



Year End Results

Full Year ended

30 September 2012

Presentation 13 November 2012

Incitec Pivot Limited

DYNO
Dyno Nobel



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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**

Balance Sheet & Treasury

Frank Micallef

Outlook

James Fazzino





Performance Overview

James Fazzino
Managing Director
& CEO



Safety performance

2012

2011

Fatalities	0	0
TRIFR ⁽¹⁾	1.45	1.24
Recordable cases	106	93
Moranbah LTIs ⁽²⁾	0	0

(1) Total Recordable Injury Frequency Rate – rolling twelve months

(2) Lost time injuries during the construction and commissioning period. Over 4 million hours worked.

Group performance

NPAT ⁽¹⁾	-24% to \$404.7m
Explosives EBIT ⁽²⁾	+8% to \$399.9m
Fertilisers EBIT ⁽²⁾	-40% to \$270.9m
Dividend	+8% to 12.4cps (final dividend 75% franked)
Debt Headroom	\$1.1b
Moranbah AN Plant	Production commenced

(1) Net Profit after Tax attributable to shareholders, excluding Individually Material Items

(2) Earnings before Interest and Tax excluding Individually Material Items

Explosives performance



Explosives EBIT up 8% to \$399.9m

DNAP EBIT up \$16m (+8%) to \$211.3m

- Underlying EBIT¹ up \$19m (+17%) to \$130.2m
- Significant contribution from supply of Initiating Systems (“IS”) and Services to Moranbah foundation customers
- Volume growth in base business slowed in second half

DNA EBIT up \$16m (+9%) to US\$195.7m

- Agriculture & Industrials business benefitted from higher prices
- Restructured Canadian business delivered higher EBIT
- Impact of lower Coal volumes negatively impacted the result

(1) EBIT ex Moranbah Unfavourable Contract Liability release

Business delivers to strategy

Fertilisers performance



- Fertiliser EBIT down \$178m (-40%) to \$270.9m
- Impact of Commodity prices (-\$41m) and higher AUD:USD rate (-\$40m)
- Mt Isa outage costs (-\$22m) and lower volumes (-\$22m)
 - Record Ammonium Phosphate production in the second half of 2012
- Lower margins from distribution businesses (-\$59m), significantly impacted by fluctuating global prices
- Strong execution in second half (production and distribution) sets up 2013

Consolidated business better positioned to manage price risk

Strategy

Demand drivers:

Hard commodities

China's urban population is expected to increase by 300-400 million people over the next 15 years¹

*By 2031, over 90% of revenue growth in Australian mining will be driven by **volume not price**²*

*World **coal-fired power generation** is expected to grow 67% over the next thirty years³*

Soft commodities

*The **global population** is expected to swell from 6.5 billion today to 9 billion by 2050 – ie. over 60 million new mouths to feed every year for the next forty years¹*

*80% of growth in grain by 2050 is expected to be from emerging economies **shifting their food consumption patterns** as per capita wealth increases⁴*

*Due to the decline of **arable land**, higher yields and more intensive use of land is expected to contribute more than 90% of growth in global crop production⁴*

Explosives

- Leveraged to hard commodities (volume not price)
- Growth platform of IPL
 - Offers a number of attractive growth opportunities

Fertilisers

- Leveraged to soft commodities (volume and price)
- Strong cash generating business
- Capital invested to drive efficiency

Sources:

1) UN Population Information Network

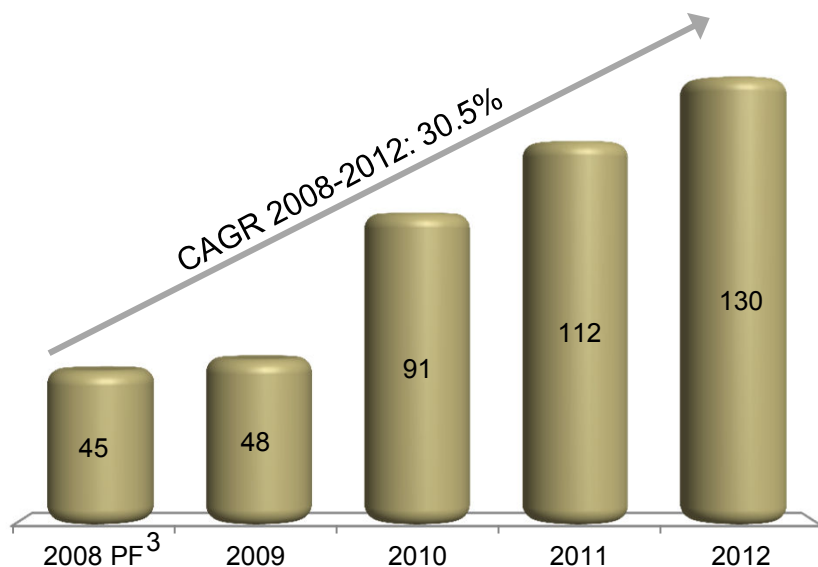
2) Port Jackson Partners

3) U.S. Energy Information Administration

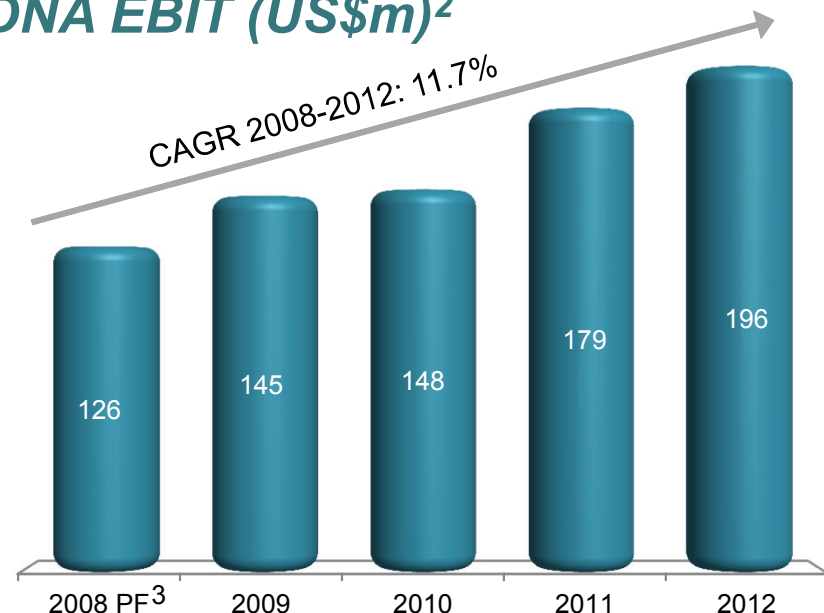
4) Food and Agriculture Organisation of the UN

Explosives now 60% of Group EBIT

DNAP EBIT (A\$m)¹



DNA EBIT (US\$m)²



- Strong growth through a difficult trading period
 - Dyno Nobel total EBIT CAGR 2008-2012: 17.2%⁴
- Positive outlook for both geographic markets with a range of growth opportunities available

1) Dyno Nobel Asia Pacific - excluding the impact of the Moranbah unfavourable contract liability release

2) Dyno Nobel Americas reported EBIT

3) 2008 result is pro-forma to assume that the acquisition of Dyno Nobel occurred as at 1 October 2007. Source: IPL 2008 Financial Statements (Note 28) excluding \$9.0m of the Moranbah unfavourable customer contract liability release.

4) Calculated on a constant currency basis (2008 average rate of AUD:USD: 0.90787)

Driving shareholder returns

1 FOCUS ON CASH GENERATION

- Fertiliser business consolidation
- US business re-organisation
- Capital efficiency
- Continued focus on cash conversion

2 DELIVER ON OUR PROMISES

- Moranbah AN plant
- Third Filter Train at Phosphate Hill
- Pilbara Emulsion plant
- BEx

3 GROWTH OPTIONS

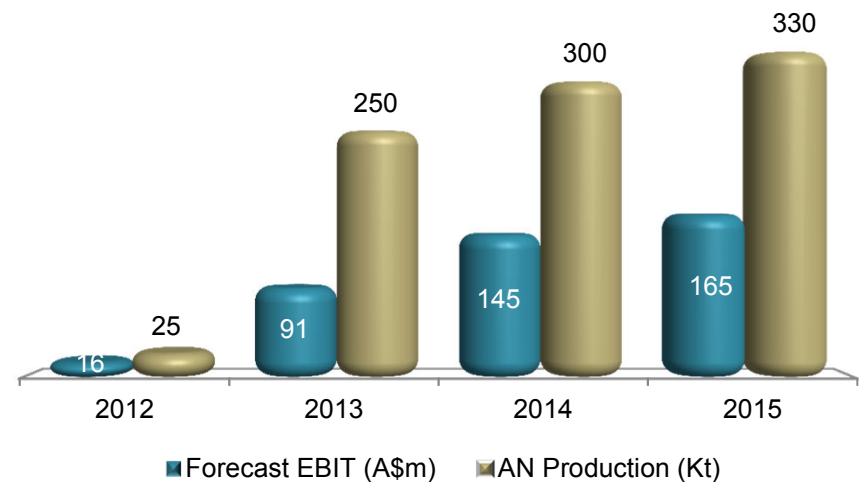
- US Ammonia
- Moranbah AN plant de-bottleneck
- Newcastle AN plant (deferred by at least two years)
- Capital light expansions in Canada, Latin America and Indonesia
- New Markets
- Other?

Re-investment competes with return of cash to shareholders

Moranbah - Update

- 4 million hours lost time injury free
- Project 100% complete
 - Front-end plants commenced production in July 2012
 - Ammonia plant commenced production in September 2012
- Cash construction cost \$986m (5% above sanctioned spend)
 - Minor cost-over run due to rain and lower labour productivity
- Operations team on site and involved in commissioning process
- 25kt production in final quarter of 2012
- On track to produce 250kt of AN (76% of capacity) in the 2013

Moranbah – Forecast Contribution



Pilbara emulsion and Third filter

*Pilbara Emulsion Plant,
Western Australia*



- Construction completed
- Plant currently being commissioned
- Underpins Pilbara business

*Phosphate Hill Third Filter Train,
Queensland*



- Construction completed
- Plant currently being commissioned
- Investment will:
 - increase reliability of the phosphoric acid plant
 - allow the processing of a wider range of phosphate rock

- Long transformation of the way we do business
- Roll out on track
 - Manufacturing in 2012
 - Value Chain in 2013
- Early value creation – however this is an investment for the long term
- Creating and retaining value will include – higher and more reliable plant production, lower conversion costs, move to world class supply chain management

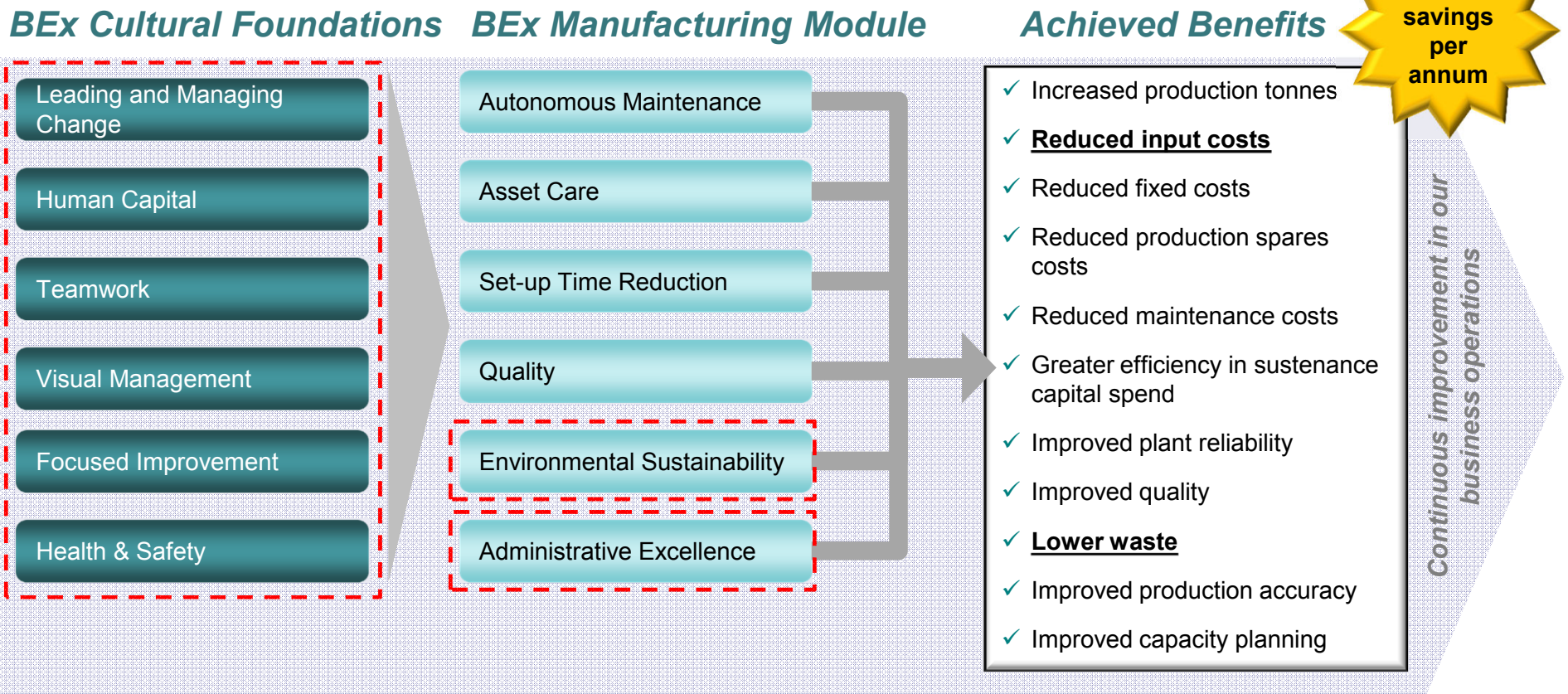
***FY13 costs of \$25m will be matched by
EBIT generated of \$25m***

BEx – Manufacturing transformation



Case Study: Phosphate Hill

- By mining the gypsum dams, the Phosphoric Acid plant will be able to recycle phosphoric acid in the AP production process from 2013



And this is just the beginning...

US Ammonia feasibility study update

Construction Cost

- Project is being developed through a rigorous Front End Loading process
- Working with the best EPC companies in the world
- Brownfield site should offer a significant discount to a greenfield project site

Financial Return

- Driven by differential between US and Eastern Europe gas prices
- Potential first mover advantage
- Strategic value of the project is integrating the entire AN production of the US Explosives business back to US gas economics

Final Investment Decision

- Q2 of 2013 calendar year

Investment hurdles will not be compromised



Financial Performance

Frank Micallef
Chief Financial Officer



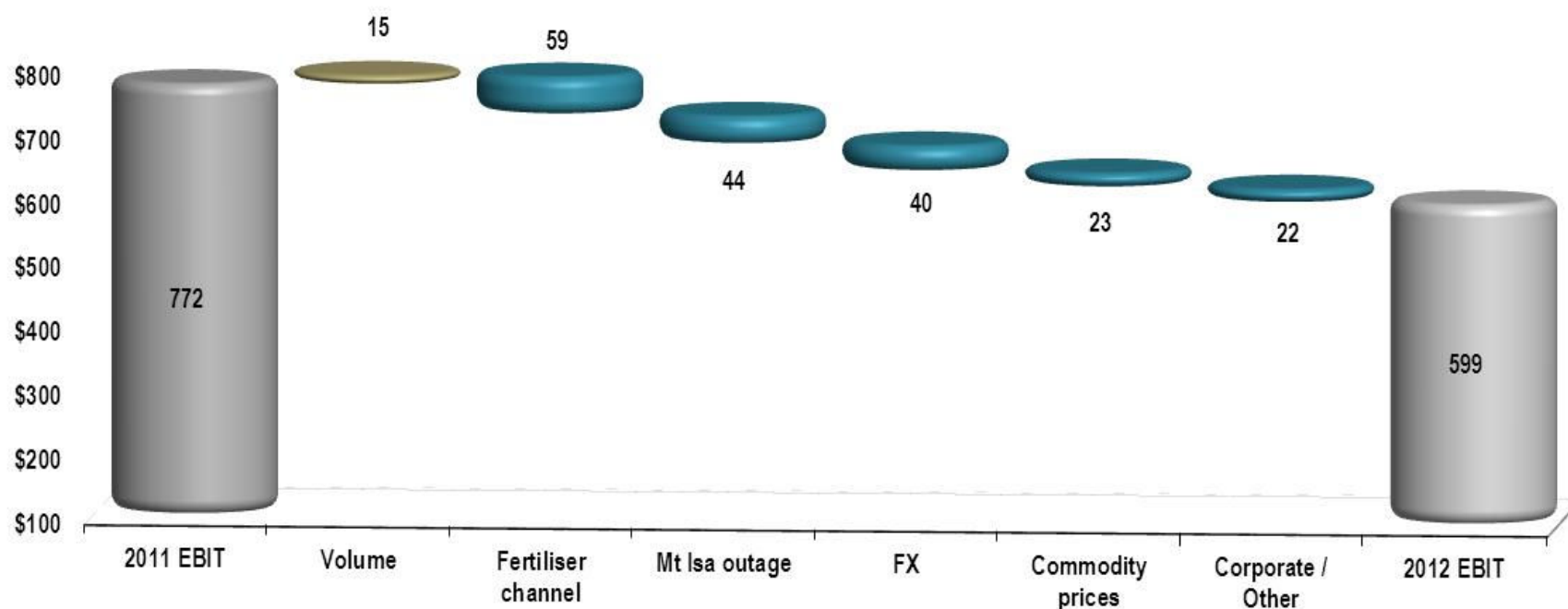
IPL Group financial performance

Year Ended 30 September (A\$m)	2012	2011	Change %
Revenue	3,500.9	3,545.3	(1%)
EBIT ⁽¹⁾	599.1	772.1	(22%)
NPAT ⁽¹⁾	404.7	530.1	(24%)
Reported NPAT ⁽²⁾	510.7	463.2	10%
EPS (cents) ⁽¹⁾	24.8	32.5	(24%)
Dividend per share (cents)	12.4	11.5	8%
Operating cash flow	620.8	719.1	(14%)
Operating cash flow / EBITDA (%)	82.2%	78.1%	
Net debt	(1,286.9)	(1,188.8)	(8%)

(1) Excluding individually material items

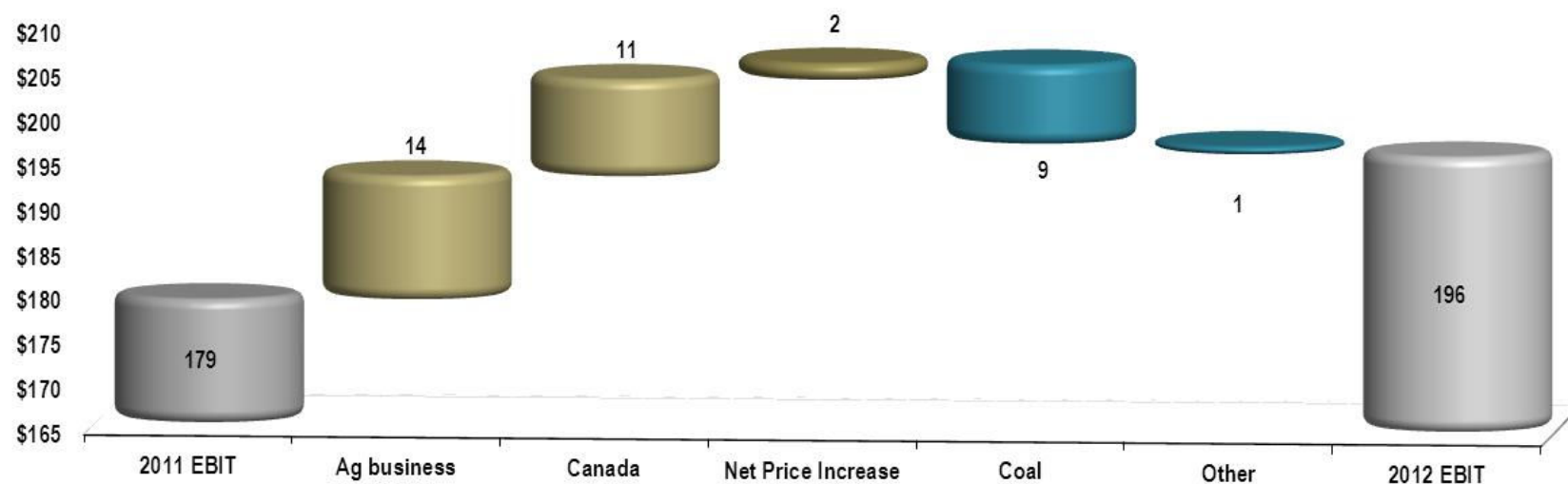
(2) Net Profit after Tax attributable to shareholders

GROUP – EBIT waterfall



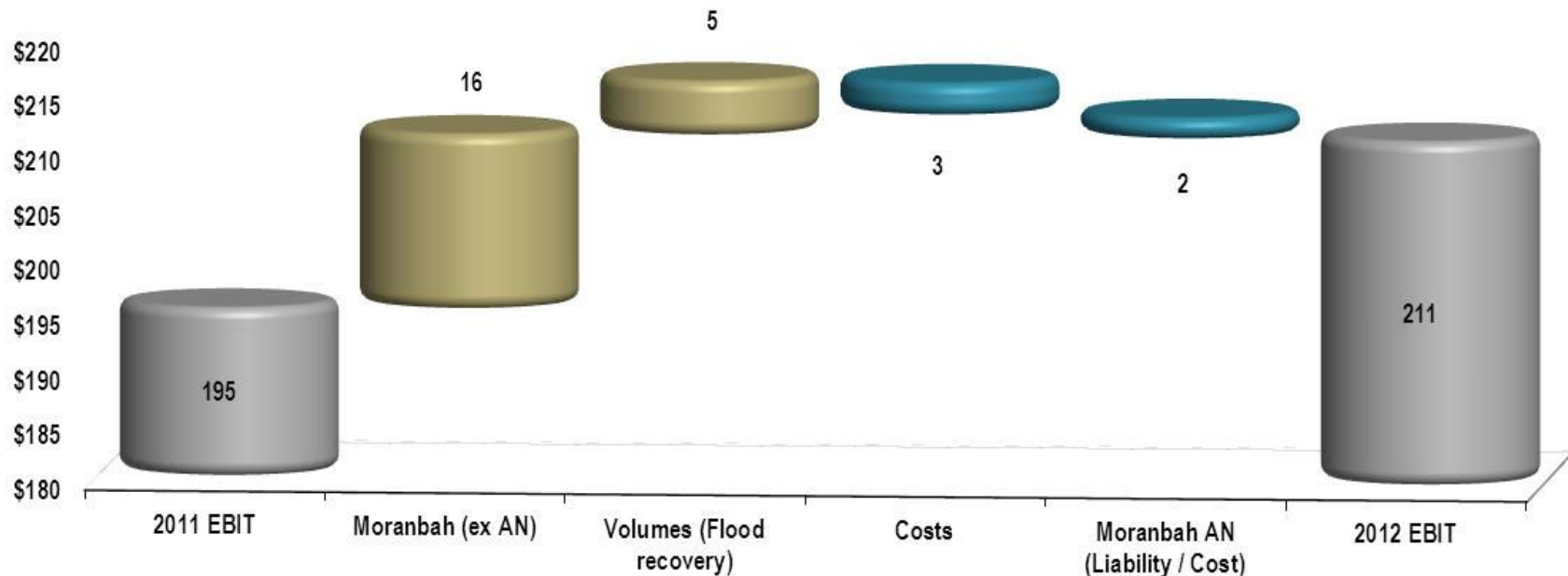
- ✓ Explosives – Key drivers include - net increase in volumes, Velocity and commodity prices the key drivers
- ✗ Fertilisers – Commodity price (-\$41m), FX (-\$40m), Mt Isa outage (-\$44m), Lower margins from distribution businesses (-\$59m)

DNA (USD) – EBIT waterfall



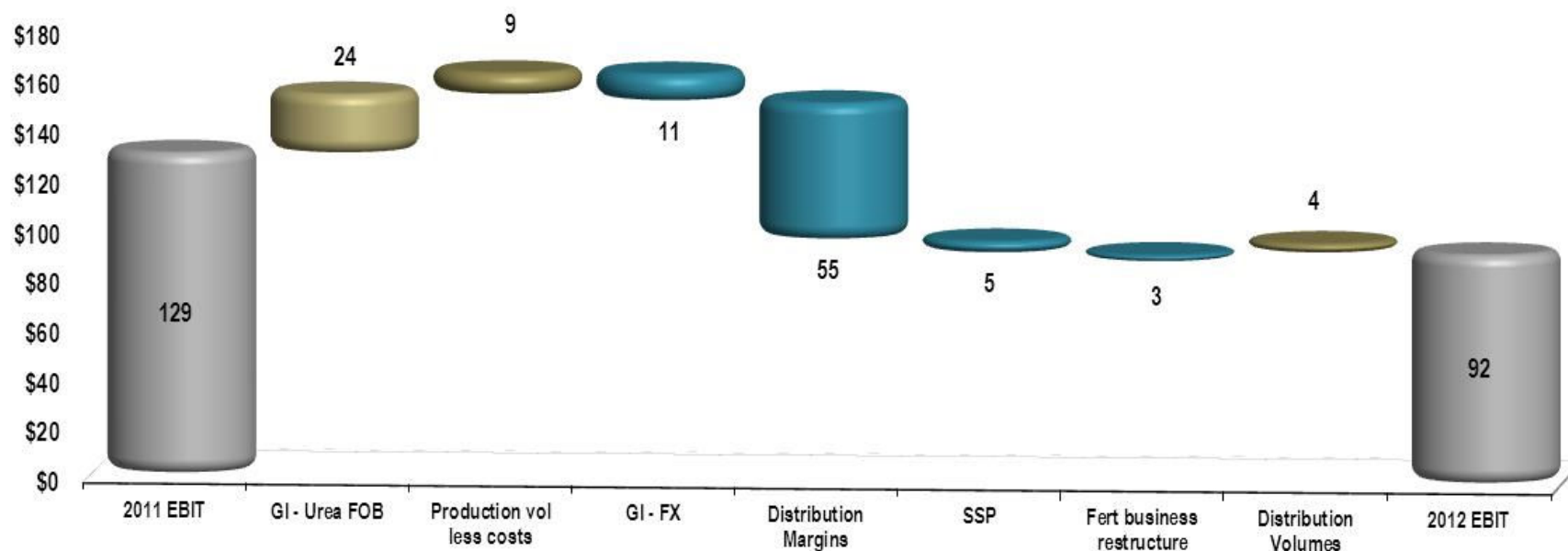
- ✓ Increased contribution from Agricultural & Industrials business (St Helens plant)
- ✓ Benefits from the restructured Canadian business
- ✗ Negative impact of US Coal volumes

DNAP – EBIT waterfall



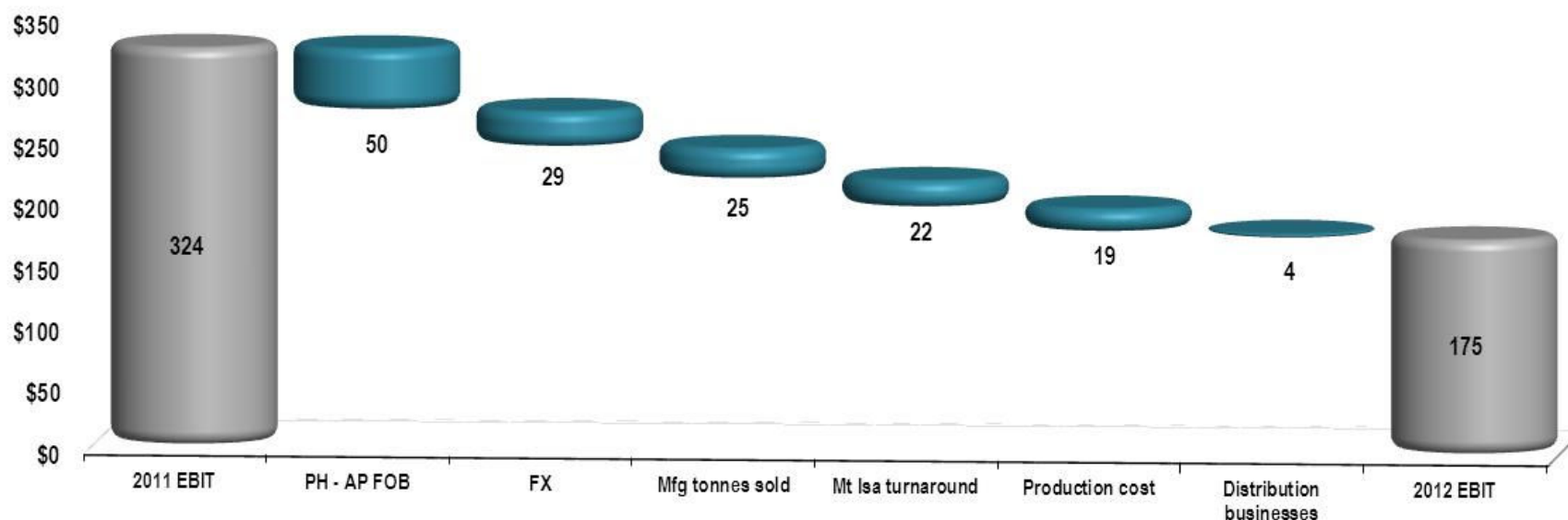
- ✓ Higher earnings from IS & Services to Moranbah foundation customers
- ✓ 7% underlying AN Volume growth
- Moranbah unfavourable customer contract liability released in full

IPF – EBIT waterfall



- ✘ Lower distribution margins, significantly impacted by fluctuating global prices
- ✓ GI profit contribution up \$22m (higher Urea and production offset by FX impact)
- ✓ Fertiliser volumes up 6%, driven by pasture market recovery

SCI – EBIT waterfall



- ✘ Negative impact of lower DAP prices and higher AUD:USD rate (-\$79m)
- ✘ Mt Isa Final Absorption Tower repair: \$22m of costs and \$22m volume impact (-\$44m)
- ✘ Higher production costs - higher Sulphuric Acid input costs & inflationary pressures
- ✘ Net decrease in Distribution businesses – Quantum (-\$25m), Industrials (+13m), SCI (+\$8m). Quantum business returned to profit in the second half



Balance Sheet & Treasury

Frank Micallef
Chief Financial Officer



Strong investment grade capital structure

	Sept. 2012	Sept. 2011	Target range
Net debt / EBITDA ⁽¹⁾	1.7x	1.3x	< 2.5x
Interest cover ⁽²⁾	7.9x	10.8x	> 6.0x
Gearing Ratio ⁽³⁾	24%	24%	
Headroom (including cash)	\$1.1b		
Average tenor of drawn funds	4.9 years		

- (1) Net debt / 12 months historical EBITDA, at point in time
- (2) Interest cover = EBITDA / interest expense excluding discount unwind
- (3) Net Debt / (Net Debt + Equity)

3 investment grade credit ratings

Capital management outcomes – Net debt

Net debt increased by \$98m since September 2011 to A\$1,287m

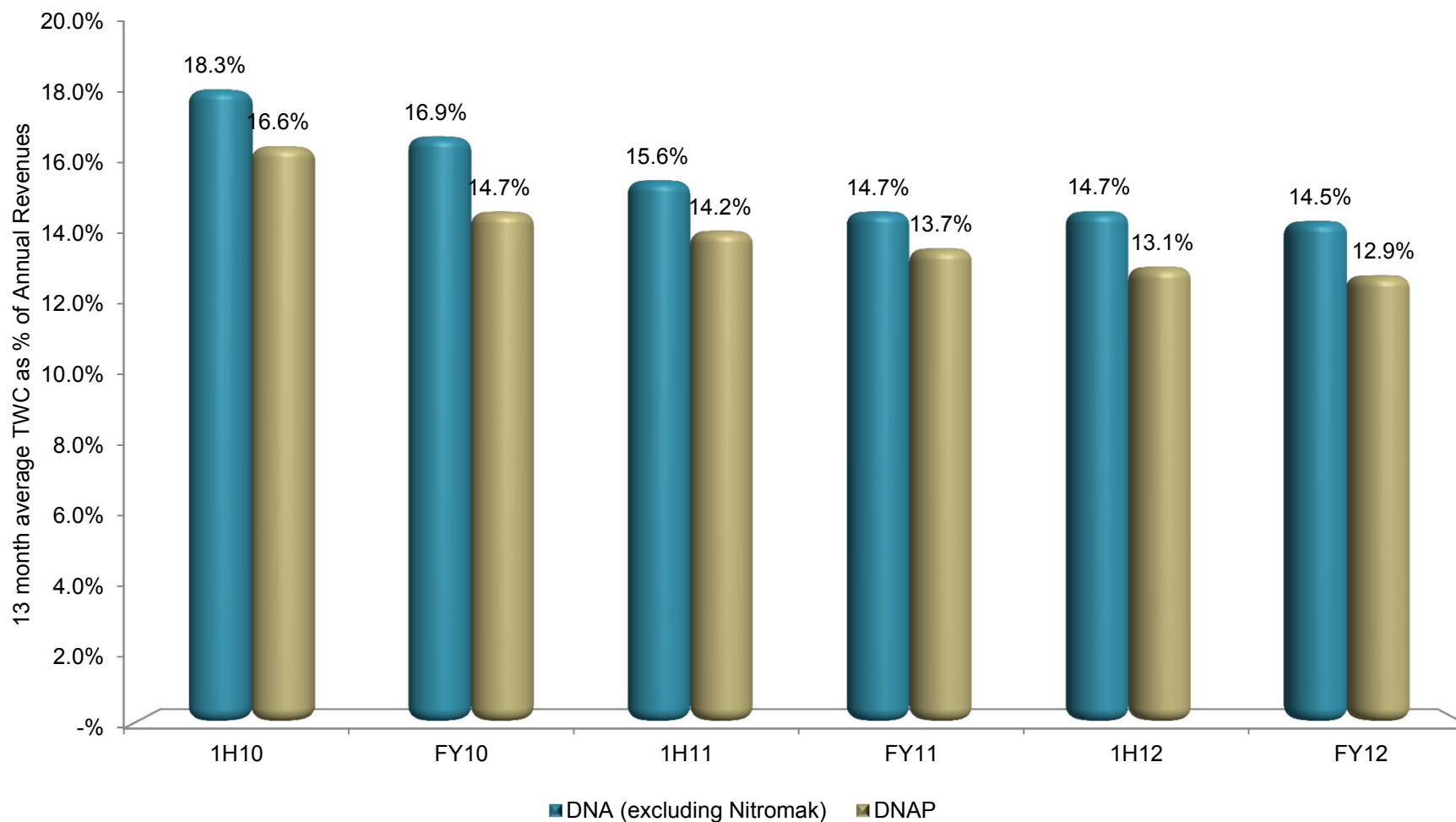
- Operating cash flow decreased by \$98m to an inflow of \$621m
 - EBITDA¹ decreased \$165m (-18%) and tax payments increased \$82m, offset by strong Trade Working Capital performance
- Dividend payment \$187m (+24%)
- Moranbah spend \$238m (excluding capitalised interest)
- Sustenance spend down by \$50m to \$155m
- Effective interest rate 5.8% (inclusive of upfront costs and commitment fees)

(1) EBITDA excluding IMIs

Credit metrics strong at peak funding levels

Improving trade working capital position

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



Value-adding risk management – FX exposures

2012: FX hedging strategy delivered \$51m in incremental earnings.

- All-up hedged AUD:USD rate of \$0.96 vs average market rate of \$1.03

2013: USD Transactional exposure – Australian manufactured fertilisers.

- 90% covered at no worse than AUD/USD \$1.05 (inclusive of premium costs), full participation

Risk management approach to FX



OUTLOOK

James Fazzino
Managing Director
& CEO



Outlook – 2013 Explosives

- DNAP – Moranbah AN plant is on track to produce 250kt of AN in FY13, generating an incremental \$75m of EBIT
- DNAP – Base business flat
- DNA – Explosives business expected to generate modest earnings growth
- No scheduled turnaround at the St Helens plant

Outlook – 2013 Fertilisers

- Distribution margins in the IPF business expected to recover to normal levels, supported by improved execution and risk management
- No scheduled turnaround at the Gibson Island plant. Phosphate Hill production 900kt of AP's.
- Quantum expected to return to profit
- AUD:USD rate headwind

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Questions ?



Appendices

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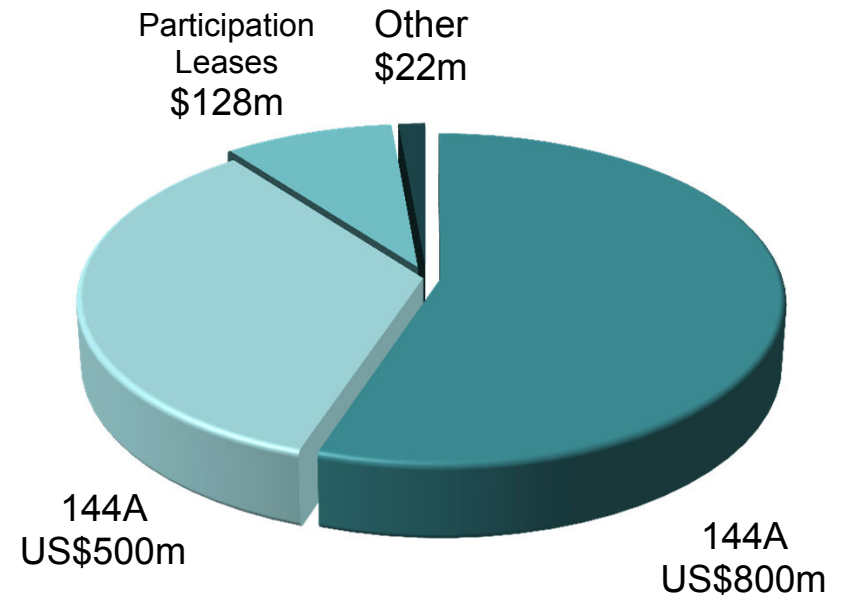
Debt structure delivers value

- ✓ No refinancing risk until April 2014

US Debt Strategy

- ✓ Maintains debt/EBITDA as USD depreciates
- ✓ Partially hedges USD earnings translation exposure
- ✓ Allows participation in low interest rates (approx. 40% hedged)

Drawn Funds at 30 September 2012

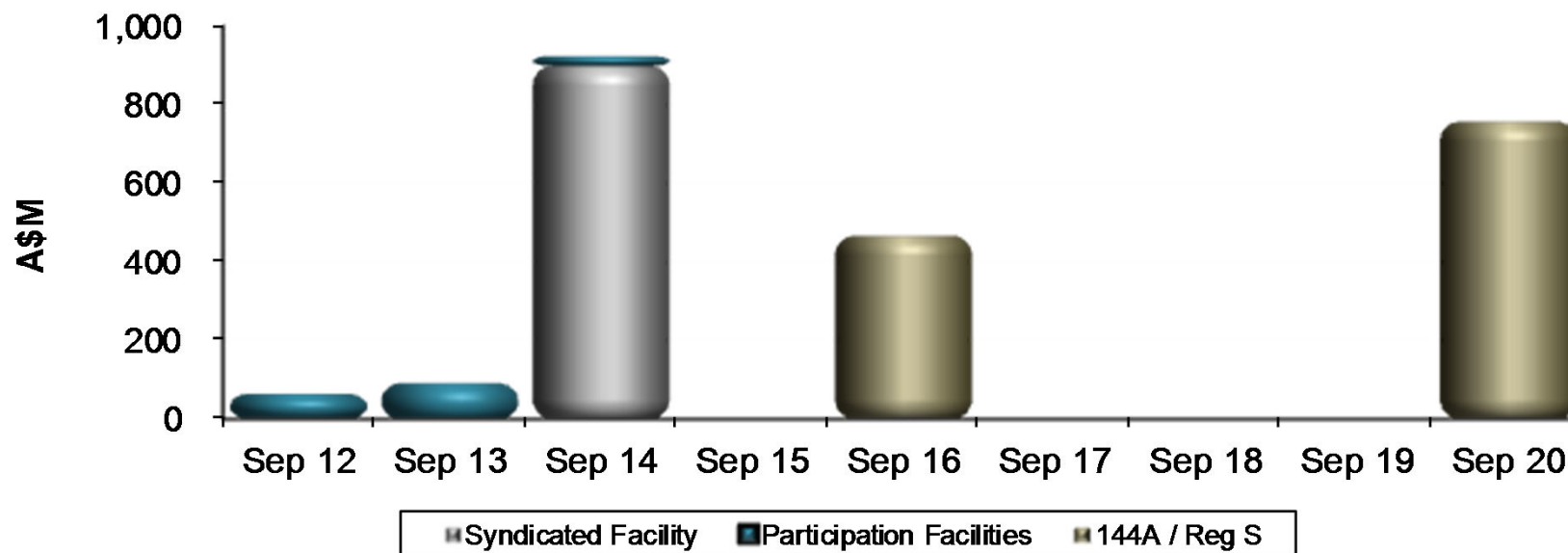


Strong capital structure

Capital management - Interest cost

Year Ended 30 September (\$m)	2012	2011	Change
Total borrowing costs	121.1	110.3	(10%)
Less unwinding of discount on provisions	25.3	25.2	
Underlying interest cost	95.8	85.1	(13%)
Average interest rate	5.8%	5.7%	

Debt maturity profile

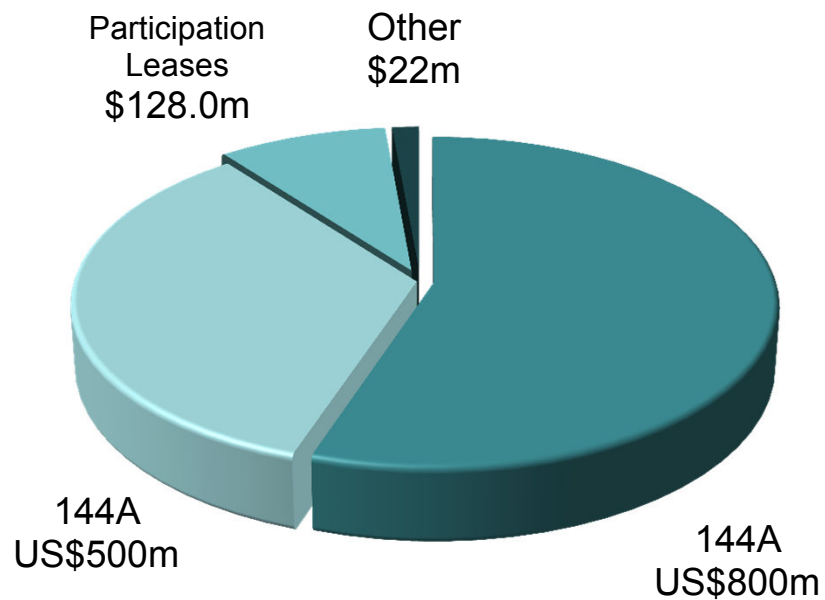


- 4.9 years average tenor of drawn funds
- Headroom including cash \$1.1b

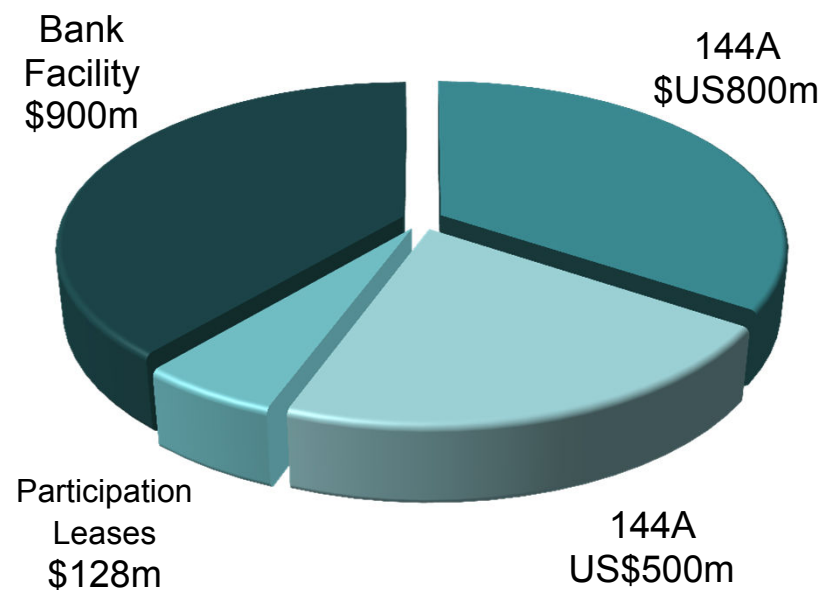
Tenor and diversity

Debt profile

Drawn Funds



Available Limits



Diverse sources; surplus headroom

EBIT sensitivities

IPF: Urea - Middle East Granular Urea (FOB) ⁽¹⁾	+/- US\$10/t = +/- A\$4.2m
SCI: DAP - Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- US\$10/t = +/- A\$9.9m
Forex - transactional (DAP & Urea) ⁽³⁾	+/- 1 cent = A\$7.9m
DNA: Urea (FOB) ⁽⁴⁾	+/- US\$10/t = +/- US\$1.8m
DNA: Forex - translation of Explosives earnings ⁽⁵⁾	+/- 1 cent = A\$1.9m

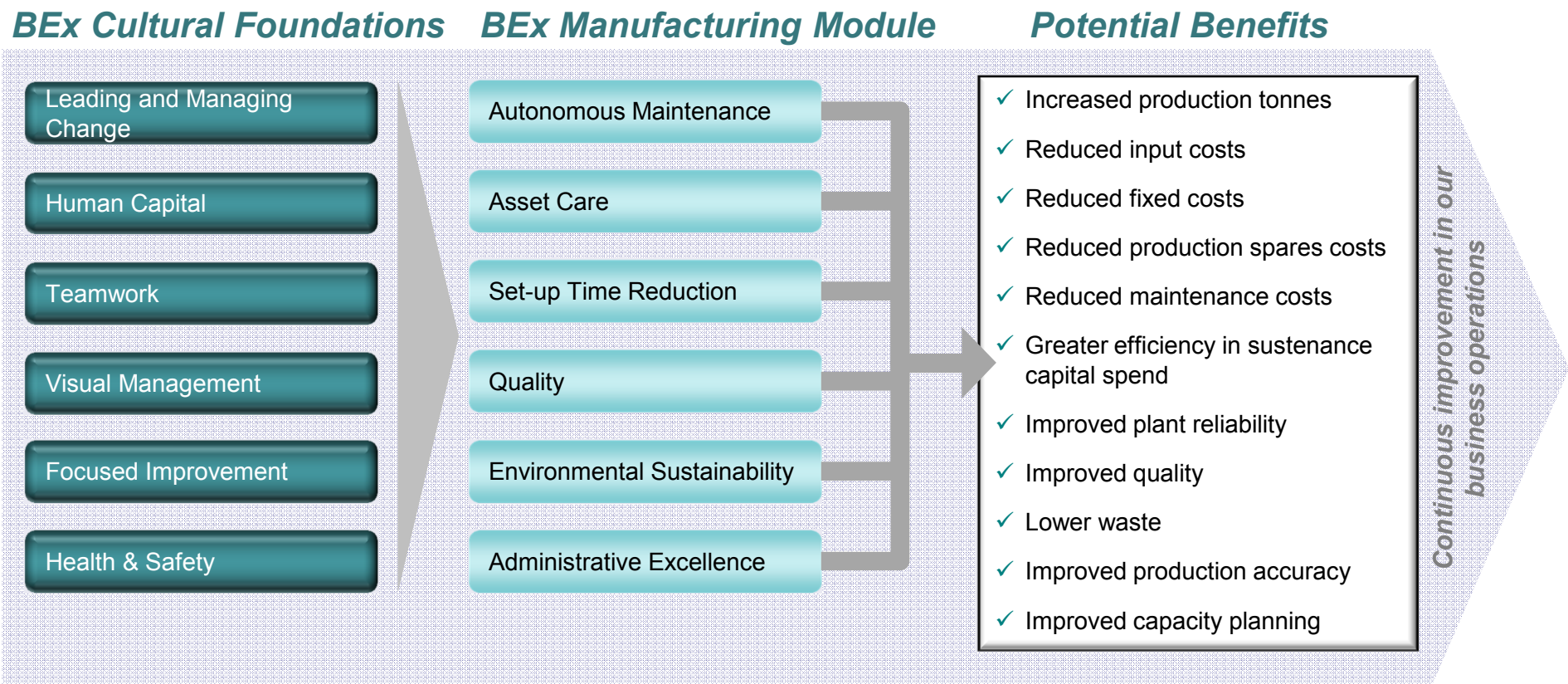
Assumptions:

- (1) 405kT (Forecast Gibson Island Fertiliser name plate capacity) urea equivalent sales at 2012 realised price of US\$457 and a 2012 hedged exchange rate of A\$/US\$ 0.957
- (2) 950kT (Phosphate Hill name plate capacity) DAP sales at 2012 realised price of US\$563 and hedged exchange rate of A\$/US\$ 0.957
- (3) DAP & Urea based on assumptions 1 and 2 (this excludes the impact of hedging)
- (4) 180kT (St Helens name plate capacity - short tonnes) urea equivalent sales at 2012 realised price of \$550/st
- (5) For each US\$200m EBIT

BEx – Manufacturing transformation



- In 2012 BEx deployment has commenced at all major Manufacturing sites as scheduled.



BEx – Manufacturing transformation



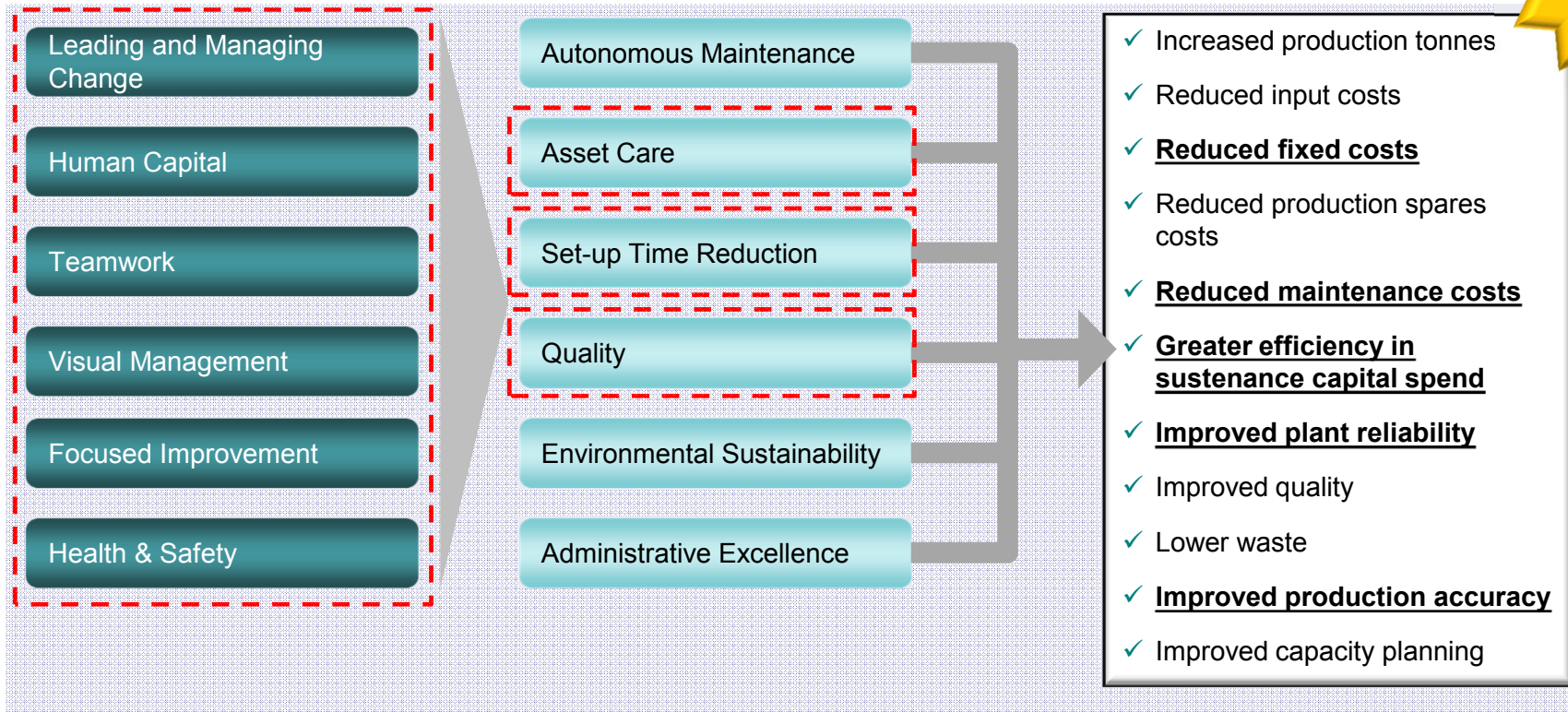
2012 Case Study: Gibson Island

- A planned 15 day outage at Gibson Island was delivered 2.5 days ahead of schedule, saving \$1.7 million

BEx Cultural Foundations

BEx Manufacturing Module

Achieved Benefits



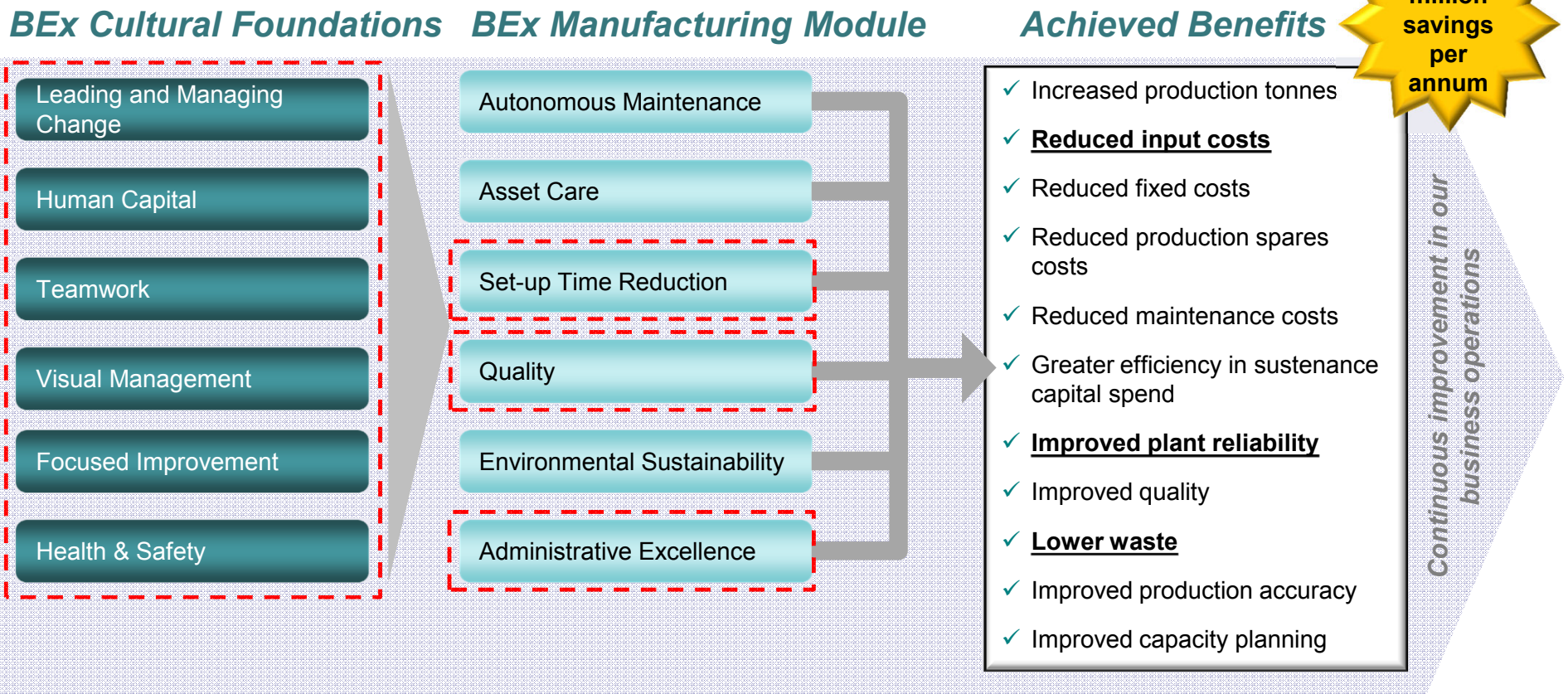
And this is just the beginning...

BEx – Manufacturing transformation



2012 Case Study: Cheyenne

- Employees developed a critical visual management tool to help manage nitric acid production values and levels, resulting in an annual benefit of US\$1m

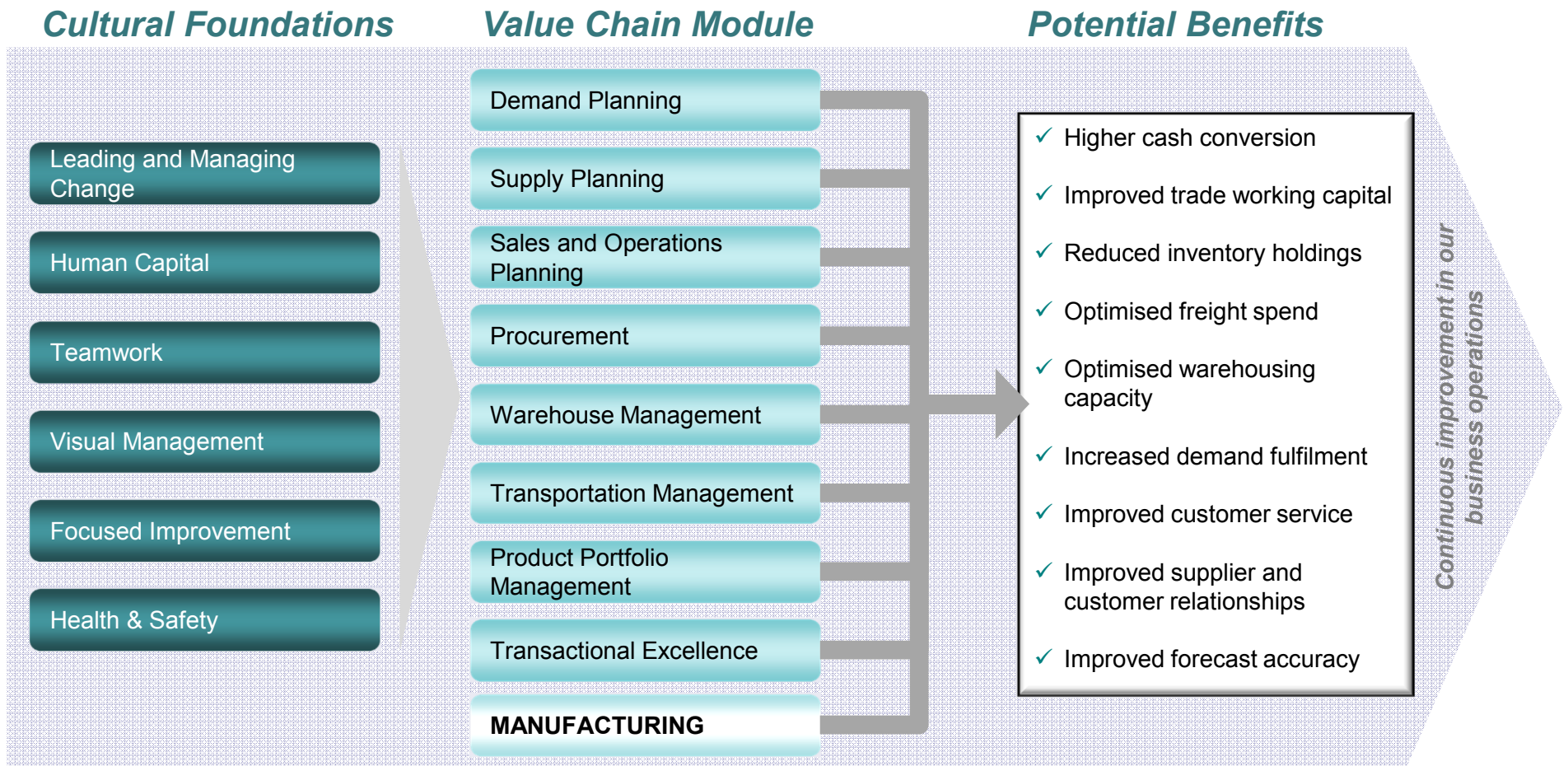


And this is just the beginning...

BEx – Value Chain transformation

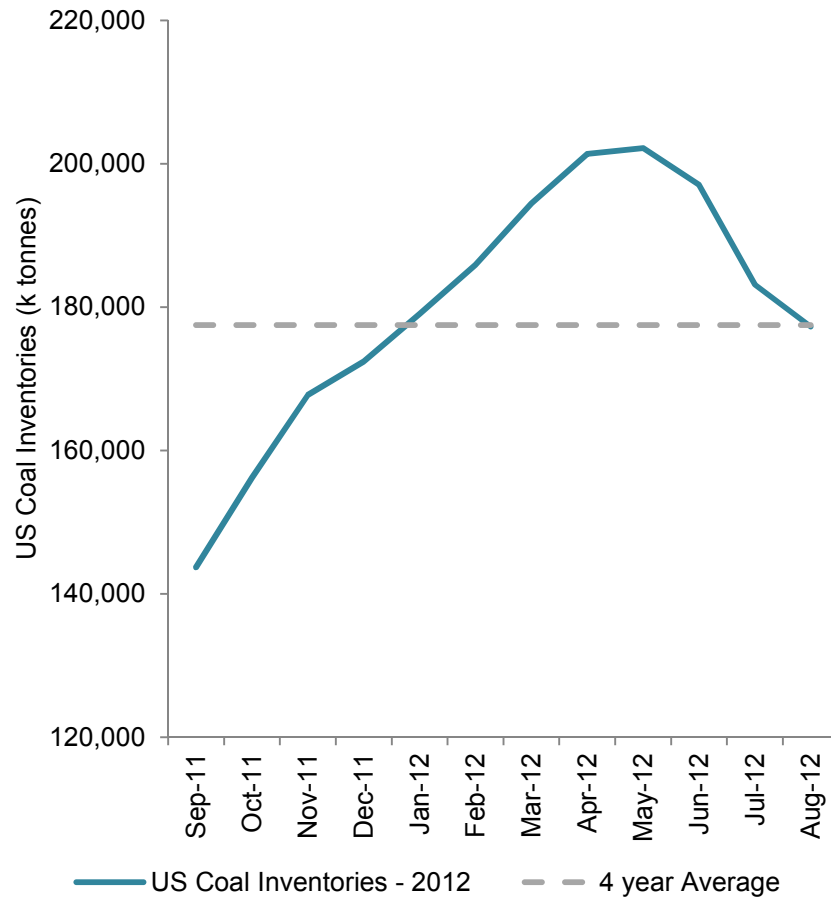


- Roll out across has now commenced, ahead of schedule
- Significant opportunity for efficiency gains as BEx gains momentum

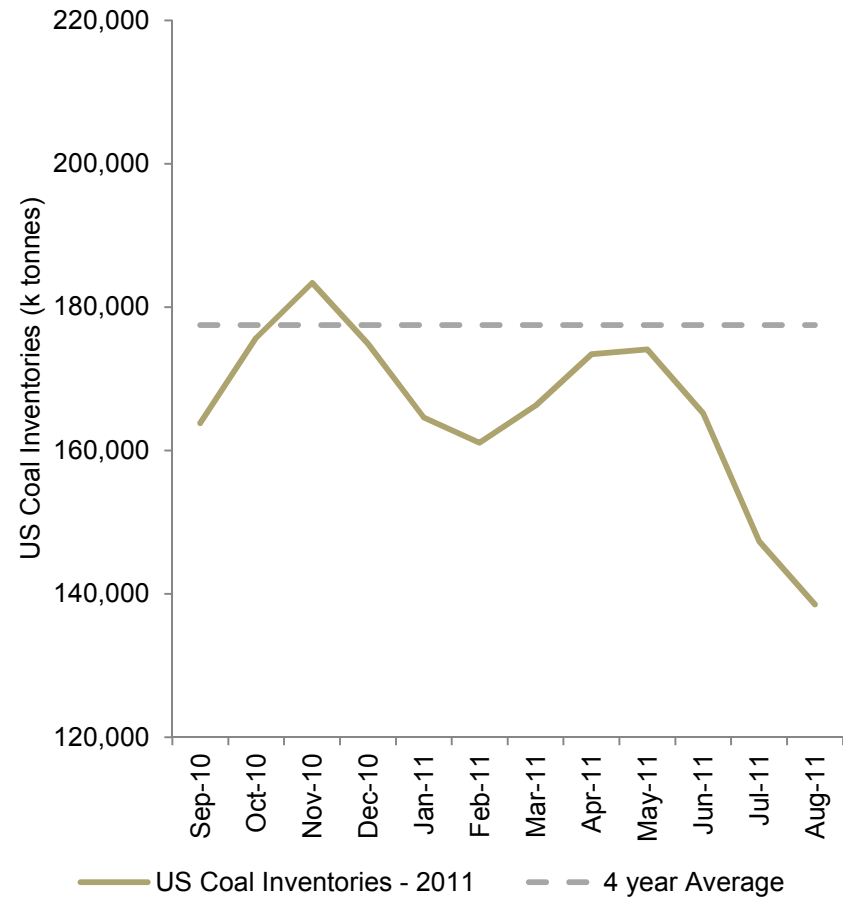


Key industry drivers – US Coal Inventories

2012 Coal Inventories



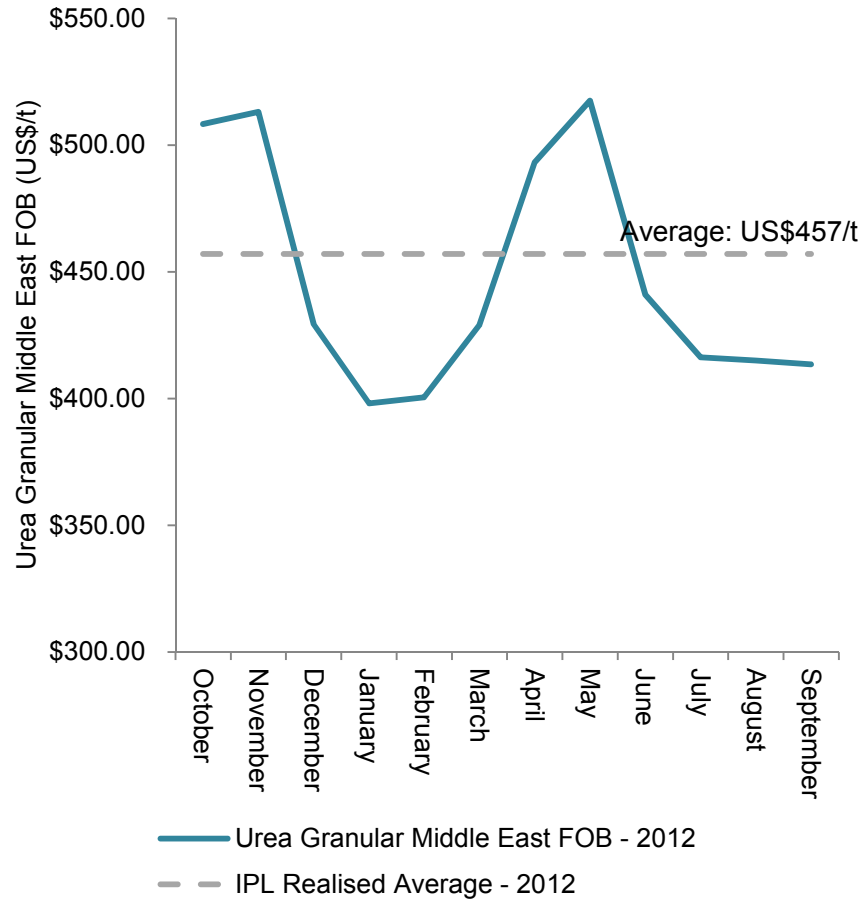
2011 Coal Inventories



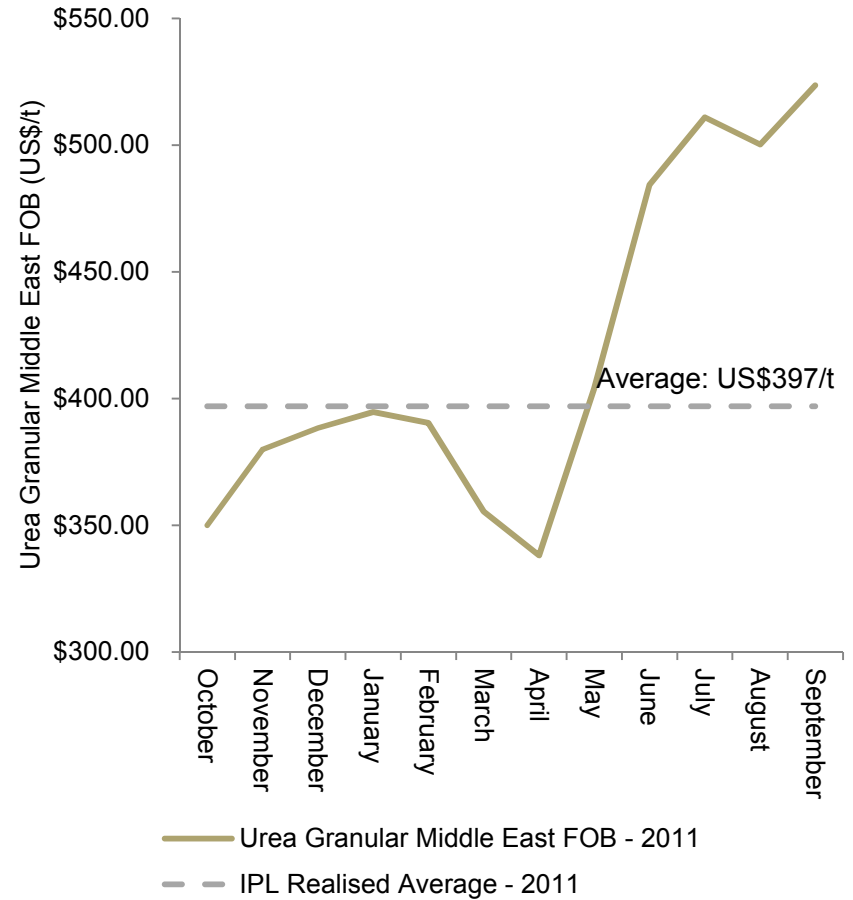
Source: US Energy Information Administration

Key industry drivers - Urea

2012 Urea Price



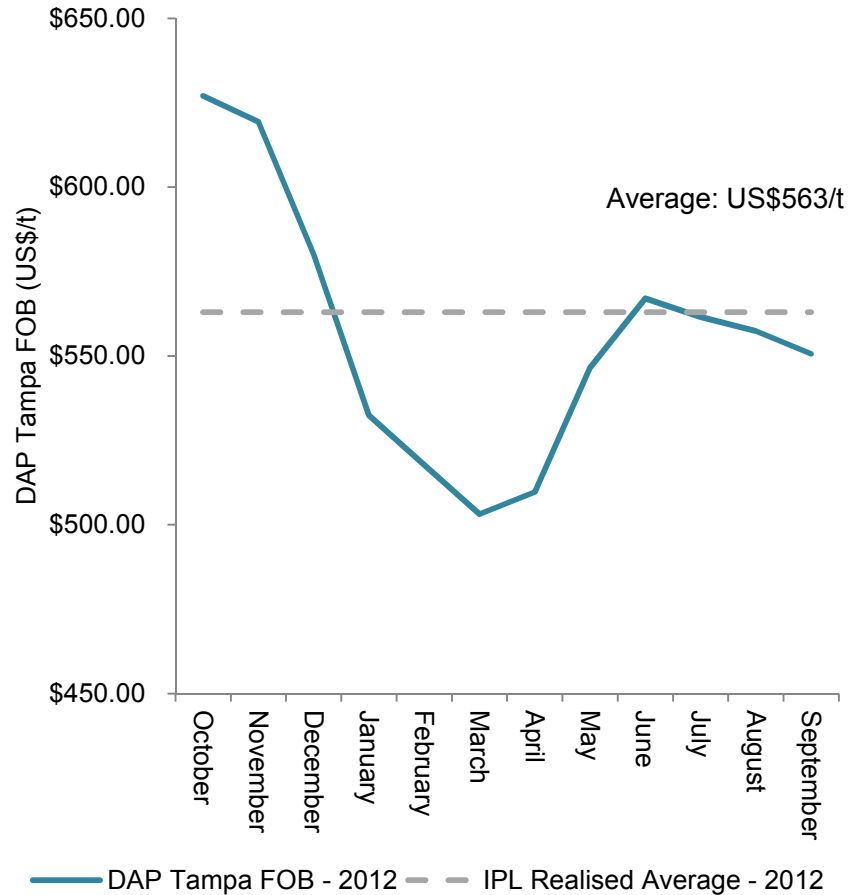
2011 Urea Price



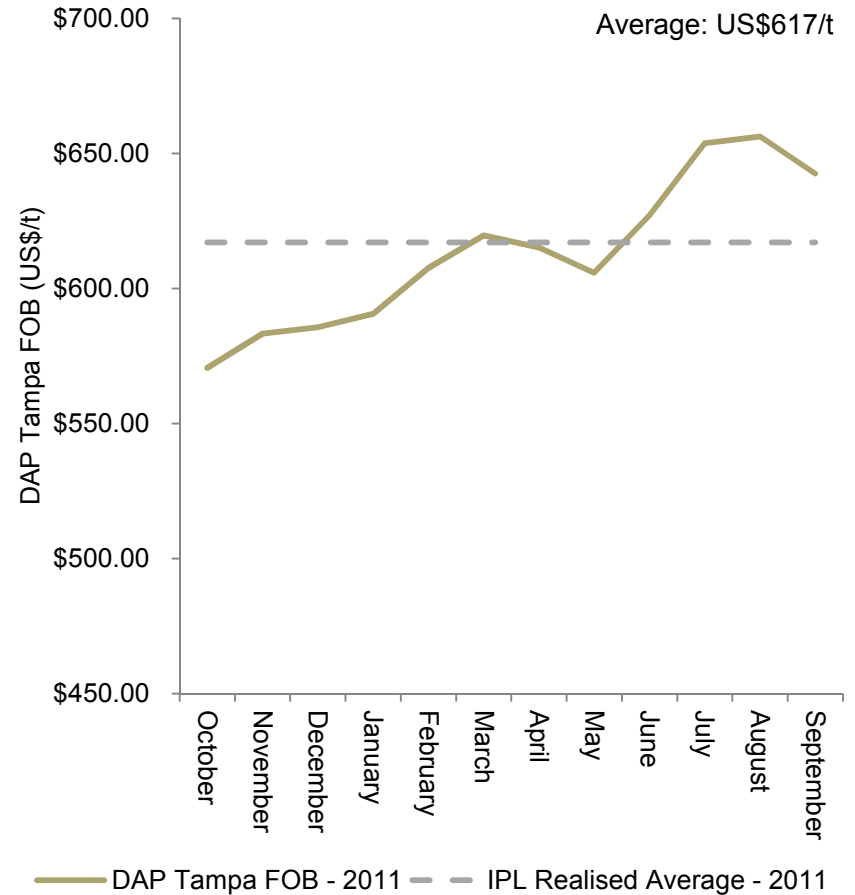
Source: Fertecon

Key industry drivers - DAP

2012 DAP Price



2011 DAP Price



Source: Fertecon