



Incitec Pivot Limited

DYNO
Dyno Nobel



Company Performance

Half Year ended 31 March 2018

ASX: IPL
US ADR: INCZY

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Incitec Pivot Limited

ABN 42 004 080 264



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Welcome and Introduction

Half Year ended 31 March 2018

Jeanne Johns
Managing Director & Chief Executive Officer



Overview

1	Half Year Review Zero Harm Business Summary	Jeanne Johns Managing Director & Chief Executive Officer
2	Group Financial Results 1H18 Overview Balance Sheet and Capital Management Corporate and Group	Frank Micallef Chief Financial Officer
3	Business Review Dyno Nobel Americas Dyno Nobel Asia Pacific Fertilisers Asia Pacific Sustainability	Jeanne Johns Managing Director & Chief Executive Officer
4	Outlook Explosives Fertilisers Key Priorities	Jeanne Johns Managing Director & Chief Executive Officer
5	Questions	

Half Year Review

Zero Harm

IPL's core value is
"Zero Harm for Everyone,
Everywhere"

Fully integrated Health, Safety and Environment (HSE) system coupled with effective identification and management of HSE risks

TRIFR for 1H18 of **1.02**
was up from 0.95 FY17

Process Safety Incidents
improved **54% pcp**

Zero Harm strategic re-set
completed during the half

Re-launch of Rules to Live By on
World Safety Day

TRIFR 30% reduction target by end
FY21

Increasing the focus on its
environmental impact,

IPL will also report on
Significant Environmental
Incidents, targeting zero
incidents

Focus on Process Safety and
Operating Risk

Tier 1 and Tier 2 Process Safety
Events and Potential High Severity
Incidents continuous improvement
focus

Approach to Zero Harm

TRIFR
30%
Reduction Target

Significant
Environmental
Incidents
Target Zero

Process Safety
Incidents

Potential High
Severity
Incident Rate

Continuous improvement

Half Year Review

Business Summary

NPAT \$7.6m Excluding IMIs was \$147.1m ▼ 3.3% pcp

EBIT Excluding IMIs was \$240.3m ▼ 1% pcp

Solid performance against a backdrop of mixed market conditions

Strong underlying US and Australian explosives market demand

US explosives market share growth across all three sectors

Excellent manufacturing performance from Waggaman and Moranbah, but result impacted by turnarounds and unplanned outages at Cheyenne, St Helens and Gibson Island

Fertilisers earnings impacted by dry weather across eastern Australia

New executive management structure established

Focus on One IPL culture to leverage technology and practical innovation across borders

More leadership focus on Explosives and Fertilisers businesses

Stronger emphasis on customer solutions and technology coupled with manufacturing excellence

Focus on shareholder returns

A\$300m share buy-back program about one third complete – currently expected to be completed before the end of 2018

BEx

Net productivity benefits of \$11.5m were delivered during the half. On track to deliver at least \$25m in FY18



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Group Financial Results

Half Year ended 31 March 2018

Frank Micallef
Chief Financial Officer



1H18 Overview

NPAT **\$7.6m**

Excluding IMIs was \$147.1m,
▼ 3.3% pcp

Individually Material Items (IMIs)

Goodwill impairment of (\$236.0m) in Dyno Nobel Asia Pacific

Benefit of \$96.5m from restatement of US deferred tax balances

EBIT excluding IMIs of \$240.3m ▼ 1% pcp

Major drivers:

Fertiliser prices and Foreign Exchange

\$25.5m impact from higher realised fertiliser prices in the Australian Fertilisers business

\$3.1m (US\$2.8) impact from higher realised fertiliser prices in the Americas Agricultural & Industrial Chemicals business

(\$13.7m) impact on US\$-linked fertilizer sales from strengthening A\$ vs US\$

(\$6.6m) translation impact on US\$ earnings from strengthening A\$ vs \$US

Upstream manufacturing impact

Asia Pacific: \$3.0m net impact, driven by of Moranbah efficiencies/uptime of \$11.6m and Gibson Island outages (\$8.6m)

Americas: (\$14.8m) from Cheyenne and St Helens turnarounds and outages

Waggaman business

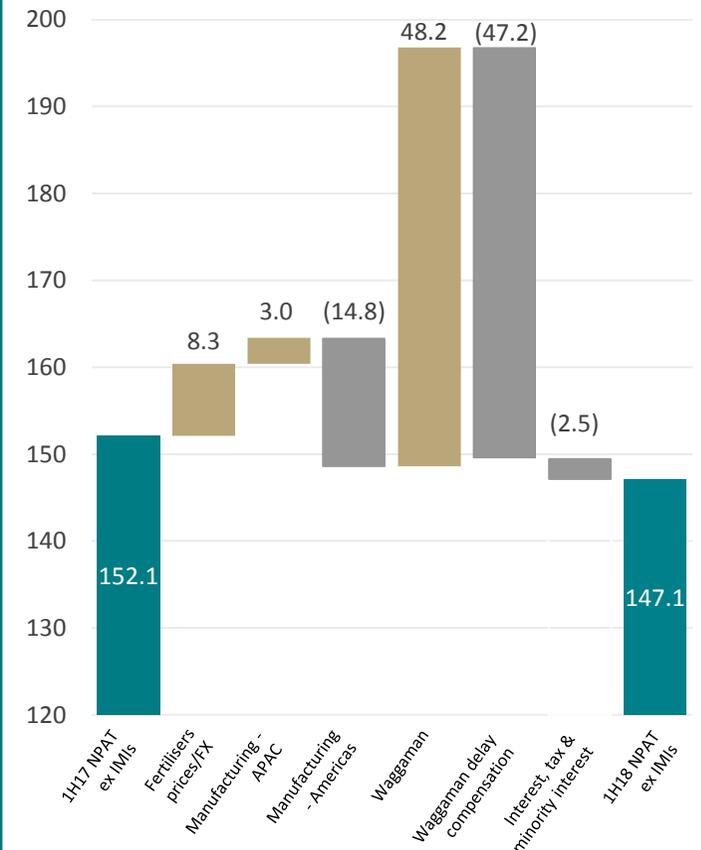
Volumes/Efficiency/Price: \$48.2m impact from operating at 110% nameplate¹ and higher ammonia prices

Delay Damages: (\$47.2m) construction delay damages received in 1H17

1H18 Overview

A\$ million

NPAT excluding IMIs



1. 800,000 metric tonnes (mt) per annum nameplate capacity

Balance Sheet and Capital Management

Robust balance sheet

Net debt largely unchanged since March 2017 at \$1.7Bn, but up relative to FY17 largely due to normal seasonal working capital increases and the impact of the Group's share buy-back program

Metrics underpin investment grade credit ratings

S&P: BBB with stable outlook

Moody's: Baa2 with stable outlook

Expected refinancing activity during second half

Interim unfranked dividend of 4.5 cps

Representing a 51% NPAT (ex IMIs) payout ratio

Credit metrics well inside target ranges

Net Debt / EBITDA²:
2.2x vs 2.4x in 1H17

Interest Cover³:
7.5x vs 7.9x in 1H17

On-market share buy-back of up to \$300m

26.1 million ordinary shares bought back as at 31 March 2018, representing circa one third of the share buy-back program

Currently expected to be completed before the end of 2018

Credit Metrics

As at 31 March 2018

Net Debt A\$m	Maturity (CY)	Facility Amount	Drawn Amount	Undrawn Amount
Syndicated Term Loan A	2018	360.0	229.9	130.1
Syndicated Term Loan B	2018	283.5	257.4	26.1
Medium Term Notes	2019	200.0	200.0	-
144A/Regulation S Notes	2019	1,045.2	1,045.2	-
Syndicated Revolver	2021	653.3	-	653.3
EMTN/Regulation S Notes	2027	522.6	522.6	-
Total Debt		3,064.6	2,255.1	809.5
Fair Value and Other Adjustments			(7.0)	
Loan to JVs, Associates/Other Trade Loans			16.6	
Cash and Cash Equivalents			(188.1)	
Fair Value of Hedges			(331.9)	
Net Debt ¹			1,744.7	
Net Debt / EBITDA ²			2.2x	

1. Net Debt aggregates interest bearing liabilities plus the fair value of derivative instruments in place economically to hedge the Group's interest bearing liabilities, less available cash and cash equivalents

2. Net debt / EBITDA ratio is calculated using the last twelve months EBITDA

3. Interest Cover = 12 month rolling EBITDA / net interest expense before accounting adjustments

Corporate and Group

Net Borrowing Costs of \$59.7m vs \$49.9m in 1H17, driven by

Impact of higher average US interest rates (\$5.5m)

Cessation of capitalised interest relating to Waggaman in 1H17 (\$4.3m)

Corporate costs of \$14.1m vs \$8.6m in 1H17

Reflecting investment in additional capability in commercial and technology and increased investment in certain customer focused initiatives

FY18 expected to be between \$25.0m to \$30.0m

Tax Expense pre-IMIs¹ decreased by \$8.3m to \$31.4m as compared to 1H17

Primarily attributable to decrease in the US Federal tax rate to 21% (pcp: 35%)

Effective tax rate on operating profit for the half-year was 17.4% as compared to 20.6% in 1H17

Effective tax rate is expected to be approximately 18% for FY18

Considering the broader impact of the US tax reform legislation and based on current legislation and known regulations released to date, it is expected that the Group's effective tax rate would increase to approximately 21% to 23% beyond FY18

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1. Excluding 1H18 IMIs impacting tax expense of \$96.5m

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Business Review

Half Year ended 31 March 2018

Jeanne Johns
Managing Director & Chief Executive Officer



Americas

High quality market positions in all sectors

EBIT ▲ **0.9%**
to **US\$101.7m**

Strong volume performance, market share gains

EBIT result impacted by manufacturing downtime

Market share gains in Explosives

Sales volumes increased:

- Quarry & Construction **+9%**
- Base & Precious Metals up **+19%**
- Coal **+35%**

(US\$6.1m) impact from Cheyenne turnaround

Lower initiating systems sales volumes to international customers

Strong manufacturing performance at Waggaman US\$48m

US\$25.5m benefit from higher ammonia price and increased sales volumes

US\$11.7m benefit from plant efficiencies and above nameplate performance

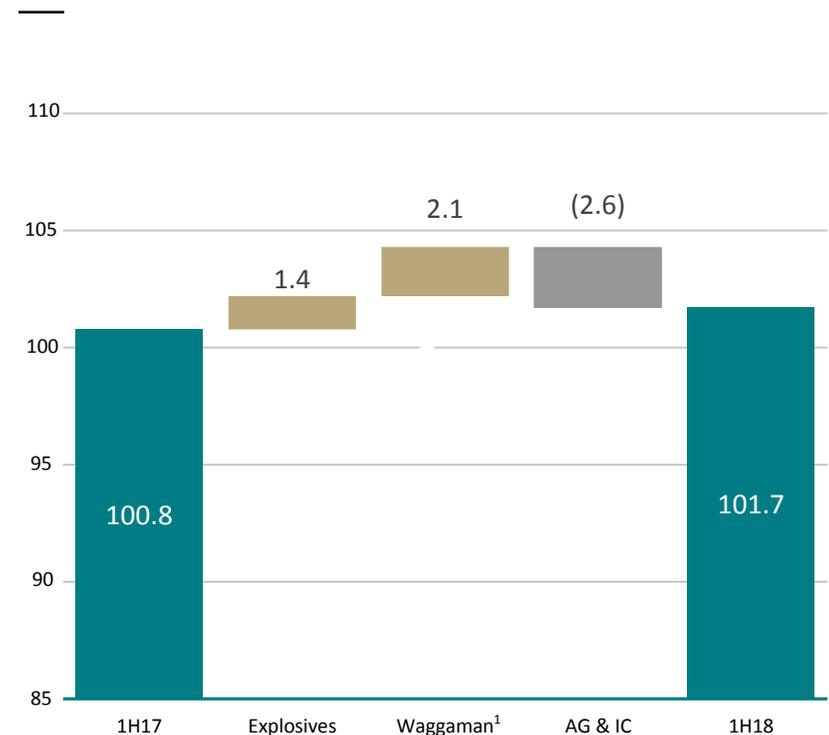
1H17 result included US\$35.1m construction delay damages

AG & IC (US\$0.3m) impacted by manufacturing performance

US\$2.8m benefit from higher global fertiliser prices

(US\$5.4m) impact as a result of St Helens plant turnaround

EBIT movements
US\$ million



1. Waggaman earnings movement of US\$2.1m (A\$1.0m) translated to A\$ as follows: Waggaman 1H18 earnings movement of US\$37.2m translated at the average A\$/US\$ exchange rate for 1H18 and prior year Waggaman delay damages of US\$35.1 translated at the average A\$/US\$ exchange rate for 1H17



Asia Pacific

Robust market positions with opportunities to further leverage technology

EBIT ▲ **9.3%**
to **\$100.1m**

Moranbah manufactured 189k mt of ammonium nitrate equivalent product, operating at record levels since the major turnaround completed in April 2017

Manufacturing performance and volumes

Moranbah: \$11.6m impact from increased plant efficiencies and absence of turnaround

Volumes: \$2.9m impact from increased sales volumes

International: (\$2.2m) largely from lower sales volumes in Indonesia

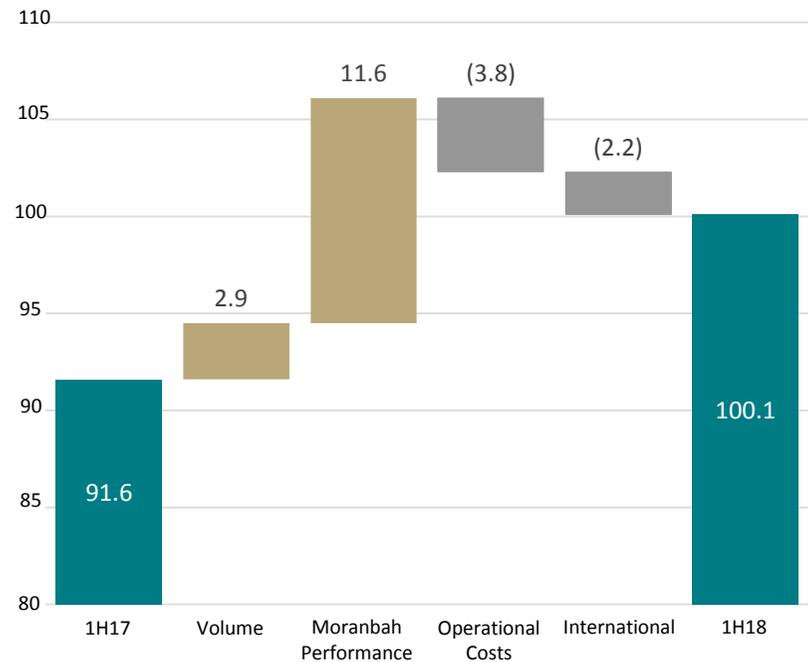
Higher Operational Costs

Western Australia: (\$3.8m) due to demobilisation and reorganisation resulting from lost business

WA Mitigation

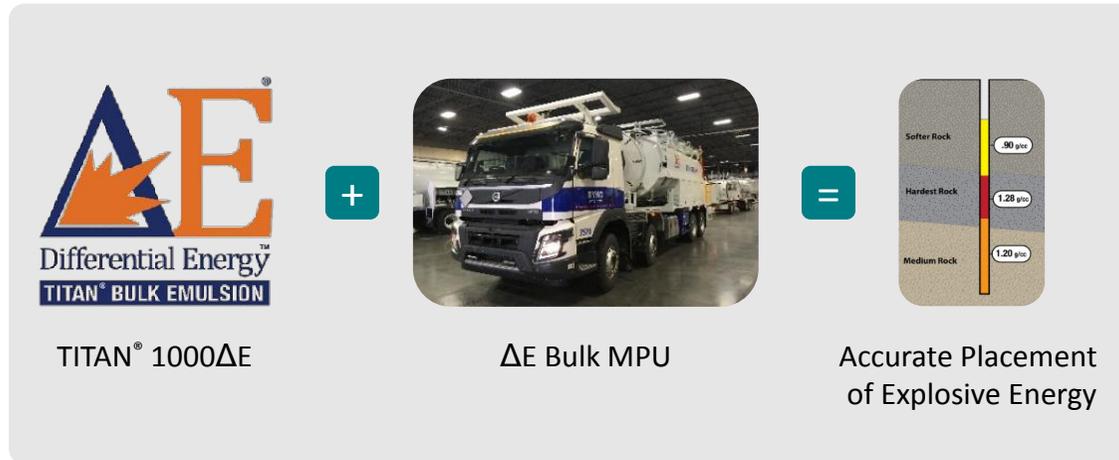
Actively working to mitigate, where possible, the impact of volume commitments with third party supplier in the West and maintain current levels of initiating systems and services

EBIT movements
A\$ million



Groundbreaking practical innovation

The Differential Energy System



Dyno Nobel Asia Pacific is set to launch a new product “Differential Energy” (Delta E) into the Western Australian explosives market

Patented solutions to meet customer needs

Single Product for
**Wet and Dry
Conditions**

**Improves
Fragmentation**
Reducing
Downstream
Processing

Improves
Blasting Accuracy

Maximizes Blast
Energy Efficiency

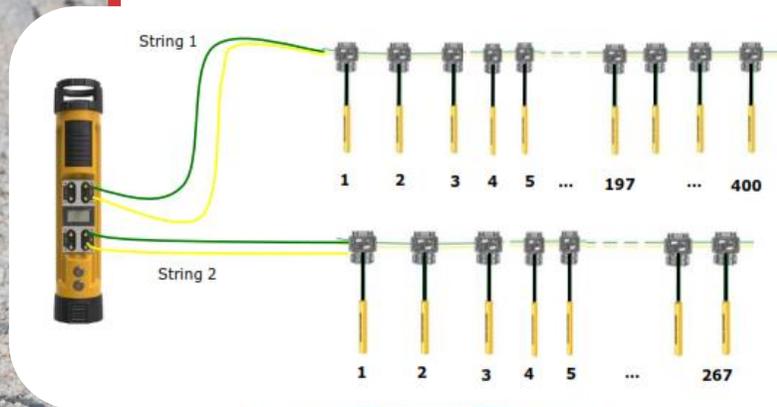
Requires
Less Subdrilling

Eliminates the need
to **Ship and Store**
Blasting Agents

Groundbreaking practical innovation



DigiShot® Plus.4G



Dyno Nobel's customers turn to electronic initiation

Improves their blasting processes and outcomes

Flexibility of timing from 0 to 20 seconds in 1 millisecond increments

DigiShot® Plus.4G is assembled in Australia and delivering superior results for Australian and Asia Pacific explosives markets



Asia Pacific Fertilisers

Strong market position with unique manufacturing and distribution footprint

EBIT ▼ **11.7%**
to **\$23.3m**

Overall Fertilisers sales volumes almost flat at 1,195k mt

IPF distribution volumes increased to 914k mt, up 4% vs pcp

Commodity prices and FX major impact across business

Commodity prices: \$25.5m impact from global fertiliser prices, offset in part by the elimination of higher profit-in-stock

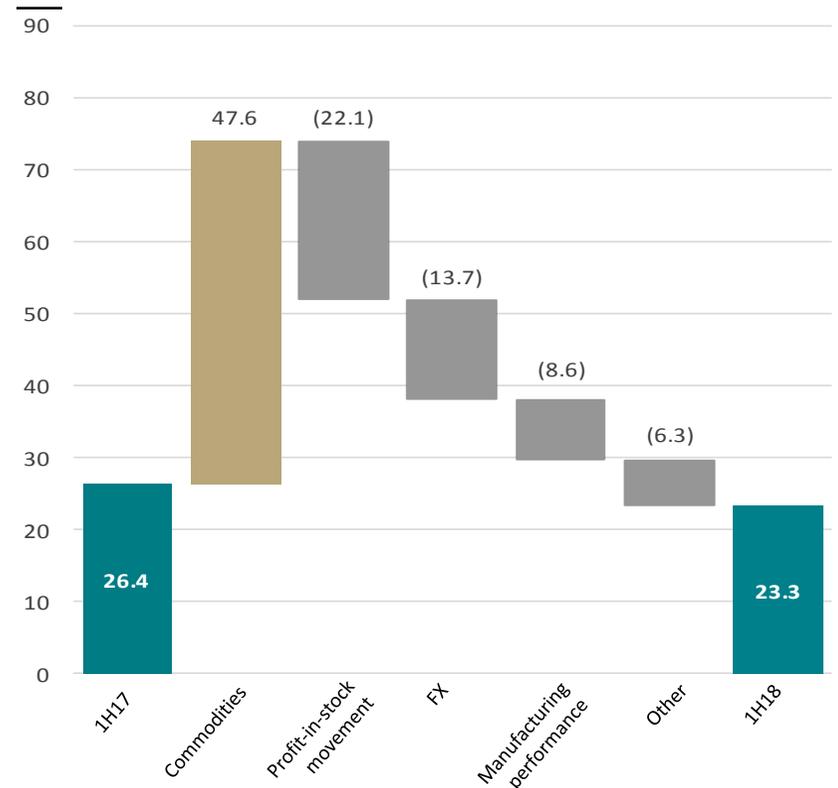
FX: (\$13.7m) impact from strengthening A\$ vs US\$

Manufacturing performance and other costs

Gibson Island: (\$8.6m) impact from outages

Other costs: (\$6.3m) impact from impairment of trade receivables, higher environmental compliance costs and Adelaide site relocation costs

EBIT movements
A\$ million





Asia Pacific Fertilisers – Innovative solutions for agriculture

Farmers and IPF driving innovation & technology to improve fertiliser effectiveness in pasture and crops

Green Urea NV



Urea treated with a proprietary inhibitor formulation developed in-house by IPF

Confidence that nitrogen remains where placed

Entec Nitrification inhibitor



Nitrogen not susceptible to losses from weather events

Widely adopted in Queensland sugar cane market

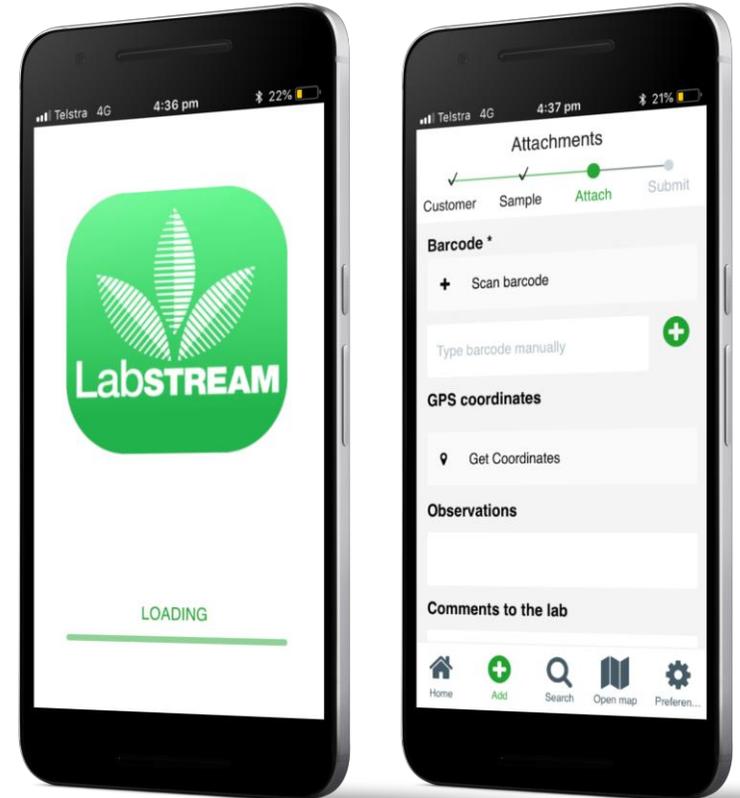
LabSTREAM New Nutrient Advantage sampling mobile application

Allows agronomists to log soil samples in field using mobile devices

Gives the farmer more control of their soil nutrition program

New Products 2018

Spray trace elements to ensure excellent distribution across the field and flexibility around application rates



1. *ENTECC is a registered trademark of EuroChem Agro GmbH. Incitec Pivot Limited is licensed to distribute ENTECC in Australia



Gibson Island

Progressing negotiations with Central Petroleum for interim gas supply to Gibson Island for 2019

Exploration and development of Central Petroleum's acreage for long term economic gas

Carrying value of plant written down in FY16

Remainder of 2016 turnaround to be depreciated in FY18 of \$18m

Additional maintenance of ~\$10m required to operate to end of 2019

Higher gas cost expected at Gibson Island

Earnings sensitivity to changes in gas prices is ~\$14m for every \$1/GJ increase. The estimated increase in the gas price for FY19 is ~\$3.50/GJ

Should a decision to close Gibson Island be taken at the end of 2019, closure costs estimated to be ~\$70m

Closure costs consist of cash costs \$60m and non-cash costs of \$10m

Likely to be offset in part by sale of land (estimated land value up to ~\$60m, depending on operational requirements)

Cash flow from sale of land likely to lag closure costs



Sustainability Report 2017 – Highlights

Released in April 2018 as an online report

This report aligns to the Global Reporting Initiative (GRI4) materiality approach

Includes progress in reporting against the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

Product Quality; Product Sustainability; Customer Relationship

Joint research project with the University of Melbourne into new fertiliser technologies for sustained food security

Australian Research Council project with Murdoch University to design safer, low NOx explosives for mining

Environment

5% reduction in GHG emissions per tonne of ammonia produced

Sustainable Development

Wagaman Social Return On Investment (SROI)

US\$3.40

of social value was created in the community for every dollar invested by IPL

Managing, Engaging and Ensuring a Diverse Workforce

IPL has established a target to increase the percentage of women in its workforce by 10% year-on-year and to achieve a minimum participation rate of 25% women by 30 September 2022

IPL's global workforce representation of women at the half was 16%

DJSI Assessment

IPL achieved a score of **68** in 2017 compared to Chemical Sector average of 53



FTSE4Good



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Outlook

Half Year ended 31 March 2018

Jeanne Johns
Managing Director & Chief Executive Officer



Outlook

Explosives



DNA

Expect growth at market rates

Quarry & Construction forecast to grow 3 - 5%

Base & Precious Metals modest growth

Coal expected to be flat

Some impact on production volumes from turnarounds (now complete)

DNAP

Strong demand from Met Coal customers expected to continue into the second half

Impact of over-supply of AN in Western Australia¹

Focus on Moranbah customers through value-adding global technology solutions and local flexible supply chain

Moranbah on track for record production in FY18

Waggaman

Waggaman plant experienced extraordinary operational performance during the half with no planned downtime for FY18

Expecting nameplate production in second half

Fertilisers



Fertilisers

Earnings subject to growing conditions (weather), global fertilisers prices and the A\$/US\$ exchange rate

Phosphate Hill estimated production of ammonium phosphates is approximately 880k mt (pcp: 940k mt)

The Power and Water Company contract remains on track to deliver gas from the Northern Territory from calendar 2019

Gibson Island

Negotiations for interim gas supply ongoing

Higher gas costs expected for FY19 if interim gas is secured. Earnings sensitivity is ~\$14m for every \$1/GJ increase. The estimated increase in the gas price for FY19 is ~\$3.50/GJ

1. ASX disclosure on 11 January 2018 - Further update on Western Australian business

Key Priorities

Zero Harm



People – One IPL



Exceed Customer Expectations



Product Innovation & Technology



Manufacturing Excellence



Continuous Improvement



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Questions



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Appendix A

Half Year ended 31 March 2018



Waggaman – Economics

Long-term production is fully contracted or committed

Under long-term agreements with strong counterparties

Contract Profile

1/3 to Trammo via pipeline, rail, truck and barge
10 year contract

Primarily for US agriculture and industrial chemicals

1/3 to Cornerstone via onsite pipeline
25 year contract

Primarily for specialty chemical applications

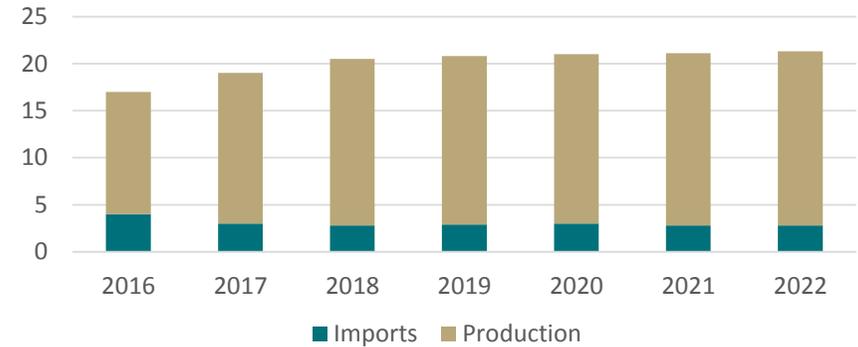
1/3 notionally to Dyno Nobel Louisiana, Missouri plant through pipeline

Cheyenne, Wyoming plant through 3rd party arrangements

In aggregate, product sold at slight (~5%) discount to Tampa CFR

North America Ammonia Industry Profile¹

Million MT; Calendar Years



Name plate production capacity	~800,000mt of ammonia
Natural gas requirement	~32mmbtu per mt
Natural gas pricing index	Henry Hub
Natural gas delivery fee	~US\$0.15 per mmbtu
Gas hedging	Floor and Cap prices of US\$3.27 to US\$4.52/mmbtu ² FY18: ~5.9% FY19: ~0.4%
Fixed conversion cost	~US\$47.00/mt based on name plate production
Offtake arrangements	~1/3 notionally to Dyno Nobel ~2/3 sold to counterparties In aggregate, product transferred at slight (~5%) discount to Tampa CFR
Asset value	Sum of total cash spend and capitalised interest to date Cash Spend: US\$814.7m Capitalised interest: US\$86.1m
Tax depreciation	Accelerated depreciation over 6 years as estimated below ³ FY16: ~5% FY18: ~23% FY20: ~11% FY17: ~38% FY19: ~14% FY21: ~9%
Accounting depreciation	Average asset life estimated ~35 years

1. Source: CRU as of November 2017; North America comprises US and Canada

2. Percent of expected natural gas requirement per financial year based on nameplate production

3. Estimated financial year tax depreciation rates based on current asset allocation; subject to change

EBIT Sensitivities

IPL's earnings are sensitive to external influences

Global fertiliser prices and foreign exchange are key factors

US Natural gas and global ammonia prices are also important factors

EBIT Sensitivities

1H18 sensitivities

Commodity	Proxy Index	EBIT Sensitivity
Americas		
Ammonia ¹	CFR Tampa	+/- US\$10/mt = +/-US\$7.5m
Natural Gas ²	Henry Hub	+/-US\$0.10/mmbtu=-/+US\$2.5m
Urea ³	FOB NOLA	+/-US\$10/mt=+/-US\$1.5m
FX Translation ⁴		+/-A\$/US\$0.01=-/+A\$1.6m
Asia Pacific		
DAP ⁵	FOB Tampa	+/-US\$10/mt=+/-A\$11.5m
Urea ⁶	FOB Middle East	+/-US\$10/mt=+/-A\$4.5m
FX Transactional ^{5,6}		+/-A\$/US0.01=-/+A\$7.1m

1. Based on forecast FY18 Waggaman manufactured ammonia for sale of 840 kmt

2. Based on forecast FY18 Waggaman natural gas consumption

3. Based on forecast FY18 St Helens manufactured urea of 169 kmt

4. Based on every \$US100m EBIT at the average realised 1H18 exchange rate of A\$/US\$ 0.78

5. Based on forecast FY18 Phosphate Hill Ammonium Phosphate sales of 880 kmt; 1H18 average realised DAP price of US\$390 and 1H18 average exchange rate of A\$/US\$ 0.78

6. Based on forecast FY18 Gibson Island urea equivalent sales through IPF network of 365 kmt; 1H18 average realised urea price of US\$259 and 1H18 average exchange rate of A\$/US\$ 0.78

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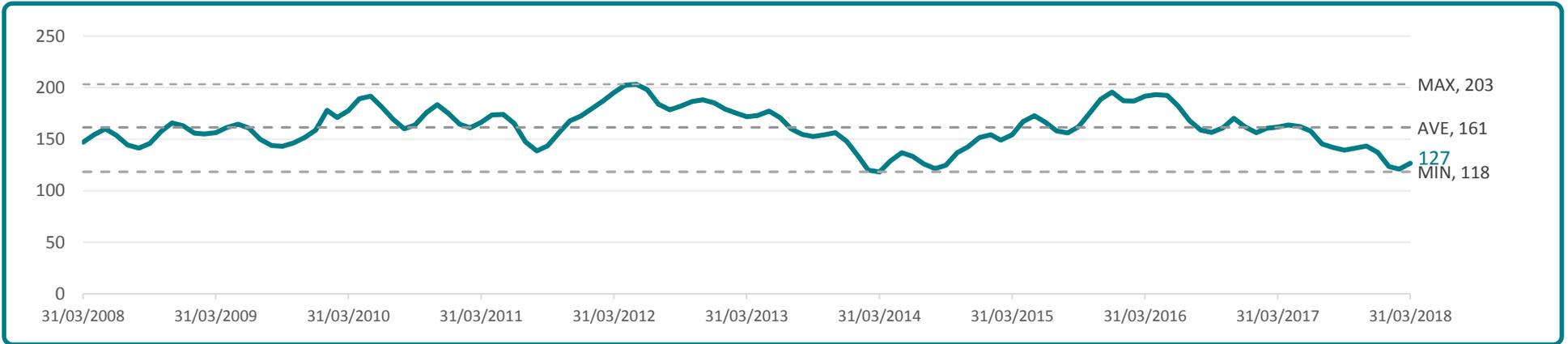
Appendix 2 – Commodity Statistics

Half Year ended 31 March 2018

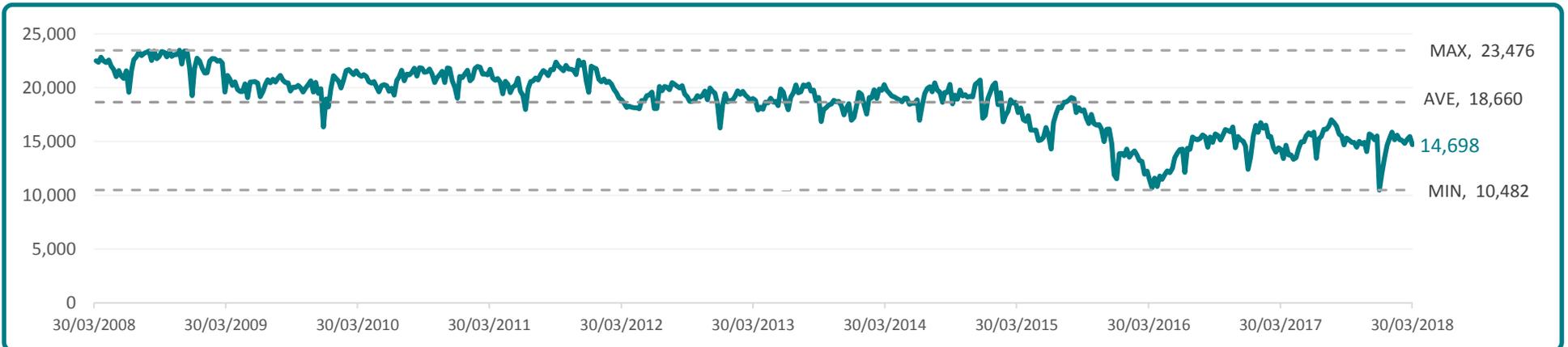


US Coal Inventories and Production

US Electrical Power Coal Inventories - Last 10 Years

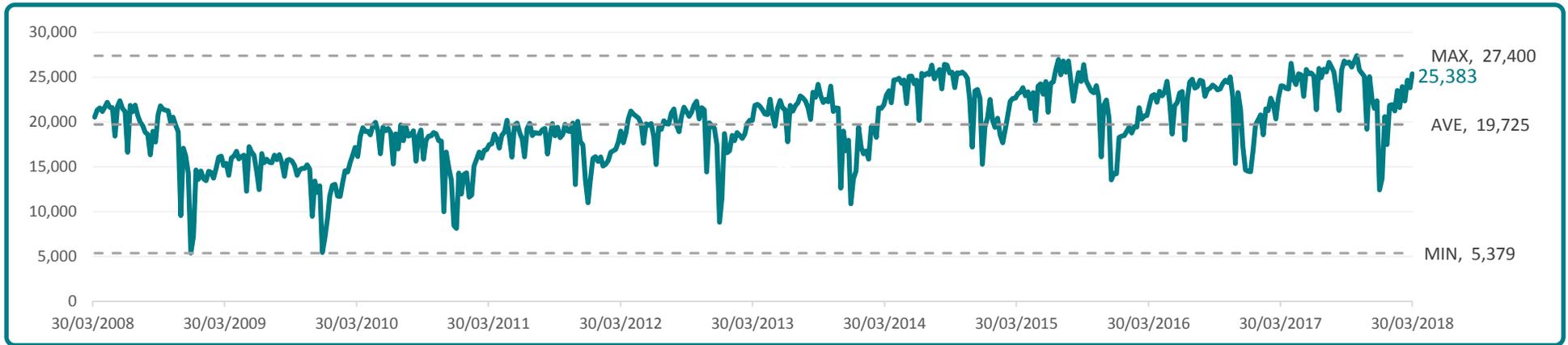


US Coal Production - Last 10 Years



US Quarry and Construction Indicators

Crushed Stone US Freight Rail Carloads - Last 10 Years

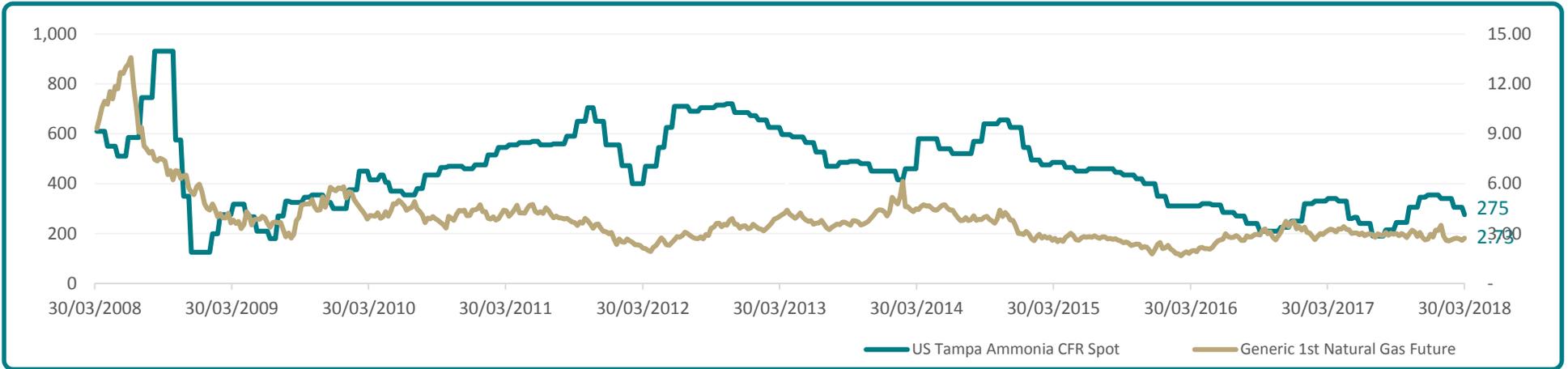


ISE Engineering and Construction Index - Last 10 Years

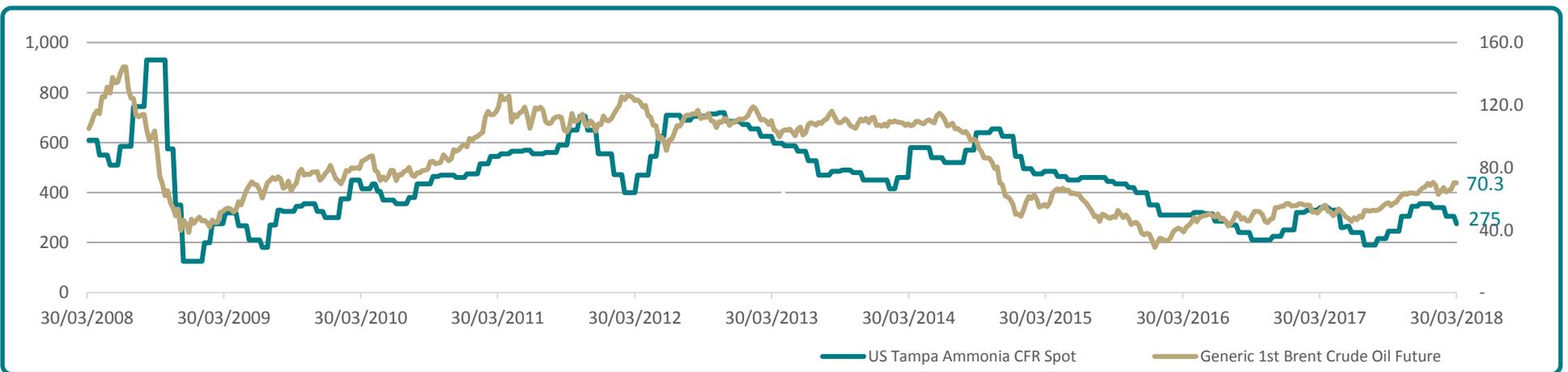


US Ammonia Spreads

Henry Hub Natural Gas vs. Ammonia (CFR Tampa) - Last 10 Years



Brent Oil vs. Ammonia (CFR Tampa) - Last 10 Years



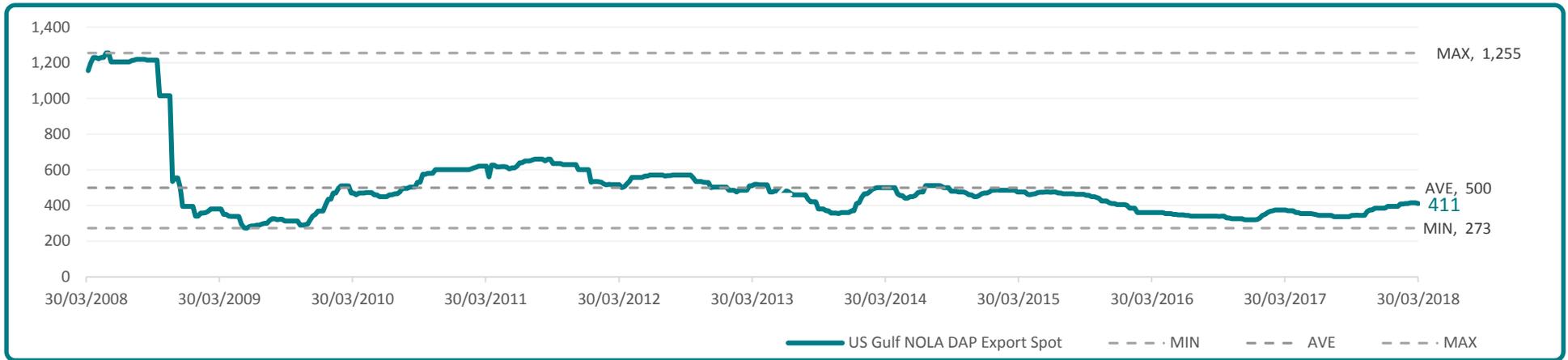
US Ammonia Spreads

Urea (FOB Middle East) vs. Ammonia (CFR Tampa) - Last 10 Years



Fertiliser Benchmark Pricing

DAP (FOB Tampa) - Last 10 Years



Urea (FOB Middle East) - Last 10 Years

