

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**



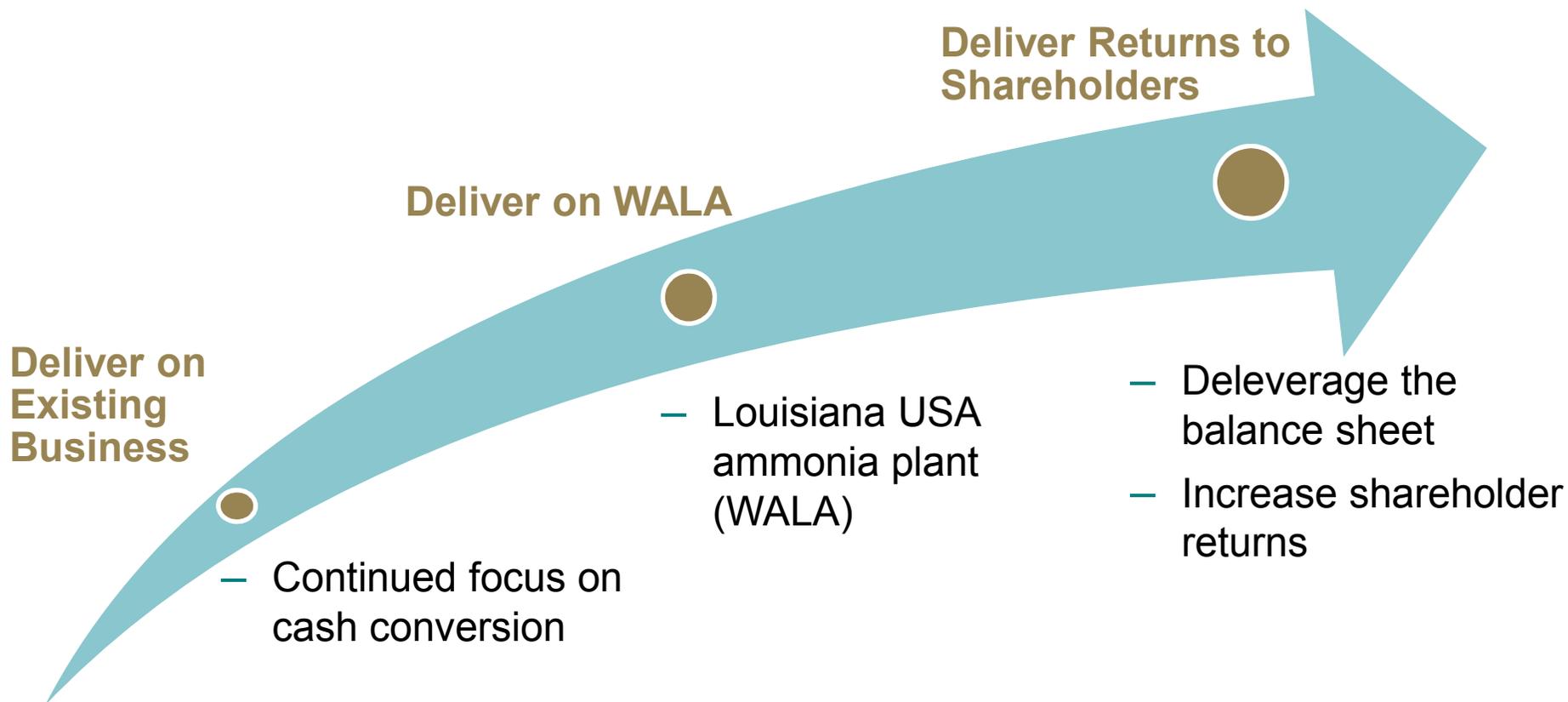
**Input side of value
chain**



**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

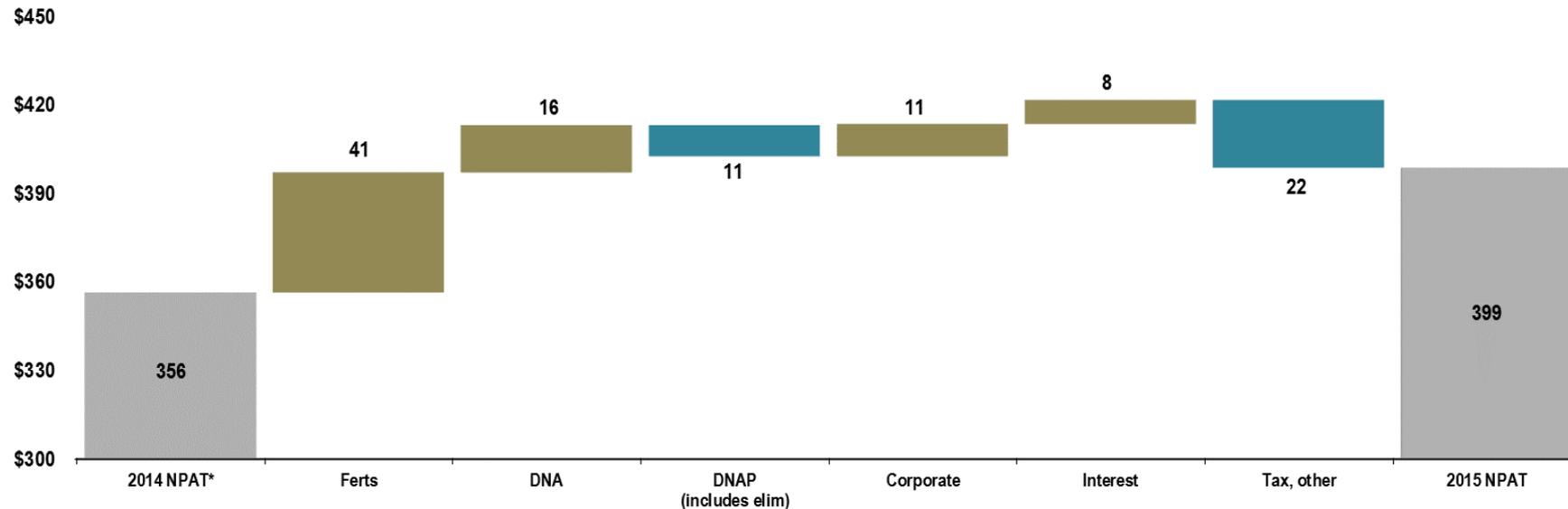
* cashflow is based on the contracted payment schedule, not the project completion percentage.

FINANCIAL PERFORMANCE

Frank Micallef – Chief Financial Officer



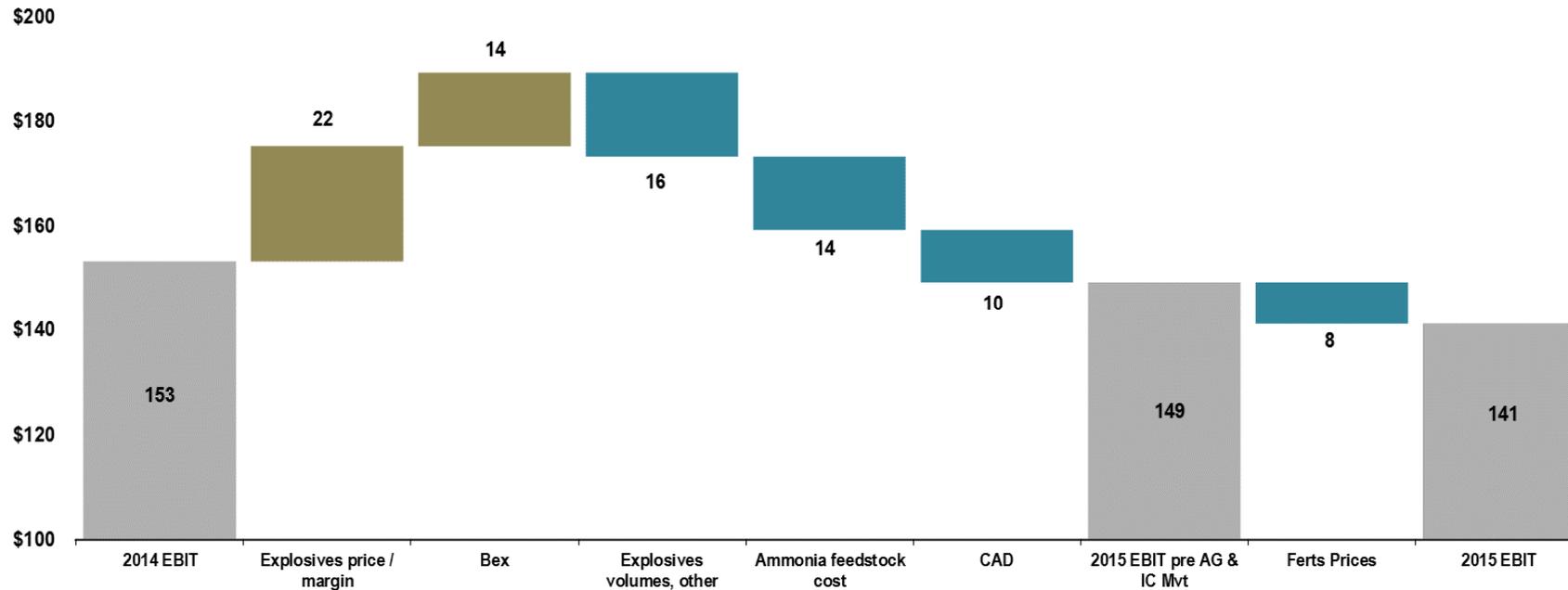
GROUP – NPAT waterfall



- ✓ 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

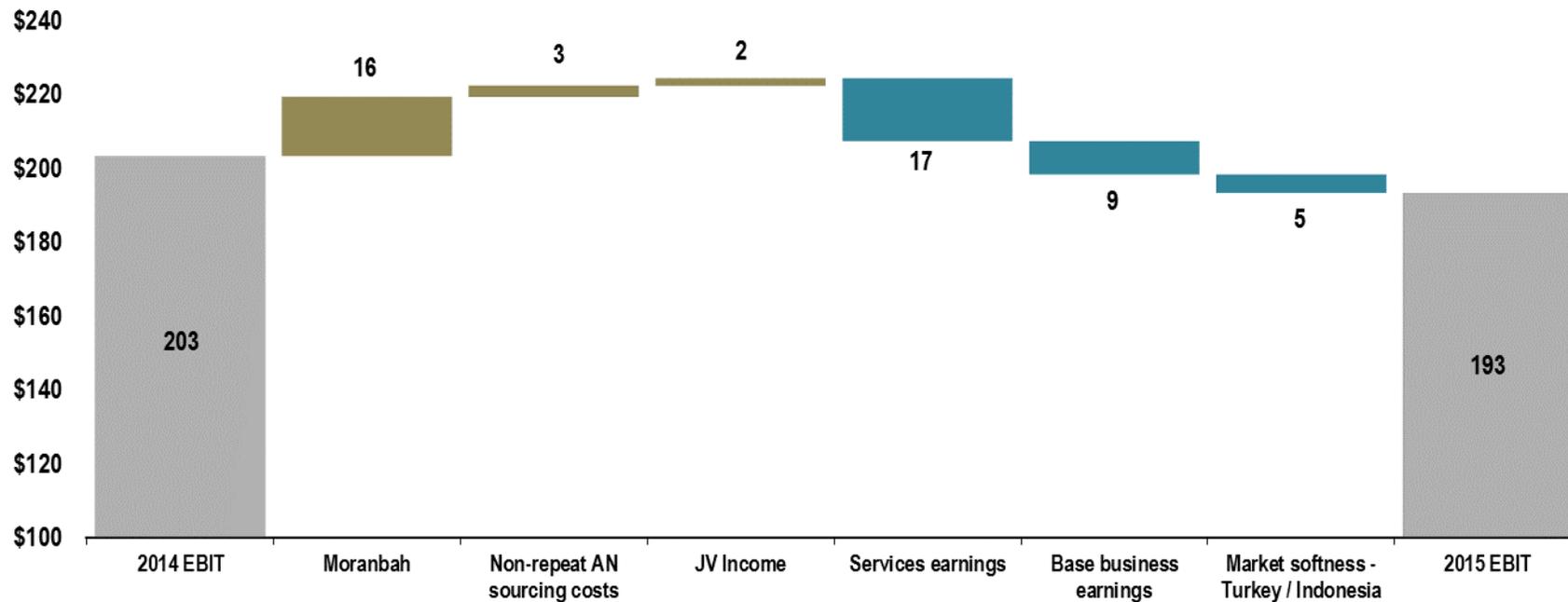
* pre IMIs

DNA (\$US) – EBIT waterfall



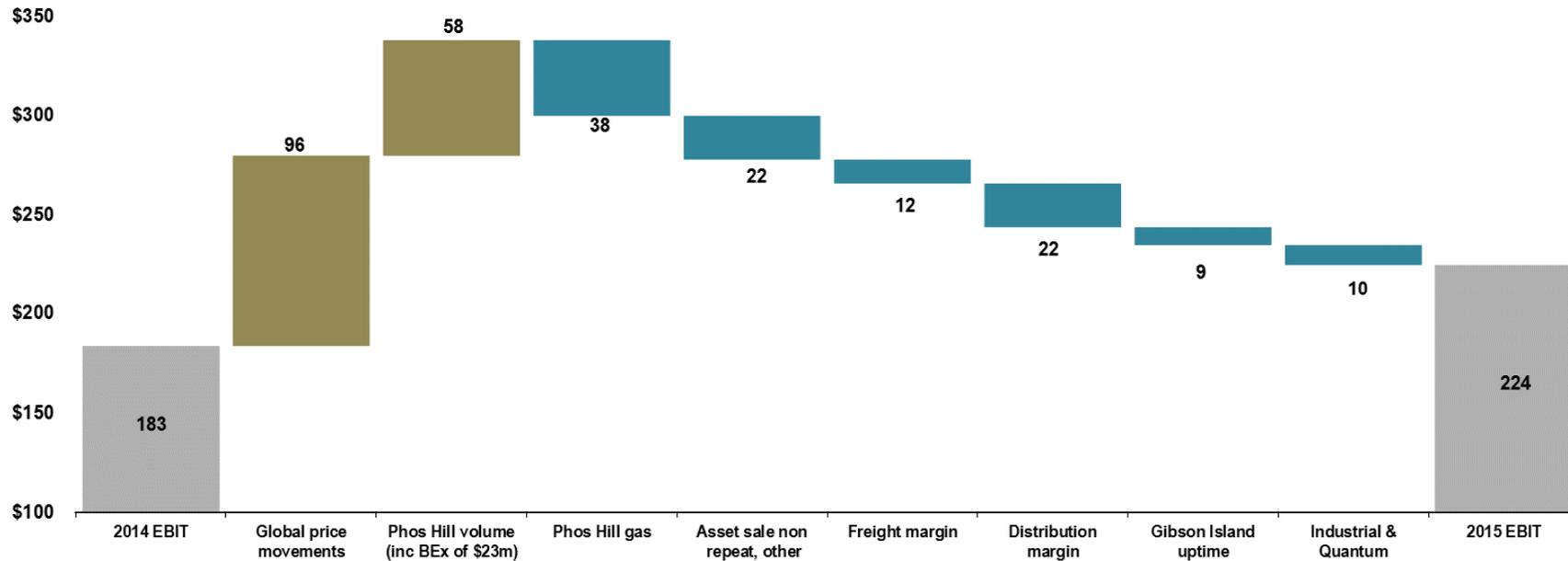
- ✓ Improved explosives margins
- ✓ BEx productivity improvements
- ✗ Explosives volumes impacted by soft mining markets
- ✗ Increased ammonia feedstock cost
- ✗ Impact of the lower CAD on business inputs and translation of earnings

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

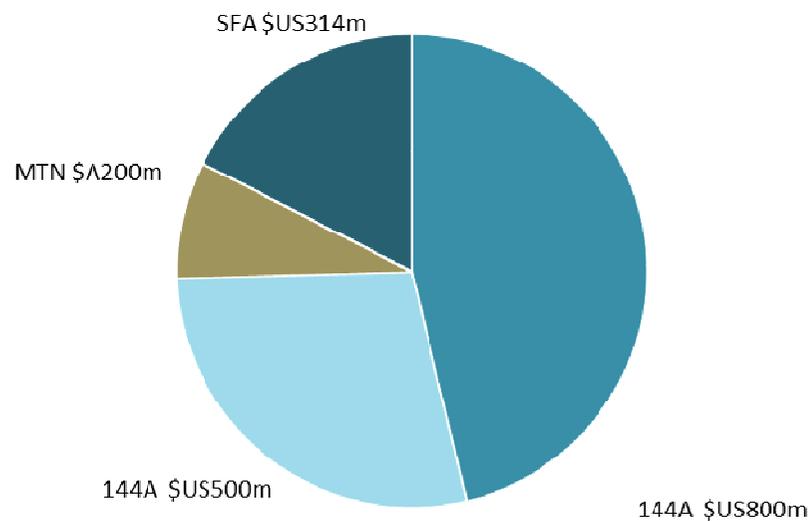
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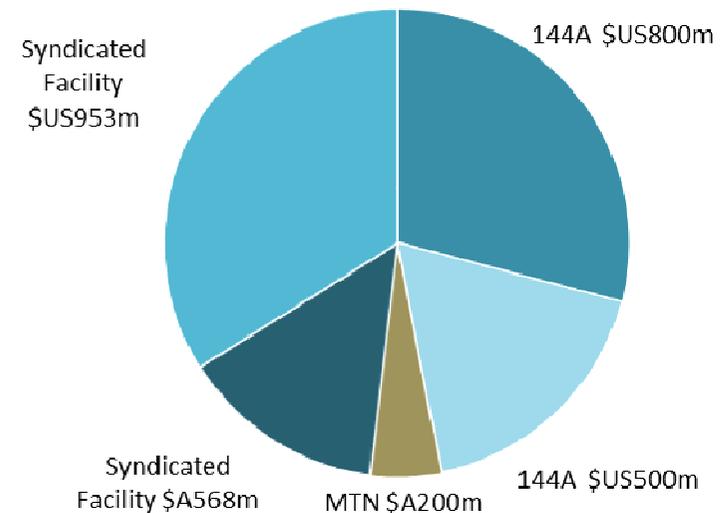
Canola Crop

Debt structure

Drawn Funds



Available Limits

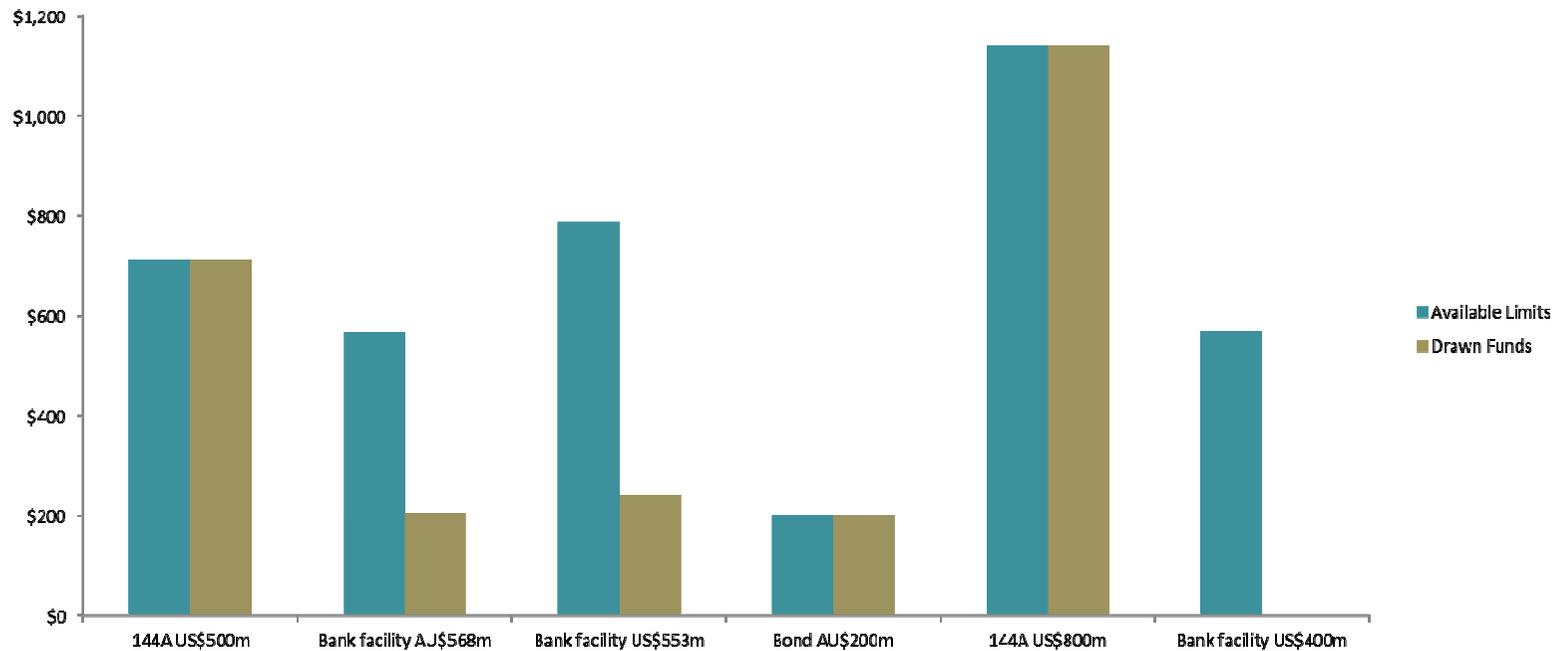


- ✓ Louisiana construction fully funded
- ✓ Mix of \$A and \$US debt to mirror earnings and cash flows

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

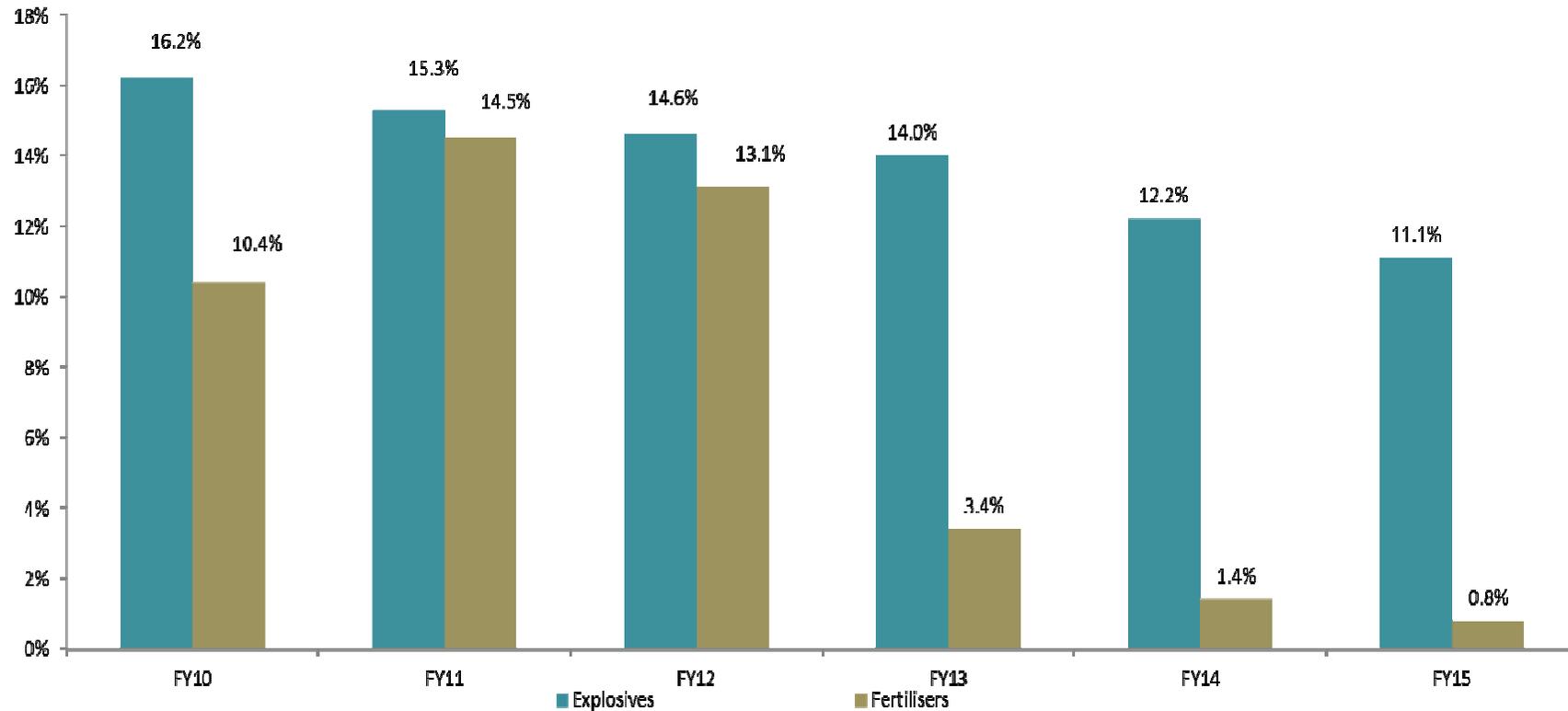
Net debt at \$1.3bn (pcp: \$1.5bn)

- 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

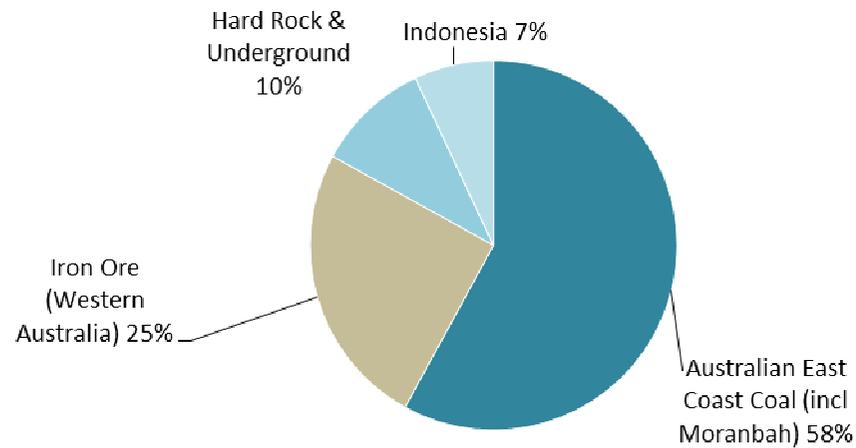
IPF: Urea - Middle East Granular Urea (FOB) ⁽¹⁾	+/- \$US10/t = +/- \$A4.6m
SCI: DAP - Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- \$US10/t = +/- \$A13.3m
Forex - transactional (DAP & Urea) ⁽³⁾	+/- 1 cent = +/- \$A9.6m
DNA: Urea (NOLA FOB) ⁽⁴⁾	+/- \$US10/st = +/- \$US1.8m
DNA: Forex - translation of Explosives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

Assumptions:

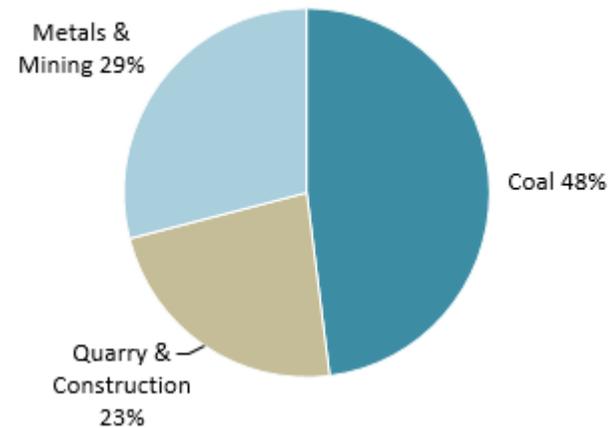
- (1) 360kt (Gibson Island Fertiliser actual FY15 production capacity) urea equivalent sales at 2015 realised price of \$US308/t and the 2015 realised exchange rate of \$A/\$US0.7868
- (2) 1,046kt (Phosphate Hill Fertiliser actual production sold during FY15) DAP sales at 2015 realised price of \$US466/t 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

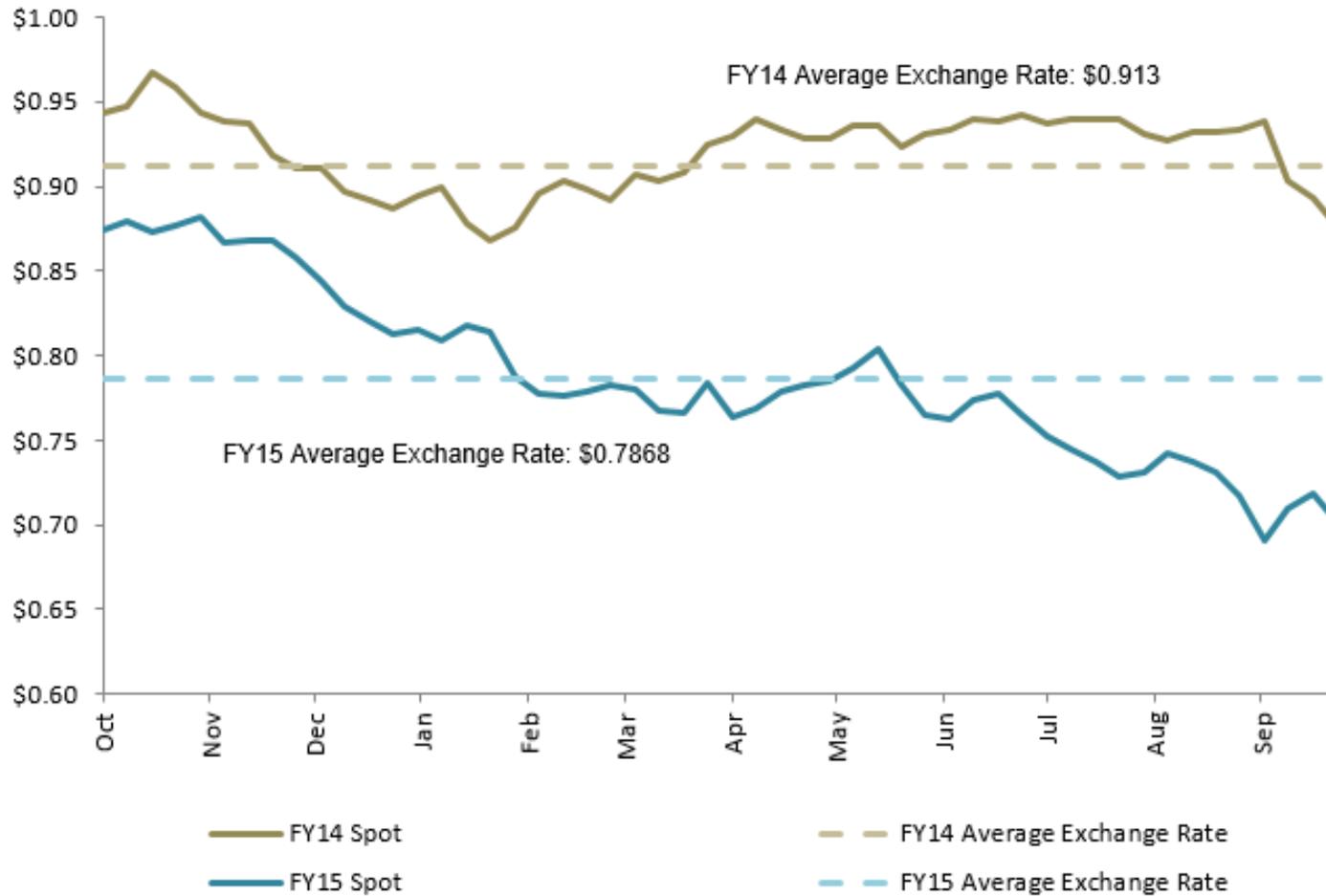
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Bulk explosives equipment operating at Australian mine

Market information – Foreign exchange

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

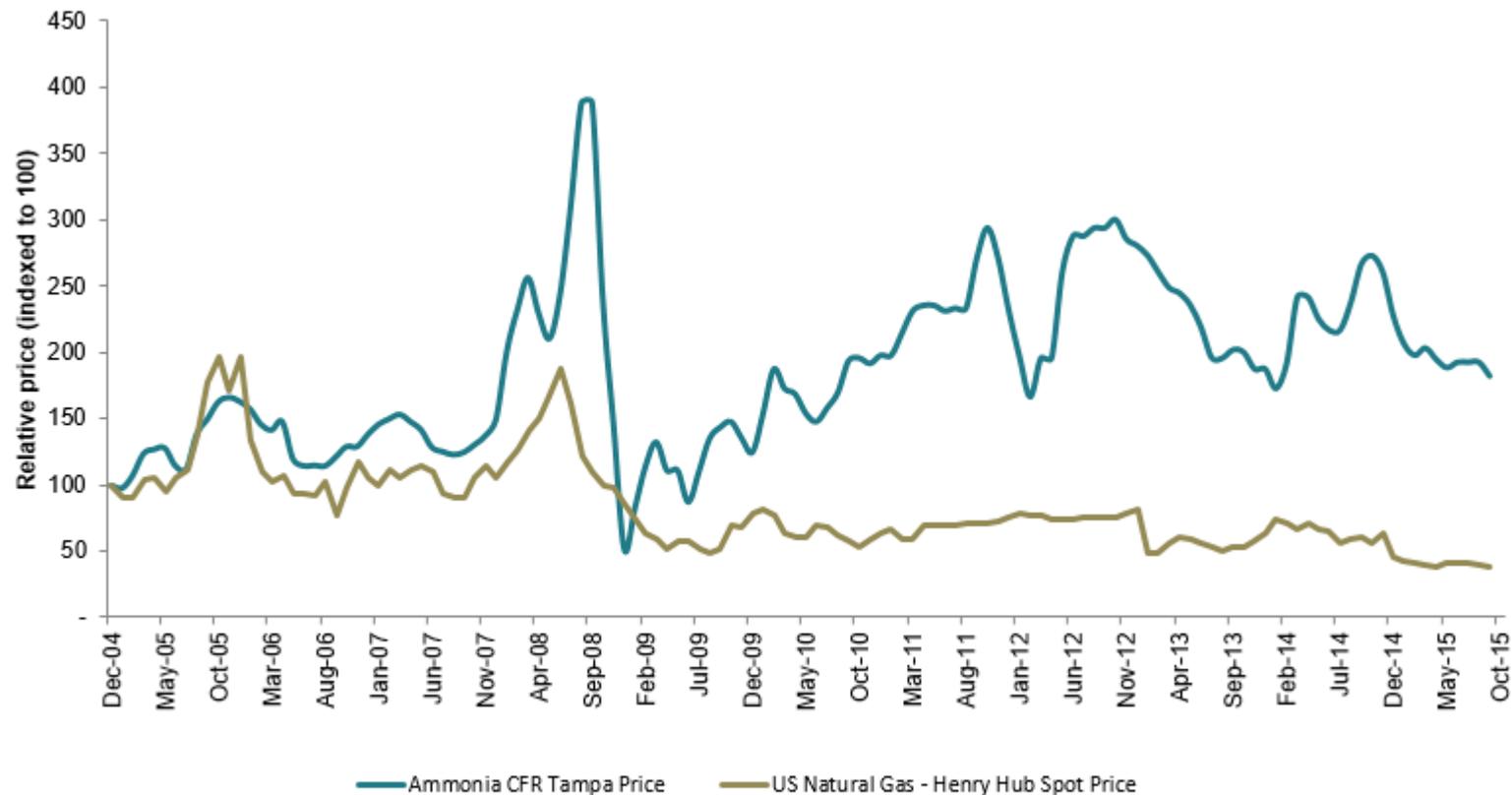


Source: Bloomberg

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):



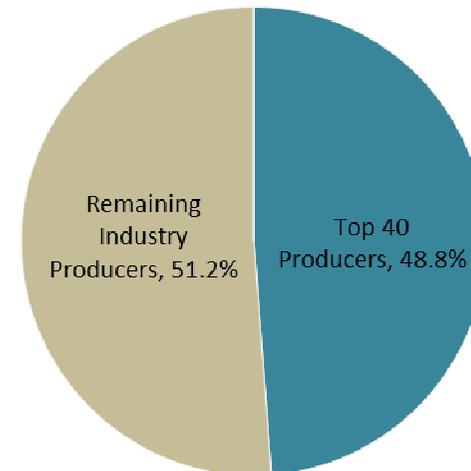
Source: U.S. Energy Information Administration ("EIA") and Fertecon

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:



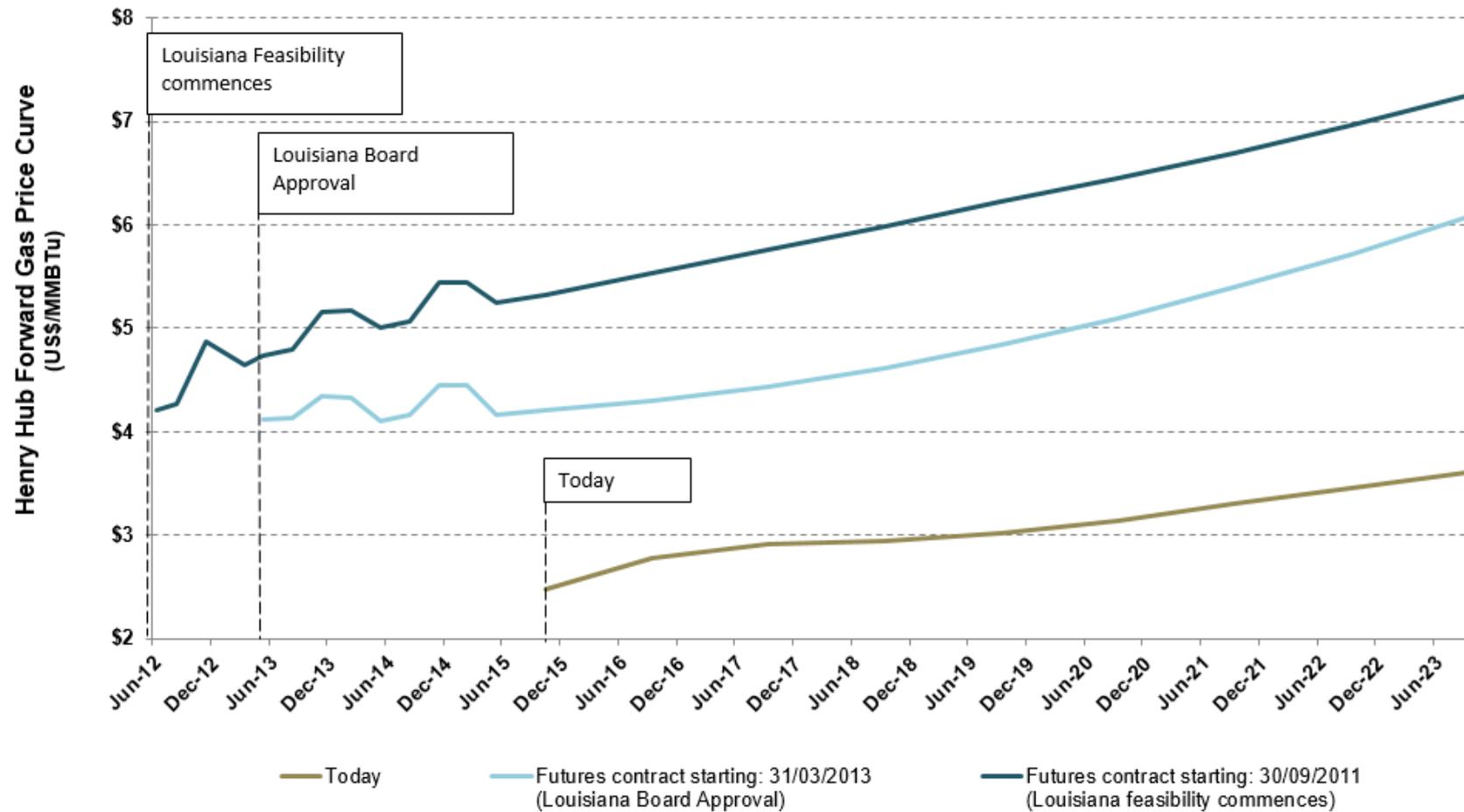
Gas prices:

	\$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

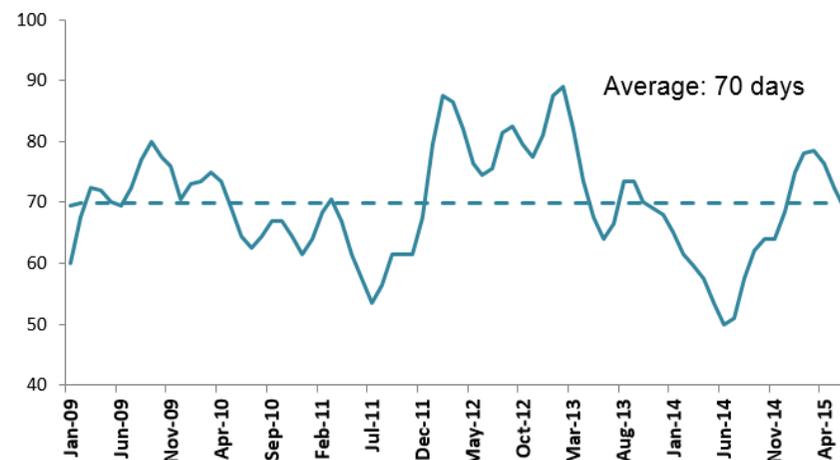
	FY15	% change to pcp
Total US Coal Production (mst)	936.3	(5.0%)
Appalachia Coal Production (mst)	243.8	(9.2%)
Interior Coal Production (mst)	178.0	(3.4%)
Western Coal Production (mst)	514.5	(3.4%)
US Coal Exports (mst)	80.5	(21.6%)

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%

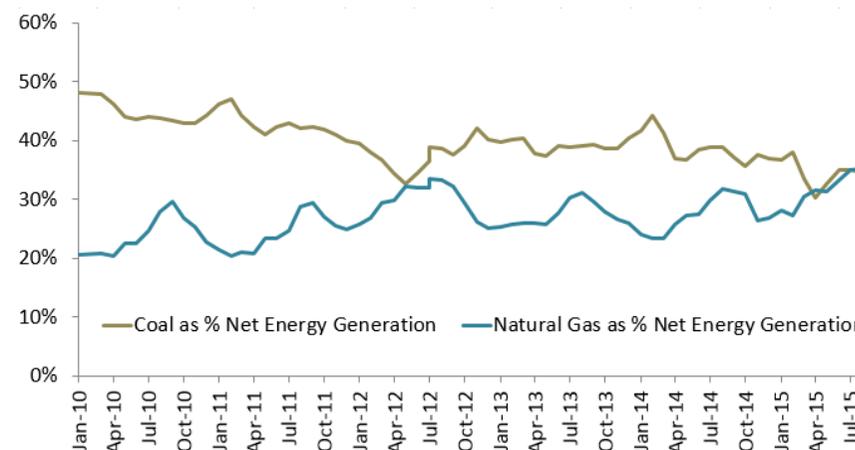
(1) Reduced from previous years due to loss of customer volumes from 1 January 2015

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

Average coal inventory days



Net energy generation by fuel source:

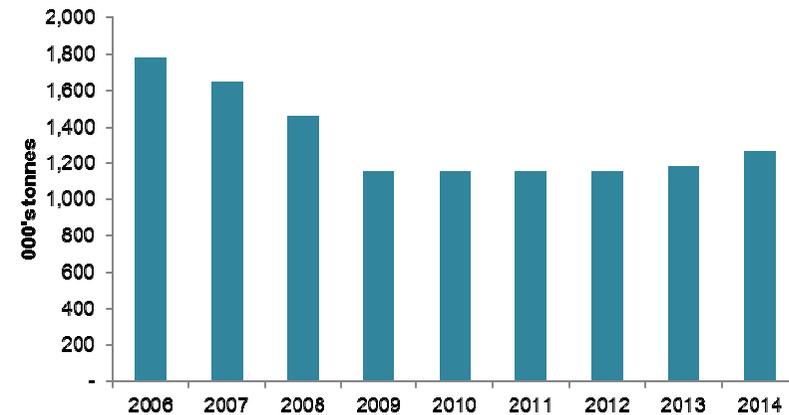


Market information - US Quarry & Construction

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

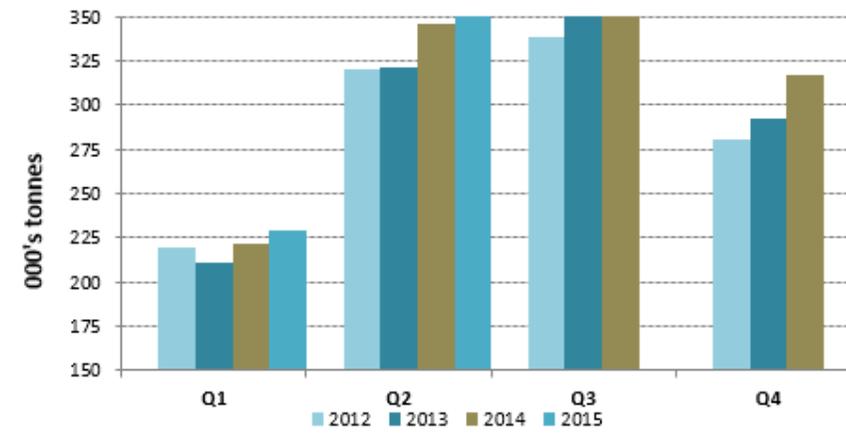
(million metric tonnes)



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

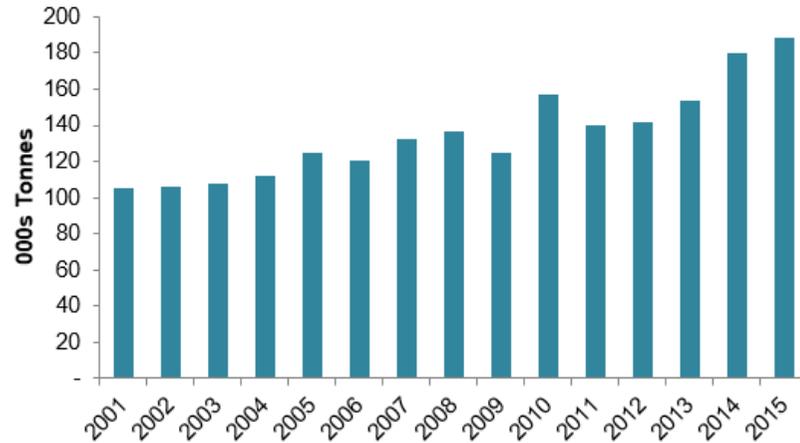
(1) A measure of all the costs of labour and materials, architectural and engineering work and overhead costs associated with construction work done each month on new private residential, non-residential construction and public construction; 6 month period Sept 14 – Feb 15

US quarterly crushed stone production:

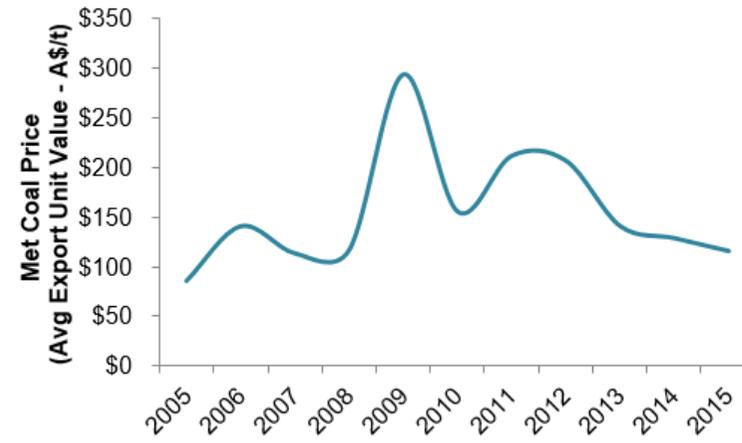


Market information - Australian hard commodities

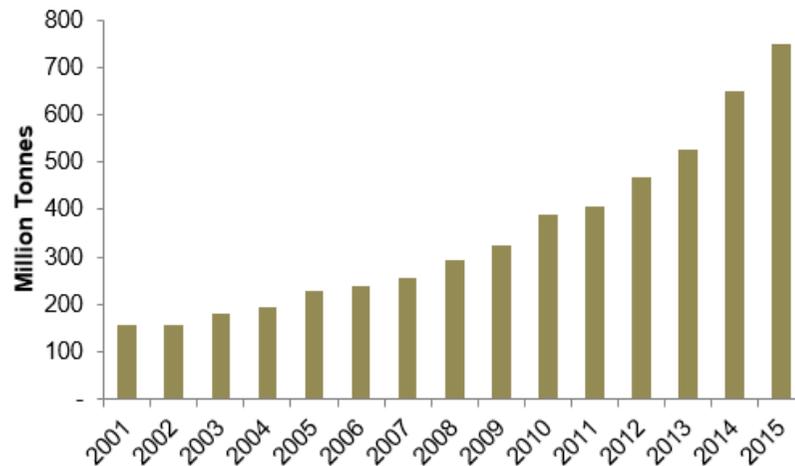
Australian metallurgical coal exports:



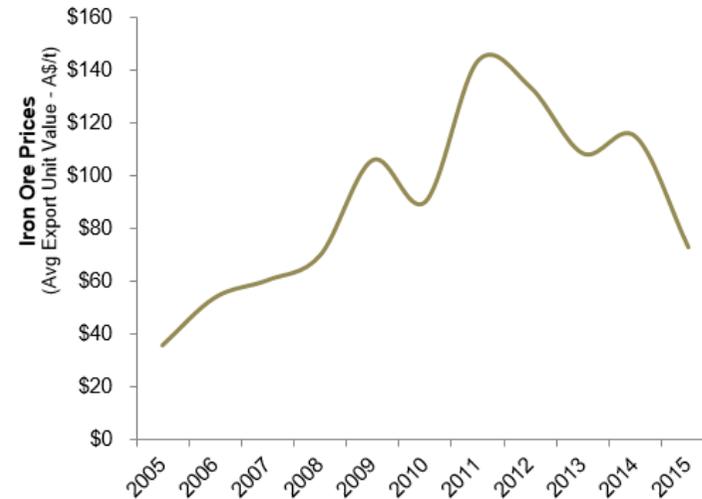
Metallurgical coal prices (Average export value):



Australian iron ore exports:



Iron ore prices (Average export value):



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

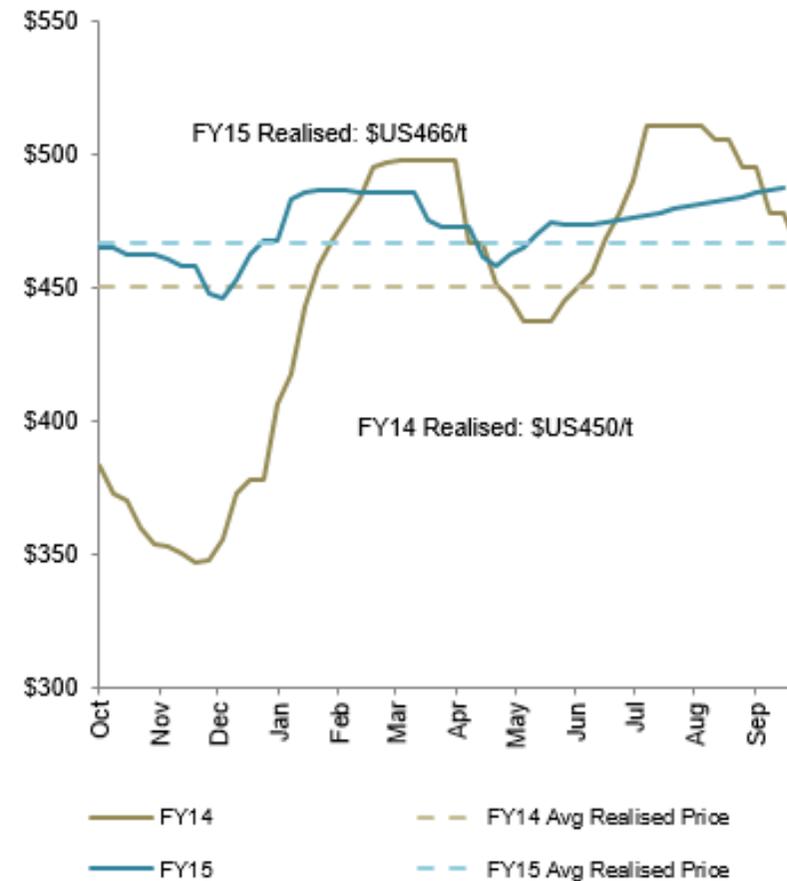
Market information - Ammonium Phosphates

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

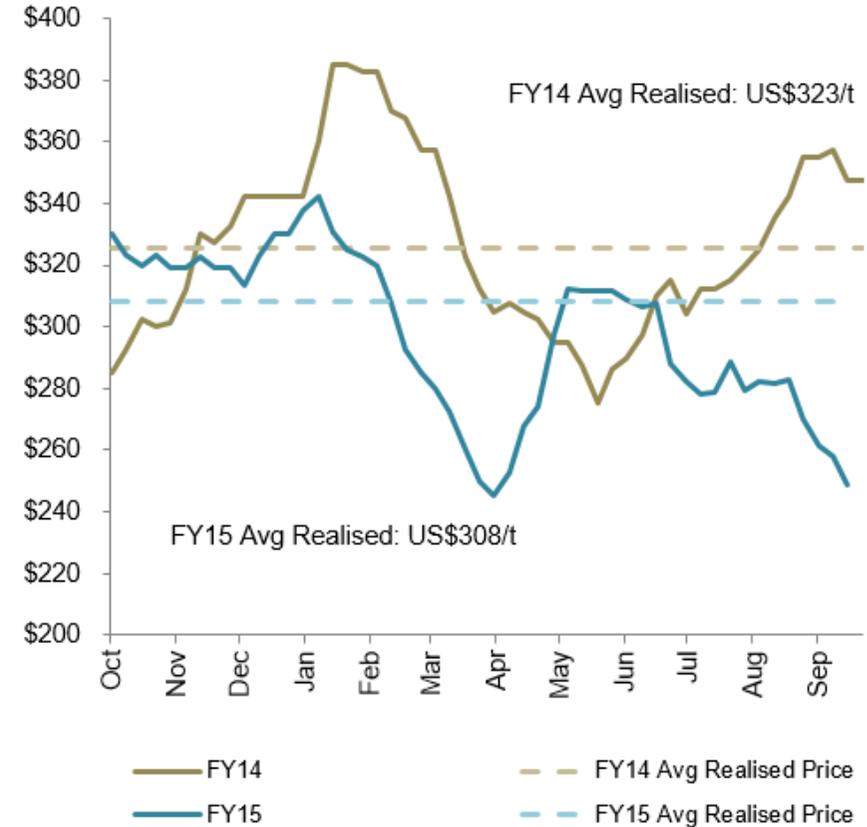
Market information - Urea

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

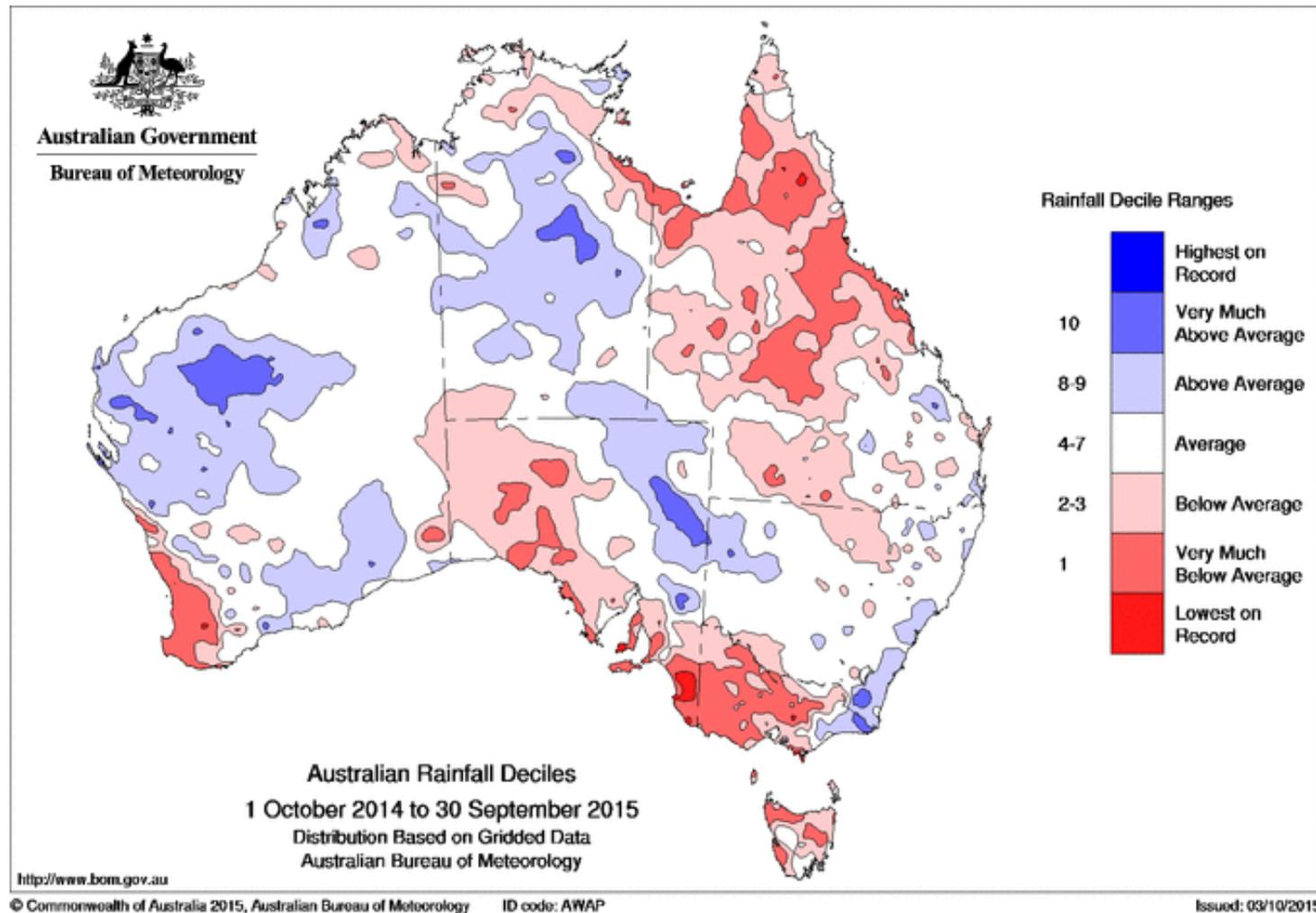
Source: CRU

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



Source: Fertecon

Australian seasonal conditions



Rain required in broadacre & cotton growing regions