgrade
 - Preparatory work Gibson Island turnaround
 - Phosphate Hill gypsum cell
- 2016 forecast sustenance spend of \$230m includes:
 - Turnaround related (\$105m)
 - Ongoing sustenance (\$125m)
- Expected 2016 spend on Louisiana project of \$US216m

Growth capital channelled into Louisiana ammonia plant

Continuous improvement in trade working capital

Average Trade Working Capital as a % of sales



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

EBIT sensitivities

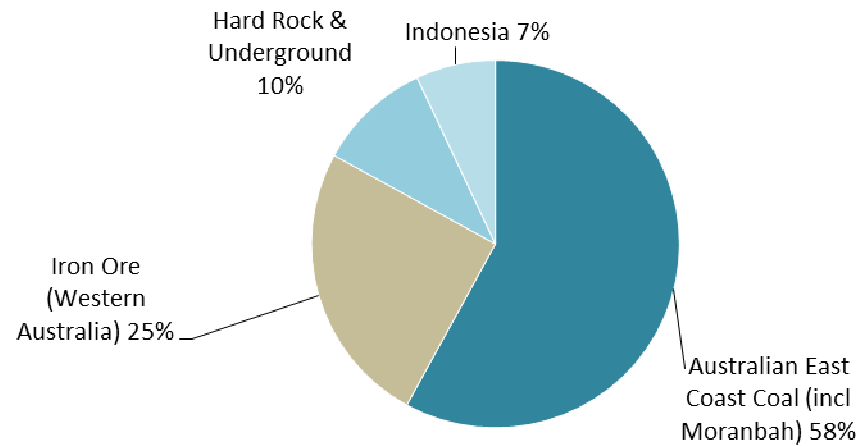
| | |
|--|------------------------------|
| IPF: Urea - Middle East Granular Urea (FOB) ⁽¹⁾ | +/- \$US10/t = +/- \$A4.6m |
| SCI: DAP - Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾ | +/- \$US10/t = +/- \$A13.3m |
| Forex - transactional (DAP & Urea) ⁽³⁾ | +/- 1 cent = +/- \$A9.6m |
| DNA: Urea (NOLA FOB) ⁽⁴⁾ | +/- \$US10/st = +/- \$US1.8m |
| DNA: Forex - translation of Explosives earnings ⁽⁵⁾ | +/- 1 cent = +/- \$A2.3m |

Assumptions:

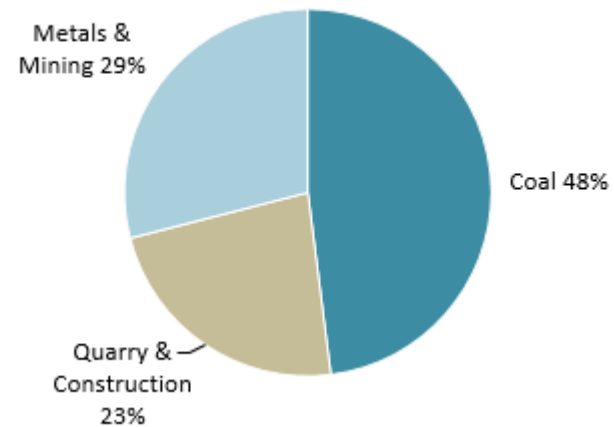
- (1) 360kt (Gibson Island Fertiliser actual FY15 production capacity) urea equivalent sales at 2015 realised price of \$US308/t and the 2015 realised exchange rate of \$A/\$US0.7868
- (2) 1,046kt (Phosphate Hill Fertiliser actual production sold during FY15) DAP sales at 2015 realised price of \$US466/t and the 2015 realised exchange rate of \$A/\$US0.7868
- (3) DAP and Urea volumes, as well as FOB price based on assumptions (1) and (2) (excludes the impact of hedging)
- (4) 180kst (St Helens nameplate production capacity) urea equivalent sales
- (5) Based on actual FY15 EBIT of \$US141m in the DNA business

Explosives end-markets

DNAP – AN Volumes by end-market HY15



DNA – AN Volumes by end-market FY15



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

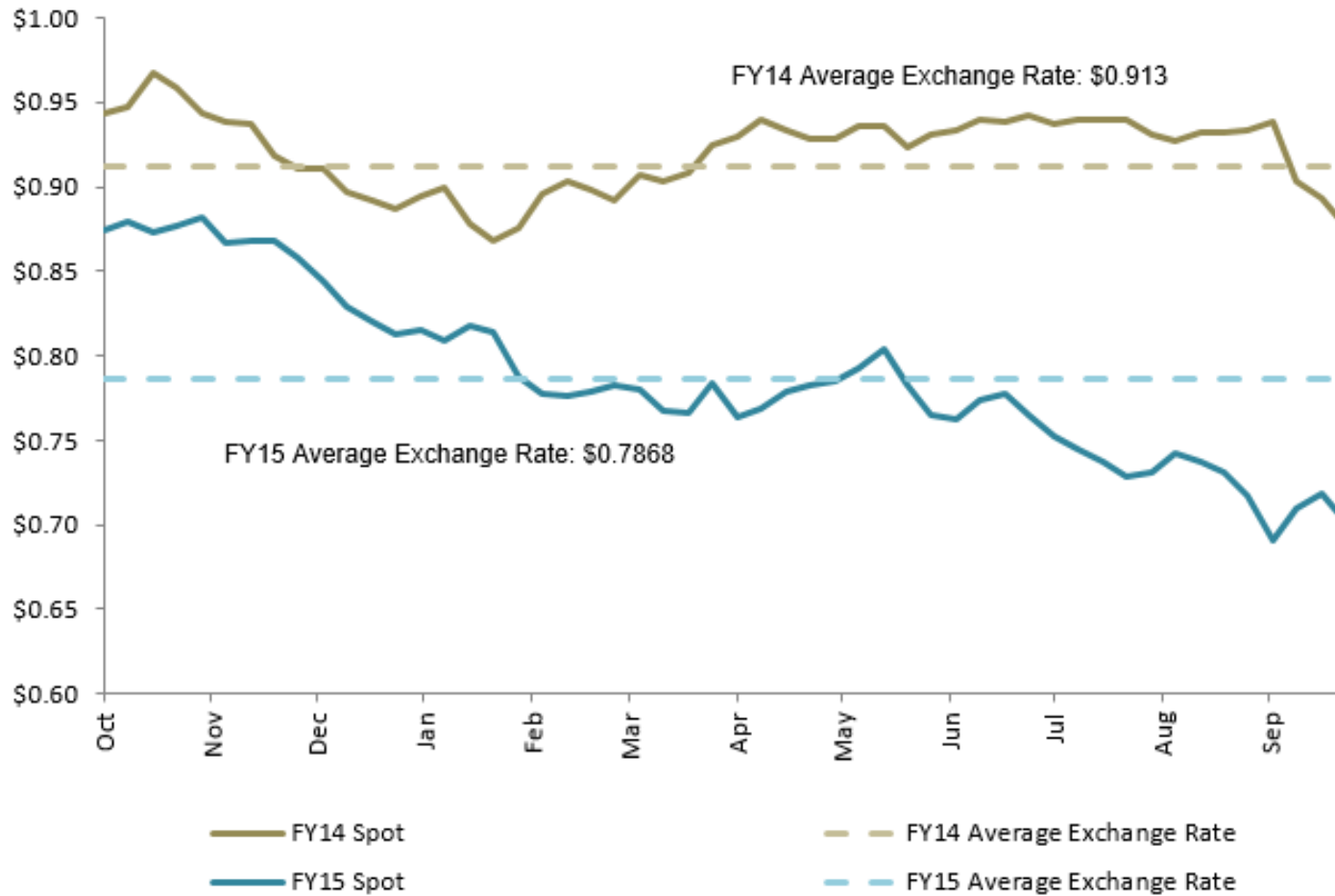
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Bulk explosives equipment operating at Australian mine

Market information – Foreign exchange

Foreign Exchange Rate (\$A:\$US):

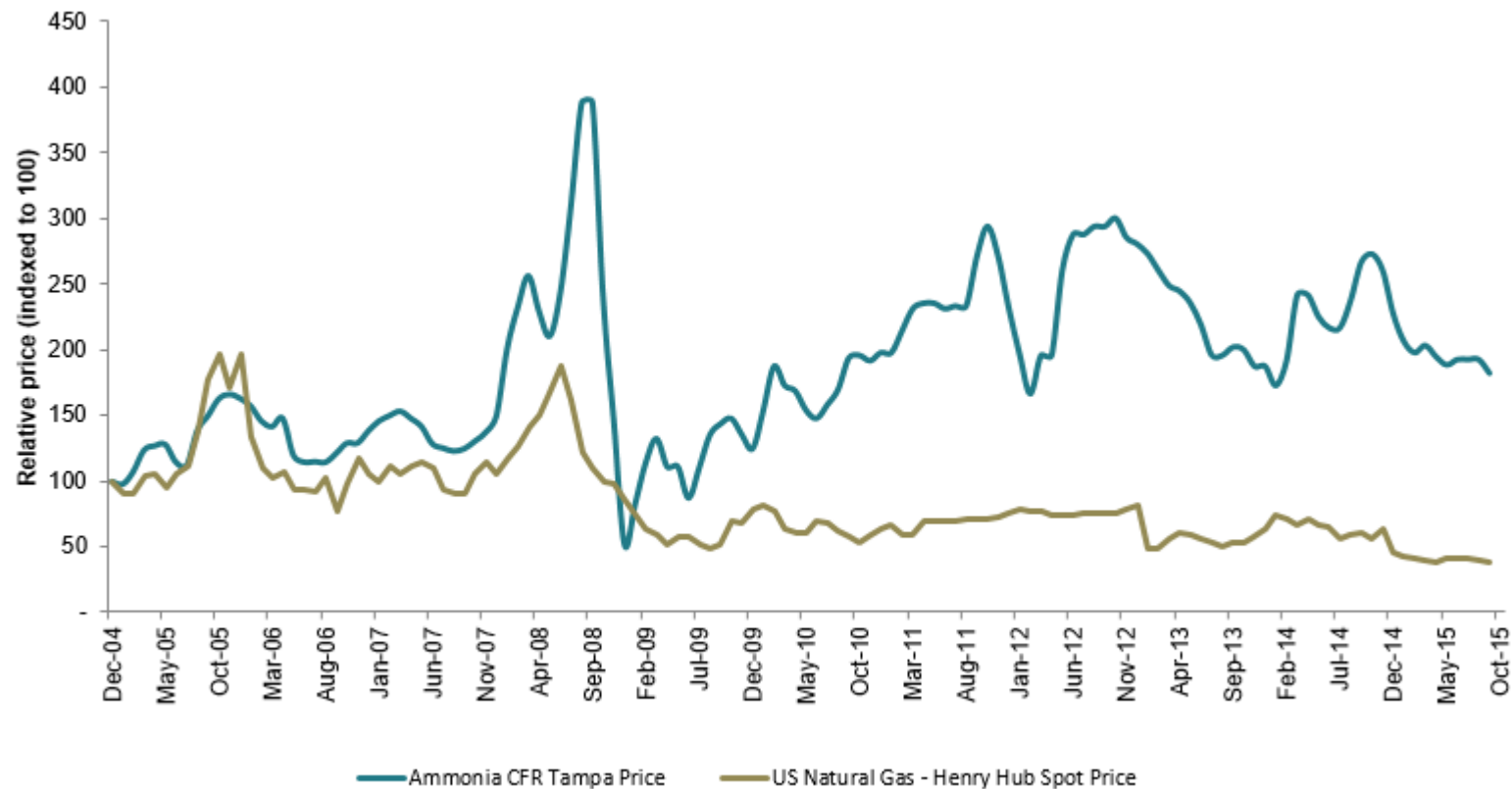


Source: Bloomberg

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):



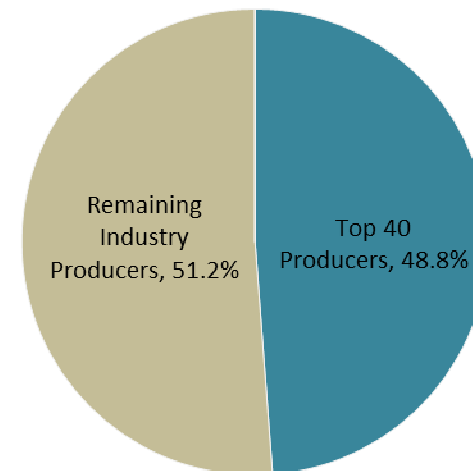
Source: U.S. Energy Information Administration ("EIA") and Fertecon

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. The top 40 producers contribute less than half of total dry gas production
- Highly fragmented market for gas production
- Supportive government policy

Diversified Producer Base:



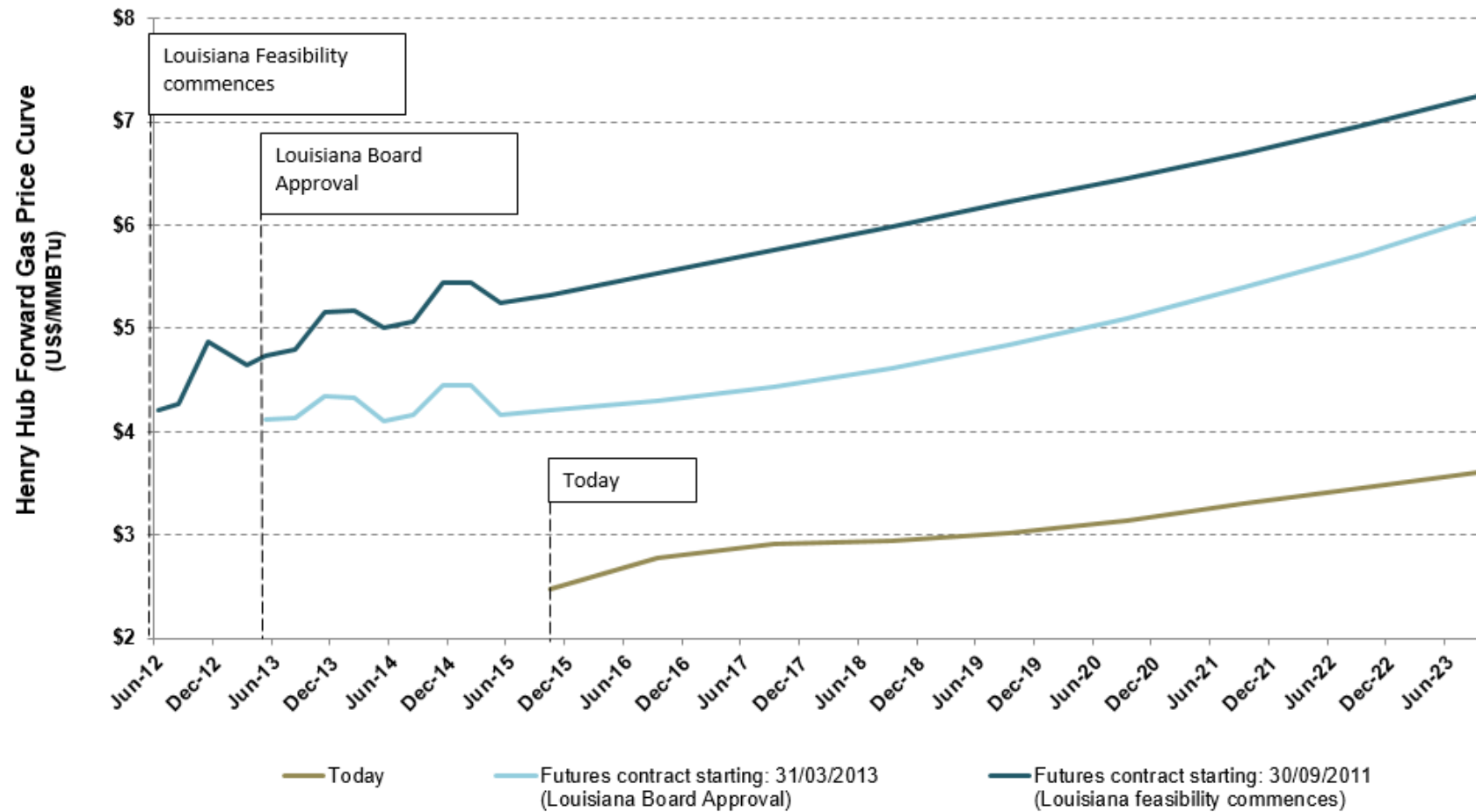
Gas prices:

| | \$US/MMBtu |
|---------------------------------|------------|
| Current (as at 5 November 2015) | \$2.17 |

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

Market information – US gas

US Natural Gas Forward Curve (NYMEX):



Source: Bloomberg

Market information - US Coal

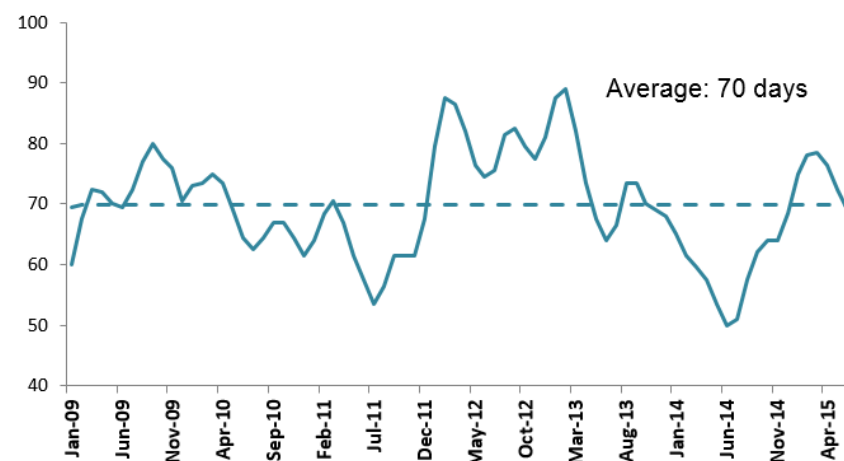
| | FY15 | % change to pcp |
|----------------------------------|-------|-----------------|
| Total US Coal Production (mst) | 936.3 | (5.0%) |
| Appalachia Coal Production (mst) | 243.8 | (9.2%) |
| Interior Coal Production (mst) | 178.0 | (3.4%) |
| Western Coal Production (mst) | 514.5 | (3.4%) |
| US Coal Exports (mst) | 80.5 | (21.6%) |

| 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: 64% Illinois Basin ⁽¹⁾ : 8% Appalachia: 28% |

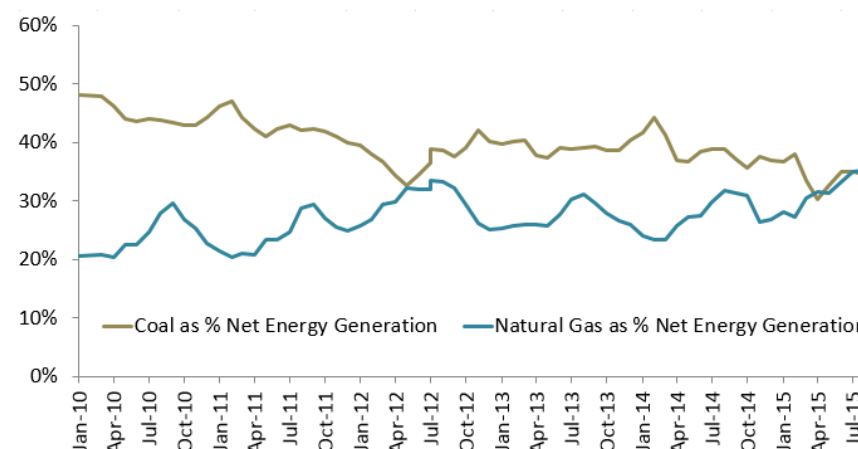
(1) Reduced from previous years due to loss of customer volumes from 1 January 2015

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

Average coal inventory days



Net energy generation by fuel source:

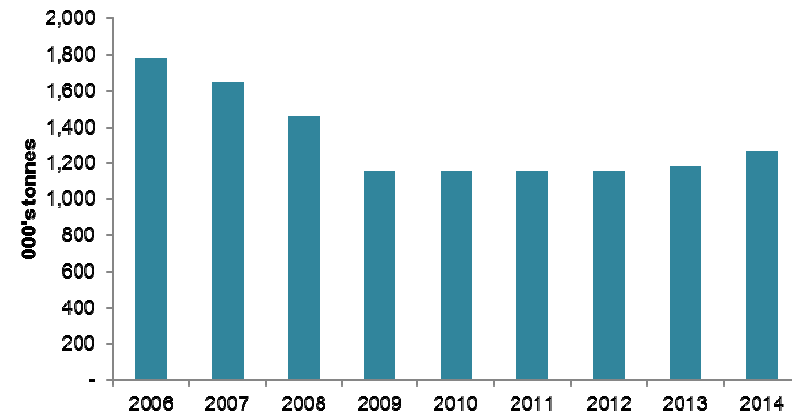


Market information - US Quarry & Construction

US construction value

| Construction value put in place (not seasonally adjusted) ⁽¹⁾ | FY15 US\$bn | % change to pcp |
|---|----------------|--------------------|
| Total Construction | 1,021 | 8.7% |
| Residential | 369 | 5.0% |
| Non-residential – private | 372 | 15.7% |
| Non-residential – public | 279 | 4.7% |

US annual crushed stone production:



North American Crushed Stone Production

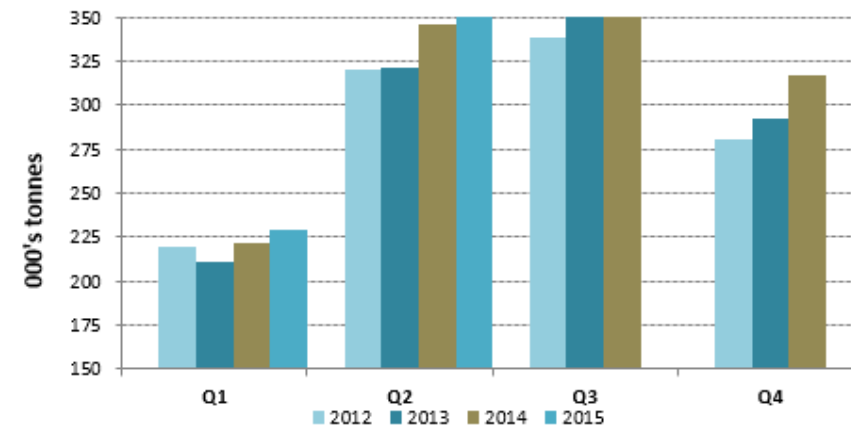
(million metric tonnes)



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

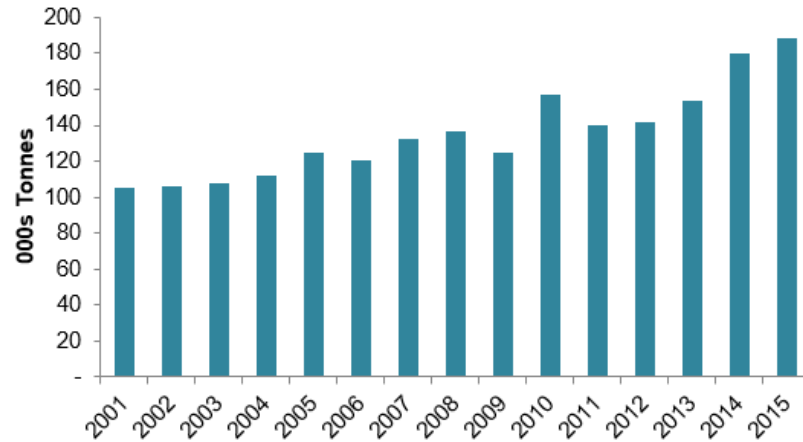
(1) A measure of all the costs of labour and materials, architectural and engineering work and overhead costs associated with construction work done each month on new private residential, non-residential construction and public construction; 6 month period Sept 14 – Feb 15

US quarterly crushed stone production:

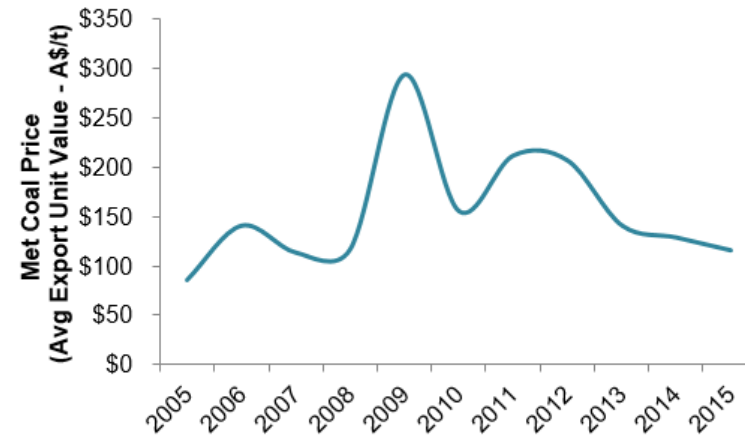


Market information - Australian hard commodities

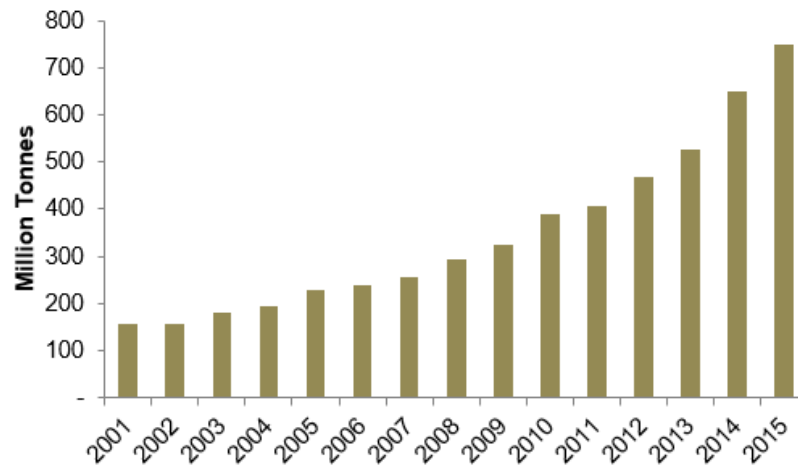
Australian metallurgical coal exports:



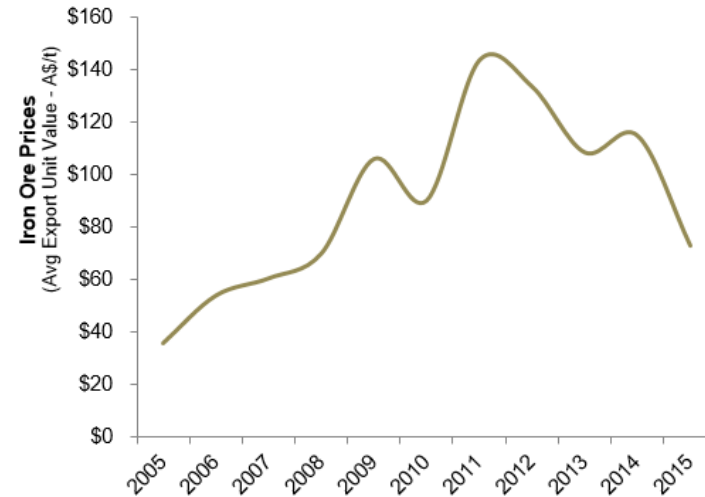
Metallurgical coal prices (Average export value):



Australian iron ore exports:



Iron ore prices (Average export value):



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

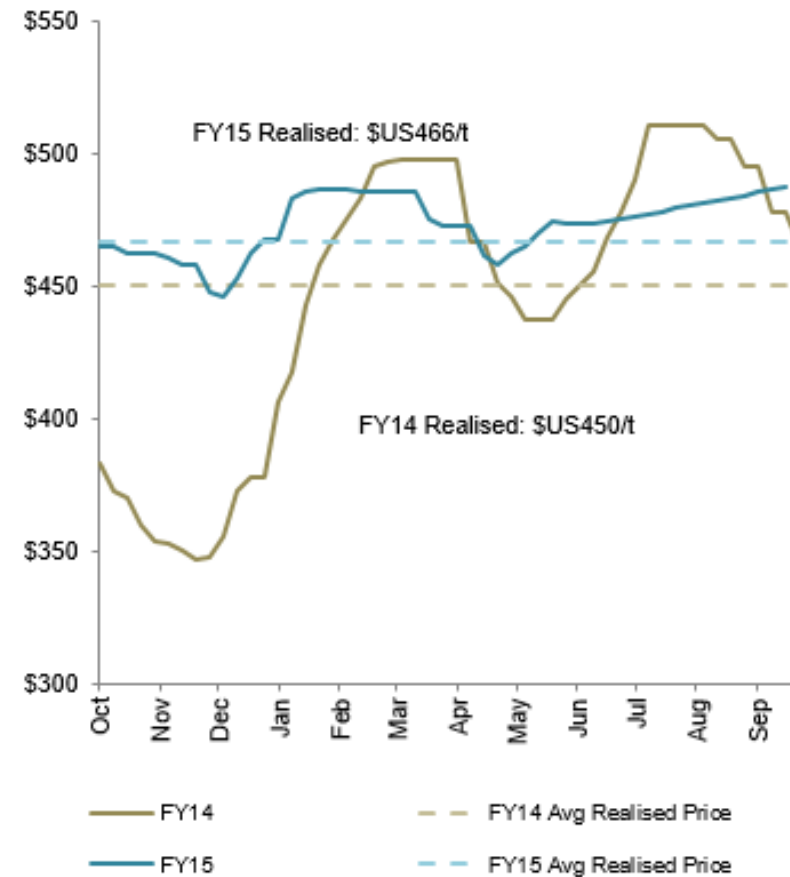
Market information - Ammonium Phosphates

Global phosphate fertiliser consumption : ~60mt

| Million tonnes | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------|------|------|------|------|------|------|
| World DAP seaborne trade | 15.7 | 14.1 | 14.3 | 13.9 | 14.6 | 14.7 |
| India DAP imports | 7.8 | 7.0 | 5.9 | 3.5 | 3.9 | 5.4 |
| China DAP exports | 3.9 | 3.9 | 3.9 | 4.1 | 5.0 | 5.9 |

Sources:
CRU, IPL estimates

DAP FOB Tampa prices (\$US):



Source: Fertecon

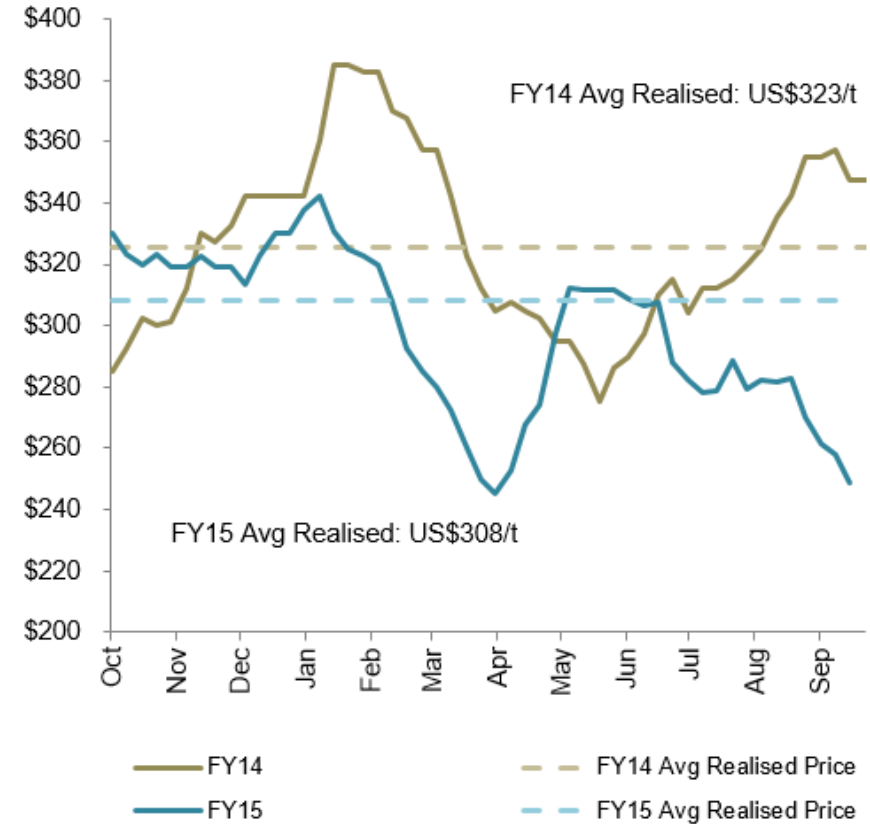
Market information - Urea

Urea global market size: ~165mt

| Million tonnes | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------|------|------|------|------|------|------|
| World Urea seaborne trade | 39.9 | 38.7 | 42.4 | 44.4 | 47.6 | 47.0 |
| India Urea imports | 6.6 | 7.6 | 7.8 | 7.6 | 8.0 | 9.5 |
| China Urea exports | 6.9 | 4.0 | 6.8 | 8.4 | 12.6 | 11.9 |

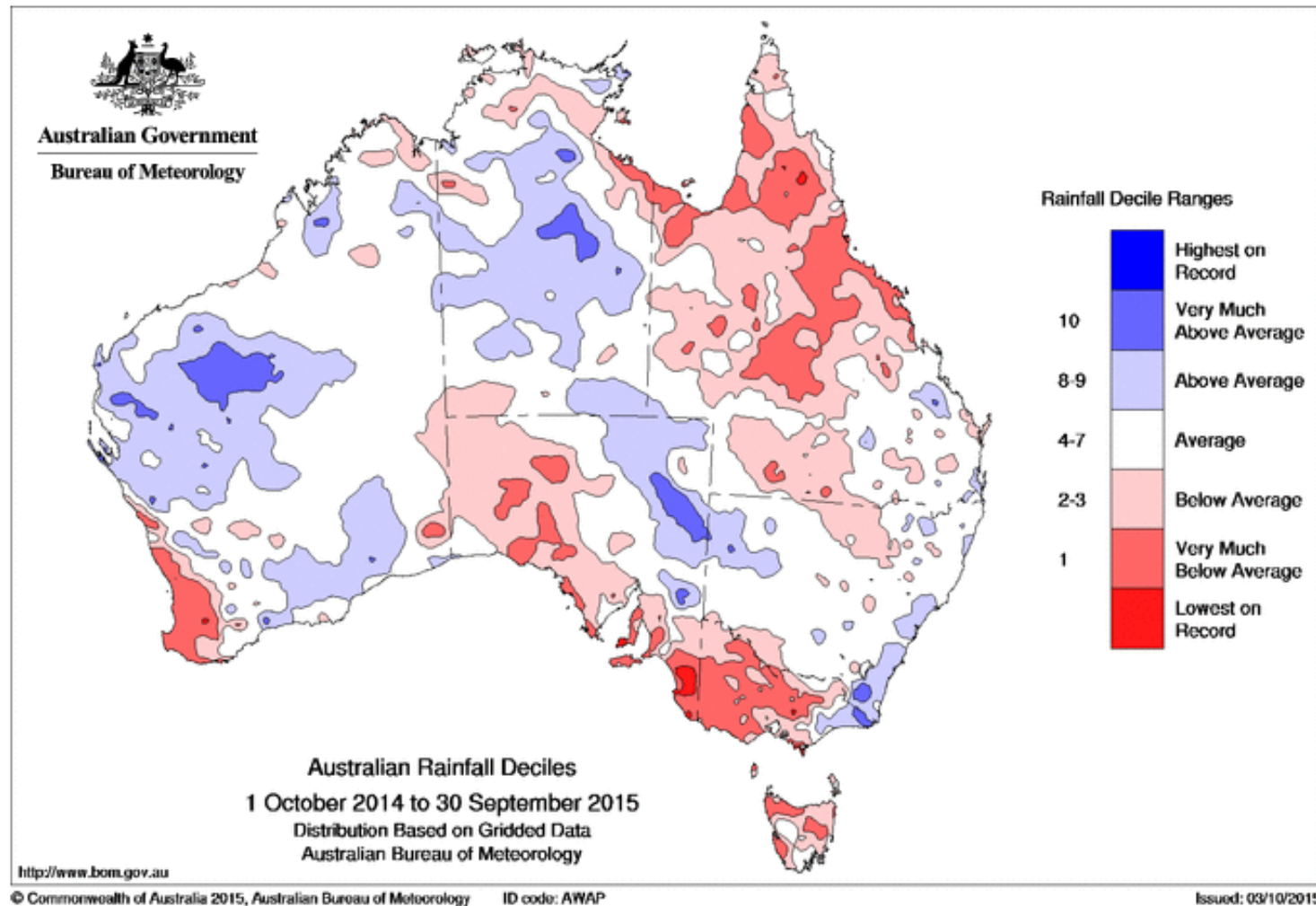
Source: CRU

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



Source: Fertecon

Australian seasonal conditions



Rain required in broadacre & cotton growing regions