

Incitec Pivot Limited

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26 August 2016

The Manager
Company Announcements Office
Australian Securities Exchange
Level 4, North Tower
Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir or Madam

Electronic Lodgement

Market Update Presentation

In accordance with the listing rules, attached is a market update presentation to be given by Incitec Pivot this morning.

Yours faithfully



Daniella Pereira
Company Secretary



Market Update

26 August 2016

Incitec Pivot Limited

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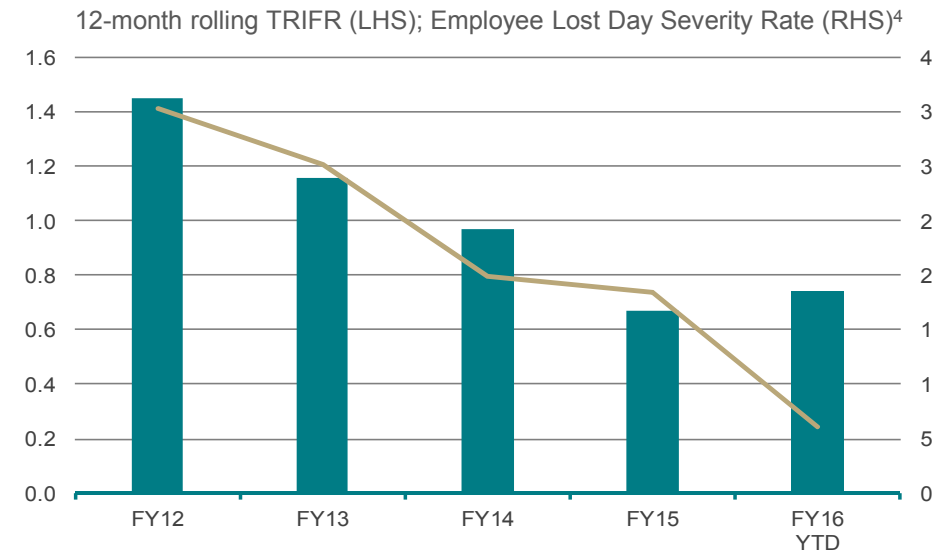
Safety - Zero Harm

Zero Harm for Everyone, Everywhere is IPL's number one priority

5-year plan set in 2012 to reduce TRIFR to less than 1.0 by 2016¹

- 49% reduction since implementing plan²
- Significant decline in Employee Lost Day Severity Rate over the same period
- 5 million hours worked on Louisiana project without a LTI³

TRIFR and Severity Rate – Last five years



1. Total Recordable Injury Frequency Rate (TRIFR) calculated as the number of recordable injuries per 200,000 hours worked; includes contractors

2. Through 31 July 2016

3. LTI: Lost Time Injury

4. Employee Lost Day Severity Rate calculated as the number of employee lost workdays per 200,000 hours worked represented in days

IPL Group

Market Update

Phosphate Hill



Key Themes

Market conditions remain challenging as previewed in half year result

- Over supplied commodity markets and global economic uncertainty remain
- Recent support for coal and iron ore prices has been encouraging
- Recent trends in fertilisers prices have also been encouraging

Controlling the controllables through BEx

- Strong manufacturing production with Moranbah, Phosphate Hill, Cheyenne and St. Helens performing well
- Australian gas supply challenges are being actively managed
- Louisiana project deep in commissioning phase; on track and on budget

Positioning business for bottom-of-the-cycle conditions through BEx

- Efficiency program in advanced stages to deliver \$100m of cash savings in 2017¹
- Implementation costs of ~\$35m to be booked in the second half of the financial year

On track for increased returns to shareholders

1. \$80m in sustainable operating cost savings and \$20m sustainable capex savings targeted as disclosed in 2016 Half Year Results presentation

Louisiana

IPL's world-scale Louisiana ammonia project is on track and on budget

- **On Track:** Deep into commissioning phase, performance testing expected in September
- **On Budget:** Total spend consistent with initial US\$850m budget¹

Major commissioning milestones achieved, including:

- More than 25,000 short tons of ammonia produced
- Production on 24 August of 2,320 short tons
- Product provided to off takers

Underpins expectation for significant increase in free cash flow

- **World Scale:** 800,000mt annual name plate capacity
- **1st Quartile on Global Cost Curve:** ~32mmbtu per mt, ~\$47 conversion cost per mt²
- **Committed Offtake:** Offtake fully committed through long term agreements

1. Project budget at time of announcement

2. mt: metric tonnes; mmbtu: million British thermal units. Fixed conversion cost based on name plate production.

Aerial view

August 2016



Dyno Nobel Americas

Coal markets remain challenging though recent statistics are encouraging

- Warm summer contributed to increased energy demand and a rebound in coal burn
- However, impact largely offset as electrical generators work through inventories

Metals & Mining market also challenged but with improving outlook for FY17

- Buoyed by recent rebound in iron ore prices and tariffs on US steel imports

Q&C segment continues to grow, albeit at moderating rates

- Impact of US\$305Bn highway spending bill in nascent stage
- Existing footprint positioned for long term growth potential

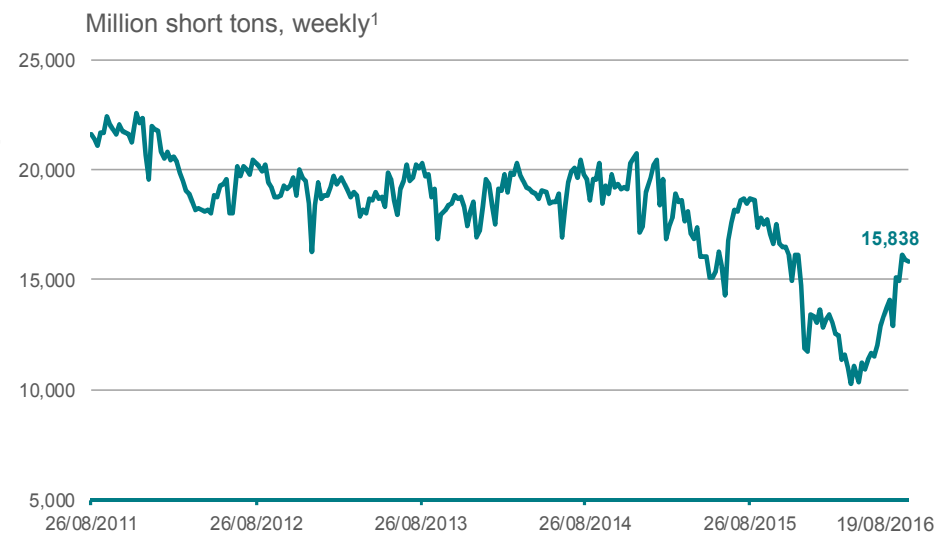
Ag&IC segment facing pressure from subdued global urea pricing

- Currently trading near 12-year low, though recent price movements have been encouraging

Efficiency measures positioning DNA to address bottom-of-the-cycle conditions

- Also benefitting from Cheyenne's proximity to Powder River Basin

US coal production – last five years



1. Source: Bloomberg

Dyno Nobel Asia Pacific

Asia Pacific volumes continue to be resilient despite market conditions

- Underpinned by demand from top tier coal and iron ore miners
- Partially offset by recent rainfall, which has slowed some customer operations

Nevertheless, environment remains challenging

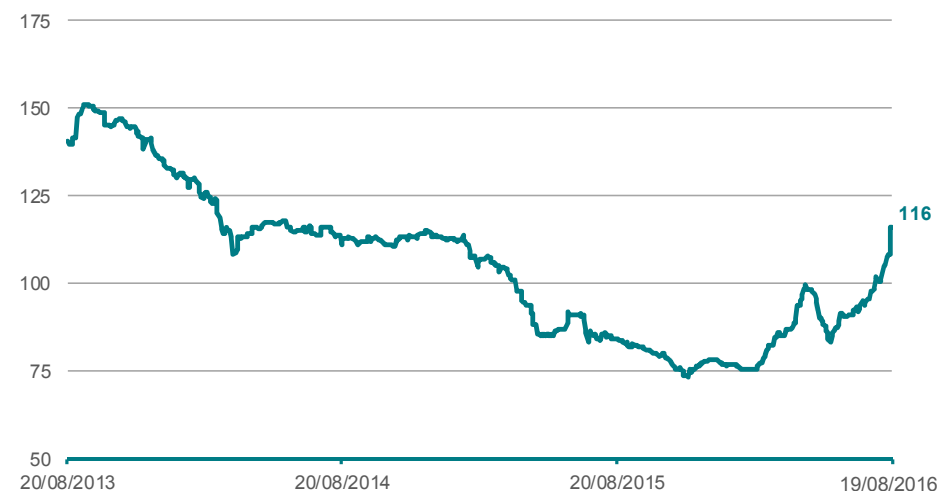
- Customers remain cost focused
- Closures and curtailments of marginal mines continue

Moranbah performing well and benefitting from proximity to Bowen Basin

- Excellent manufacturing performance with strong full year production expected
- Bowen Basin metallurgical coal exports continue to grow
- Gas curtailment issues resolved

Premium hard coking coal – last three years

US\$/mt; Australia export (FOB East Coast)¹



1. Source: Bloomberg

Incitec Pivot Fertilisers

Depressed global fertiliser prices remain an overarching headwind

- Urea currently trading near 12-year low

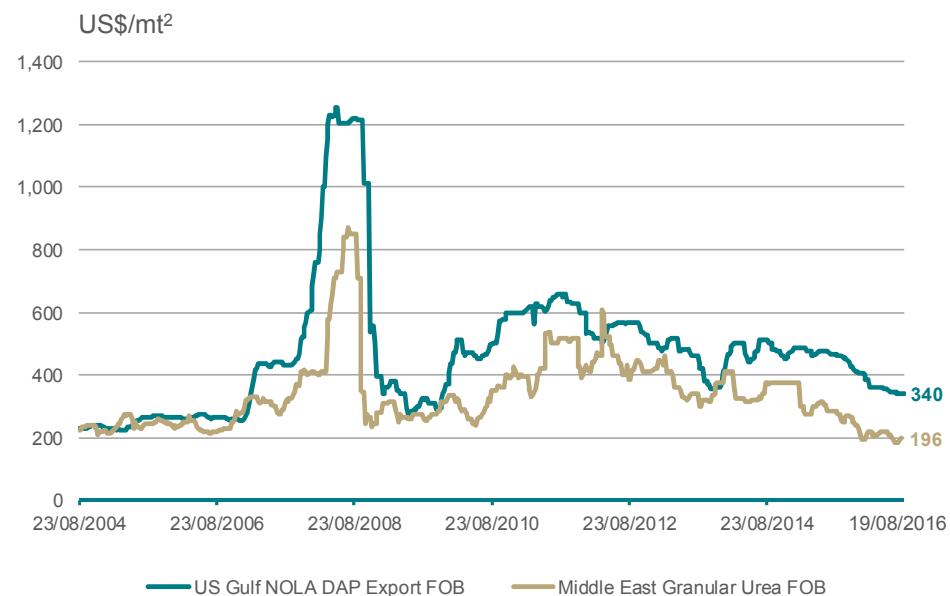
However, recent trends in urea and DAP markets have been encouraging

- Strong second half volumes with stabilising global prices
- Distribution margins stable

Phosphate Hill on track for strong full year production despite derailment¹

- BEx initiatives tangibly reducing cost per tonne metrics

DAP and urea – last twelve years



1. As disclosed on 6 January 2016, a train carrying sulphuric acid from Townsville to Phosphate Hill derailed

2. Source: Bloomberg

Balance Sheet

Credit metrics consistent with targets set at beginning of Louisiana Project

- Stable operation of Louisiana pre-condition for increased shareholder returns

Debt facilities

As at 31 March 2016¹

IPL Group				
Facility	Maturity	Facility Amount (A\$m)	Drawn Amount (A\$m)	Undrawn Amount (A\$m)
Syndicated Term Loan A	2018	568	398	170
Syndicated Term Loan B	2018	721	610	111
Medium Term Notes	2019	200	200	-
144A/Regulation S Notes	2019	1,044	1,044	-
Syndicated Revolver	2020	522	-	522
Total		3,055	2,252	803

1. Based on A\$/US\$ exchange rate of 0.7666 achieved in the half year period

Sensitivities

IPL's earnings remain sensitive to external influences

- Global fertiliser prices and foreign exchange are key factors
- Natural gas and ammonia are also important influences

EBIT sensitivities

As they relate to 2015 full year results

Full Year EBIT Sensitivities

	Impact to 2015 Full Year EBIT
DNA: Urea US Gulf NOLA FOB ⁽¹⁾	+/- US\$10/st = +/- US\$1.8m
DNA: Forex earnings translation ⁽²⁾	+/- US\$0.01 = +/- A\$2.3m
IPF: Middle East Granular Urea FOB ⁽³⁾	+/- US\$10/mt = +/- A\$5.1m
SCI: Diammonium Phosphate Tampa FOB ⁽⁴⁾	+/- US\$10/mt = +/- A\$12.1m
IPF & SCI: Forex transactional (DAP and Urea) ⁽⁵⁾	+/- US\$0.01 = +/- A\$9.2m

Illustrative Louisiana EBIT Sensitivities

	Impact to EBIT Full Year EBIT
DNA: Ammonia Tampa CFR ⁽⁶⁾	+/- US\$10/mt = +/- US\$7.6m
DNA: Henry Hub Natural Gas ⁽⁶⁾	+/- US\$0.10/mmbtu = +/- US\$2.4m

1. 180,000 short tonnes ("st") urea equivalent (St Helens nameplate) sales at 2015 urea US Gulf New Orleans, Louisiana ("NOLA") FOB average price of US\$302/st

2. Based on actual FY2015 DNA EBIT of US\$141m,

3. 405,000mt urea equivalent (Gibson Island nameplate) sales at 2015 realised price of US\$308/mt and the 2015 realised exchange rate of A\$/US\$ 0.7868

4. 950,000mt diammonium phosphate (DAP) (Phosphate Hill nameplate) sales at 2015 realised price of US\$466/mt and the 2015 realised exchange rate of A\$/US\$ 0.7868

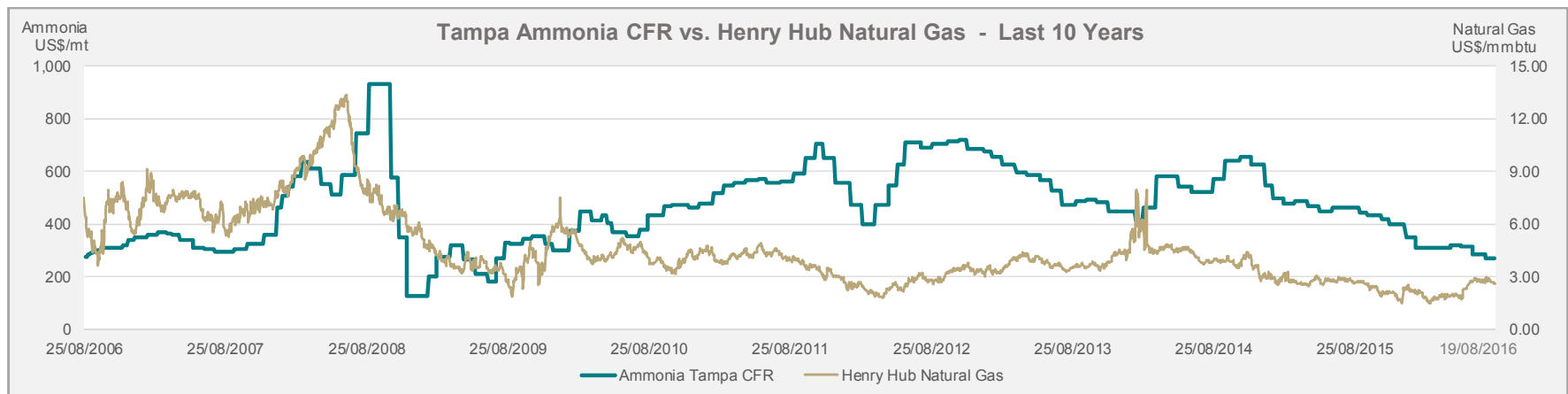
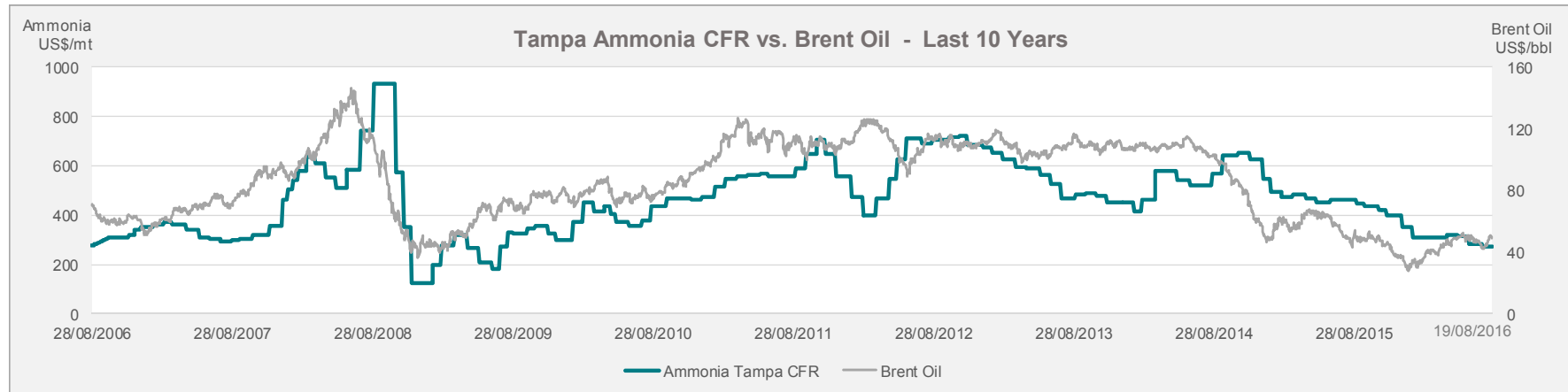
5. DAP and urea volumes and prices based on footnotes 3 and 4 above (excludes impact of hedging)

6. Illustrative impact to Louisiana EBIT contribution assuming full year production and assumptions set out in 2016 Half Year Results presentation

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Appendix – Commodity Statistics

Ammonia Spreads

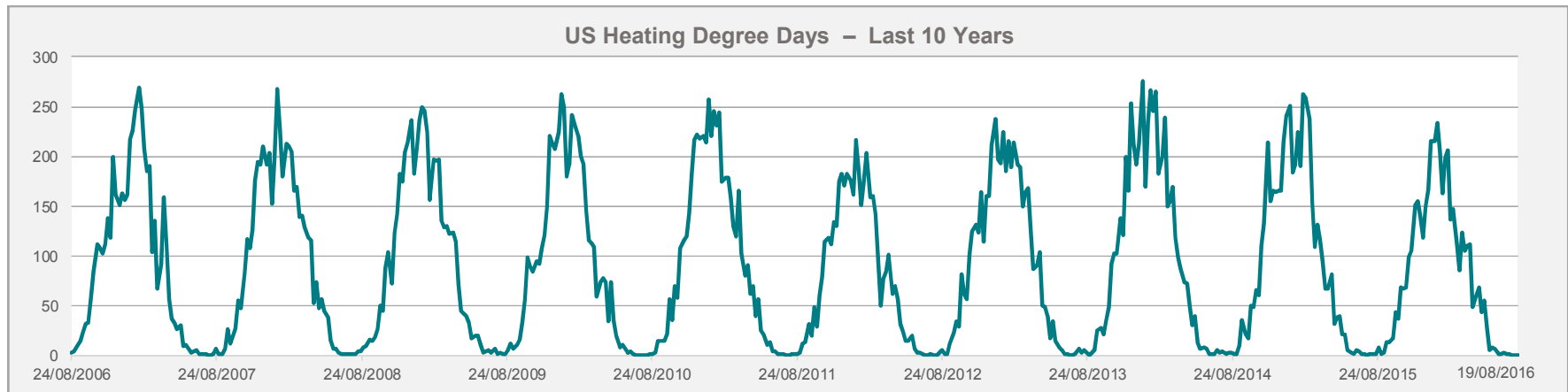
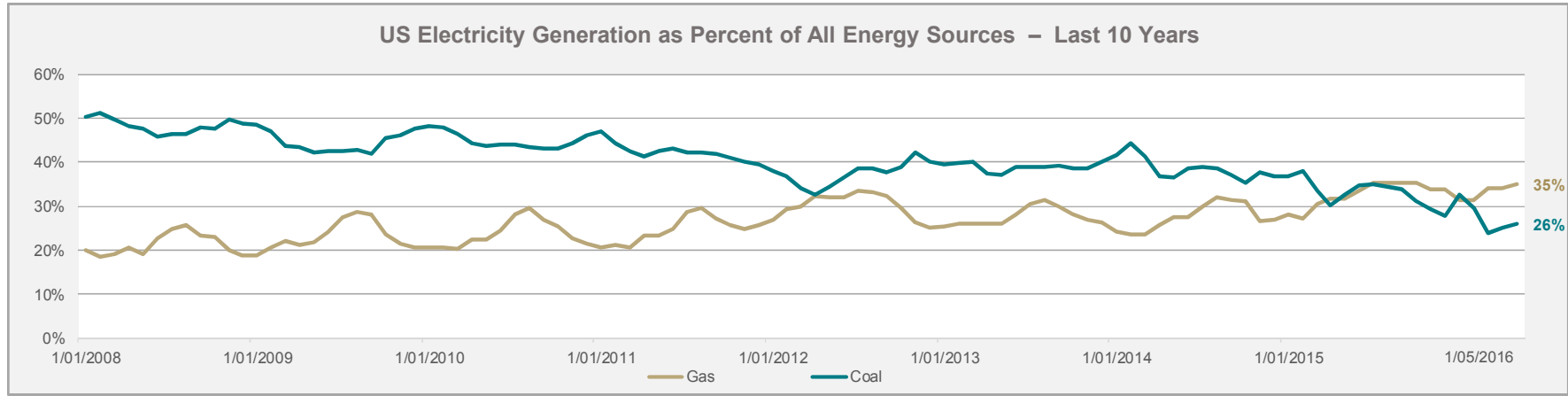


Source: Bloomberg

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US Coal Demand Drivers

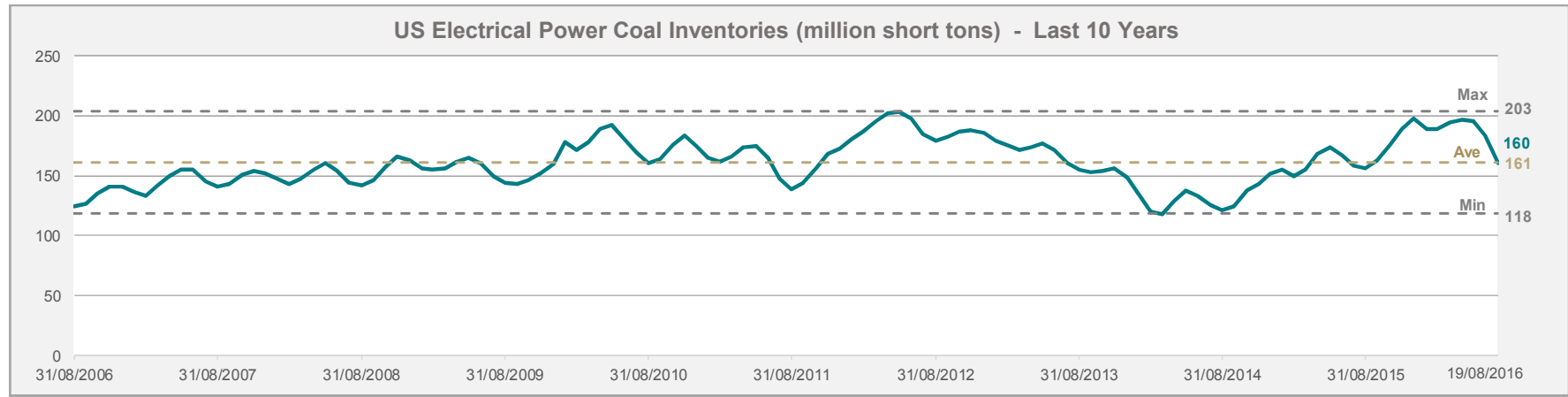


Source: Bloomberg

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US Coal Inventories

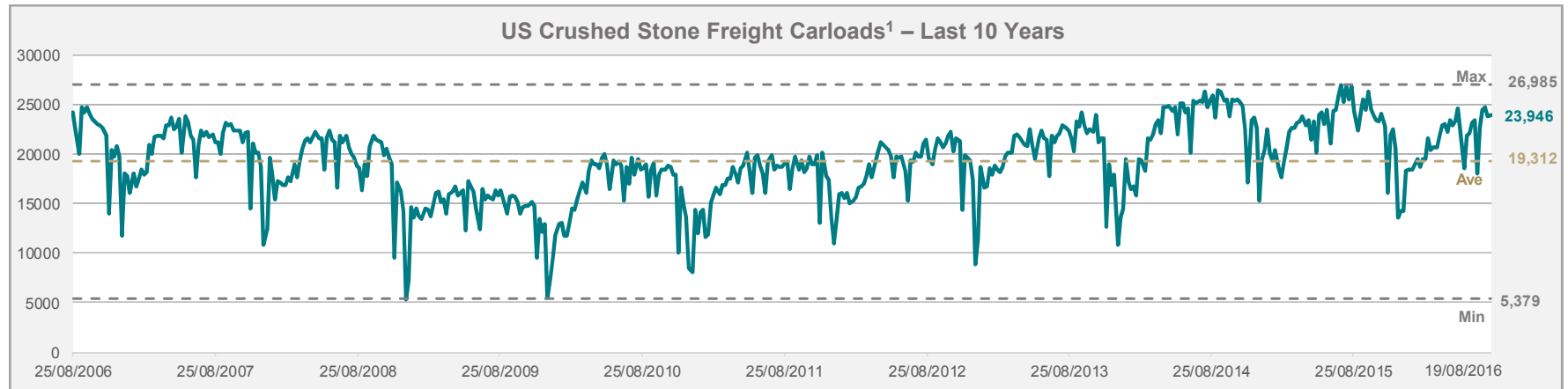


Source: Bloomberg

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US Crushed Stone Freight Carloads



Source: Bloomberg

1. Total carloads and intermodal originated traffic

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