



AUSTRALIA IN FOCUS

Incitec Pivot Limited

DYNO
Dyno Nobel



SouthernCross
International 

Investor Briefing
Tuesday 7 August 2012

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INCITEC PIVOT LIMITED ABN 42 004 080 264

Presenters

- **Introduction**
James Fazzino – Managing Director & CEO
- **Dyno Nobel Asia Pacific**
Stephen Dawson – President, Dyno Nobel Asia Pacific
- **Moranbah plant and new projects**
Alan Grace – Project Director, Moranbah
- **Fertiliser business**
James Whiteside – Chief Operating Officer, Incitec Pivot Fertilisers
- **Close and Final Q&A**
Frank Micallef – CFO



Introduction

Presented by
James Fazzino
Managing Director & CEO

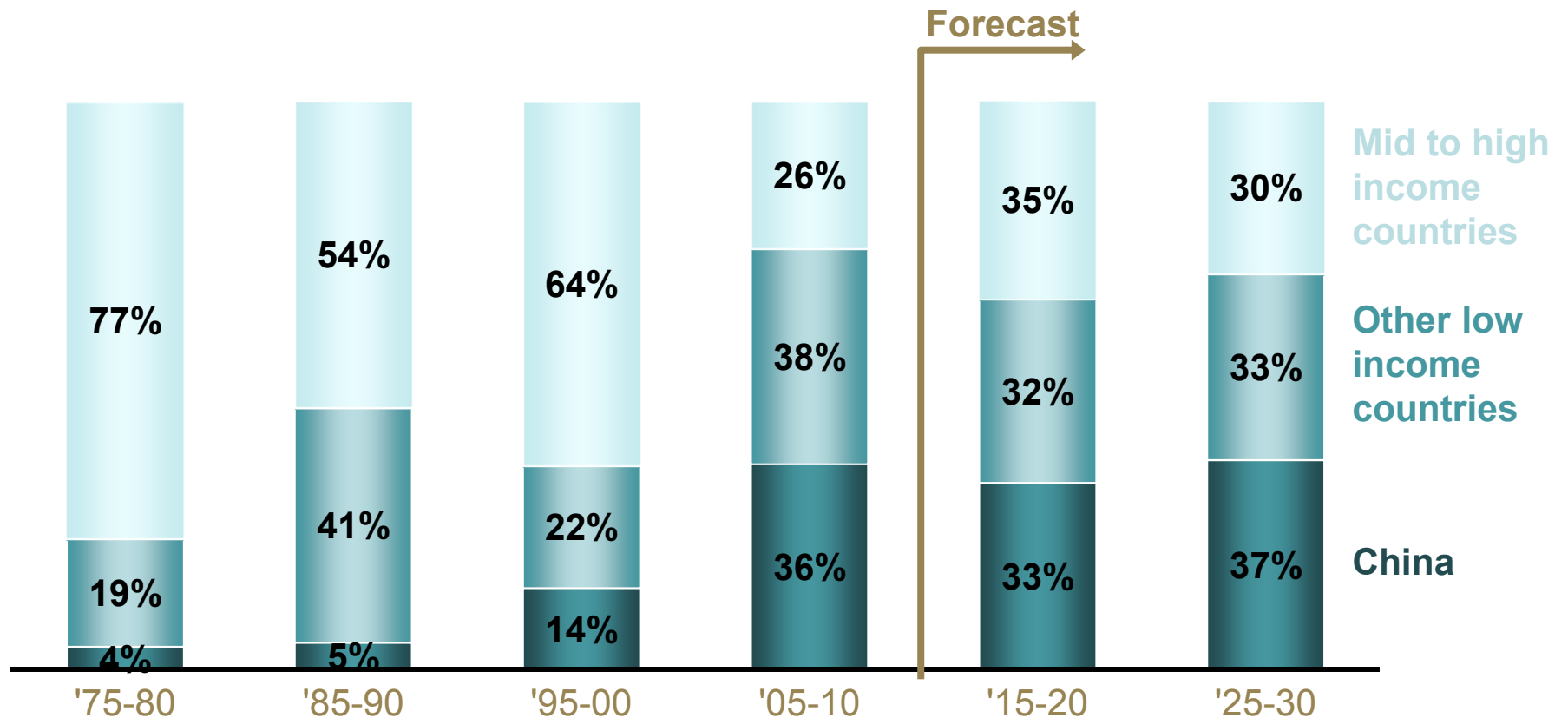
Australia in Focus

Presentation overview

- Welcome
- Group Strategy – execution update
- A few minutes on DNA

World growth to be driven by developing economies – fundamental shift. Driving demand for Hard / Soft commodities

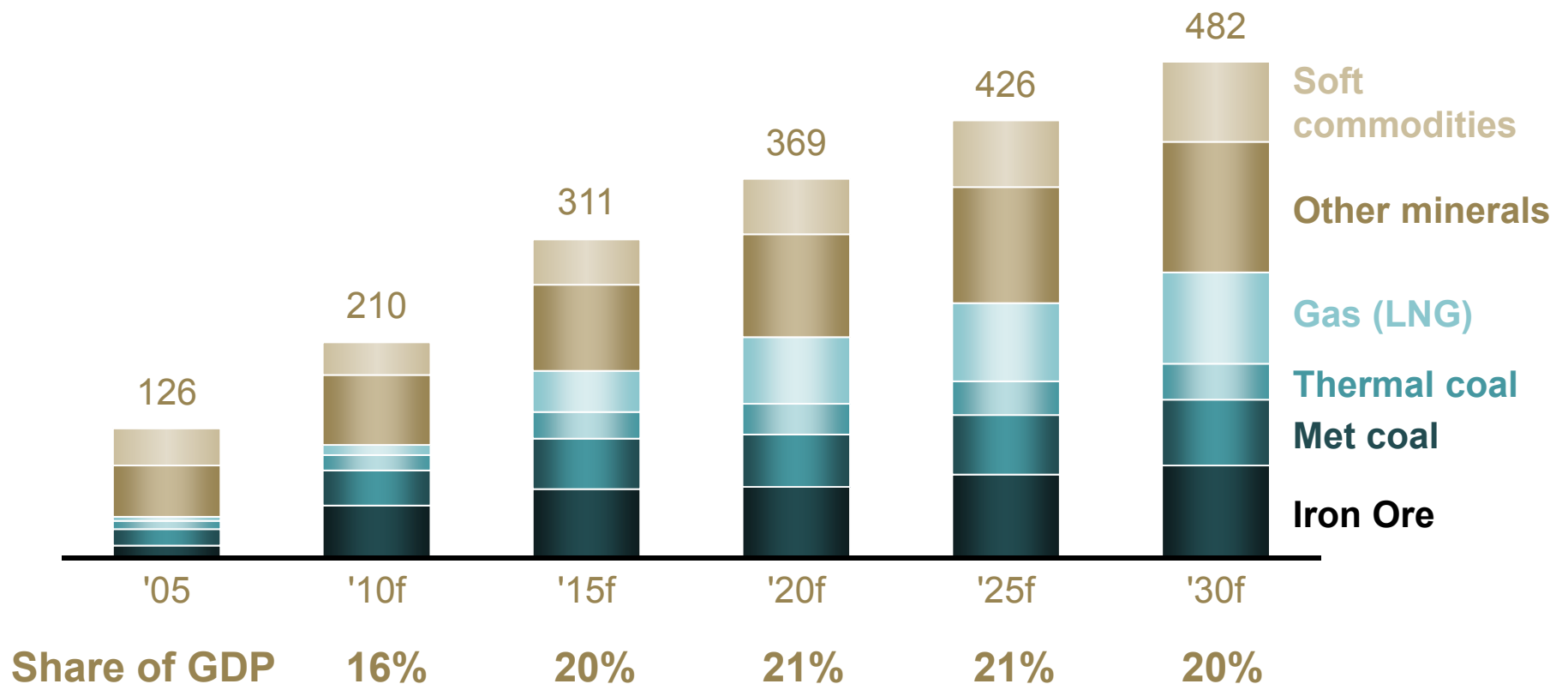
% of world GDP growth by 5-year period



Source: World Bank; IMF; Global Insight; Penn World Tables; U.S. Department of Agriculture Economic Research Service; Port Jackson Partners analysis

Australia is well placed to capitalise from this continued demand

The Base Case, real 2010 A\$ Billion pa

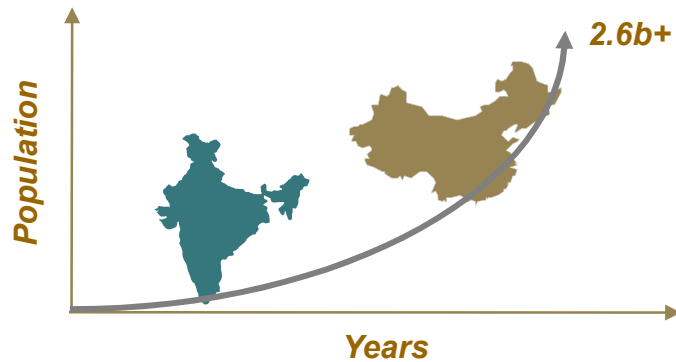


Source: Port Jackson Partners analysis

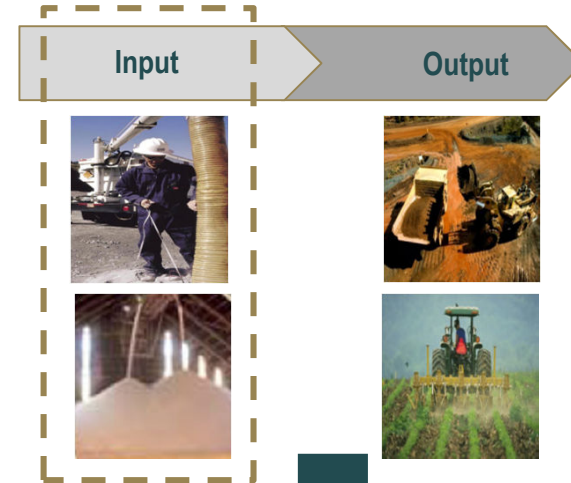
IPL's strategy is to:

- 1) leverage the industrialisation cycle
- 2) position itself on the input side of the value chain through vertically integrated manufacturing with customer aligned channels to market

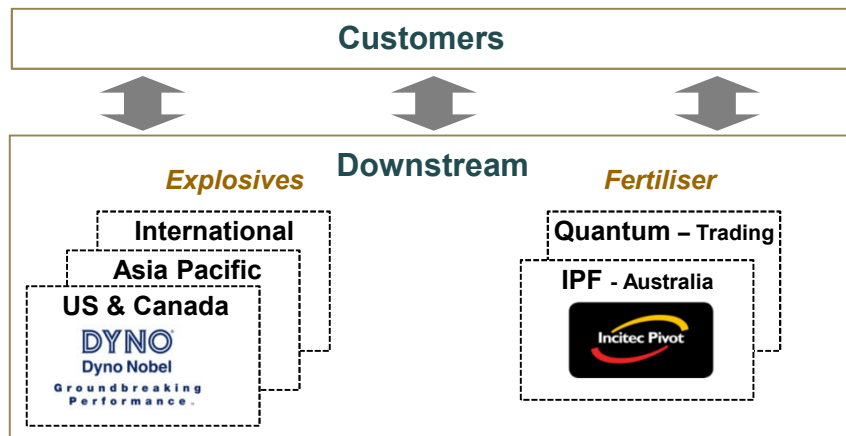
Leverage the industrialisation cycle



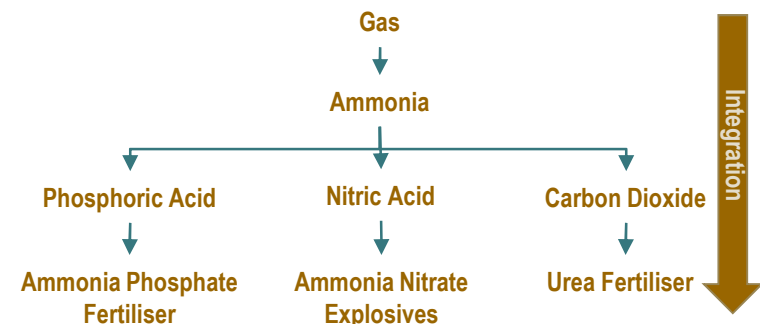
Input side of the value chain



Service customer via downstream business



Vertically integrated manufacturing



Financially disciplined approach to investment

Investment based on following criteria being met:

- 15% IRR hurdle rate – focus on payback
- Investment supported by firm contracted off-take for price and volume
 - Majority of production contracted prior to final investment decision
 - Foundation customers at the bottom of the cost curve
 - Pass through of input costs and pricing

Low risk approach to generating shareholder returns

Strategy execution – Leverage the industrialisation cycle

Committed Projects:

- Moranbah AN plant
- Pilbara Emulsion plant
- Indonesia / Canada – mobile emulsion plants

Projects under consideration:

- Hunter Valley AN plant
- Moranbah expansion

Strategy execution – Vertically integrated manufacturing

In process:

- 3rd filter train at Phosphate Hill
- BEx – Manufacturing and Supply Chain

Project under consideration:

- US Ammonia plant

Strategy execution – Go to market

In process:

- Capacity response to meet market demand
- US channel strategy
- Changes to risk/reward model in Fertiliser business

Under consideration:

- Test and evolve approach to new markets
 - Technology – mobile emulsion plants
- Creating option value for the future

A few minutes on DNA

- Management changes
- Markets
 - Coal – consistent with half year guidance*
 - Metals – market softening
 - Quarry & Construction – market flat
- Positive medium term outlook on US
 - Quarry & Construction recovery
 - Energy advantage driving investment
 - Young population

*Source: Interim results announcement, 14 May 2012

QUESTIONS ?



DYNO

Dyno Nobel

Dyno Nobel Asia Pacific

Presented by
Stephen Dawson
President, Dyno Nobel Asia Pacific



Dyno Nobel Asia Pacific (DNAP)

Presentation overview

- Business strategy
- Key Regions
- Growth Projects
- Technology approach

DNAP – Recap on fundamentals

Compelling outlook for global mining

- Industrialisation and urbanisation of Asia is driving demand for hard commodities

Strong medium term outlook for Australian mining

- Large Australian miners are best positioned to service Asian growth
- Large scale, low cost resources
- Capital investment committed for medium term growth

DNAP Strategy

- Growth engine of IPL
- Capital invested based on IPL's financially disciplined approach
- Contracted exposure to Australian mining volumes:
 - Long term contracts
 - Contracted minimum volumes (take or pay)
 - Contracted price, back to back with input cost
 - Customer base at bottom of cost curve

Strategy generates greater certainty of returns

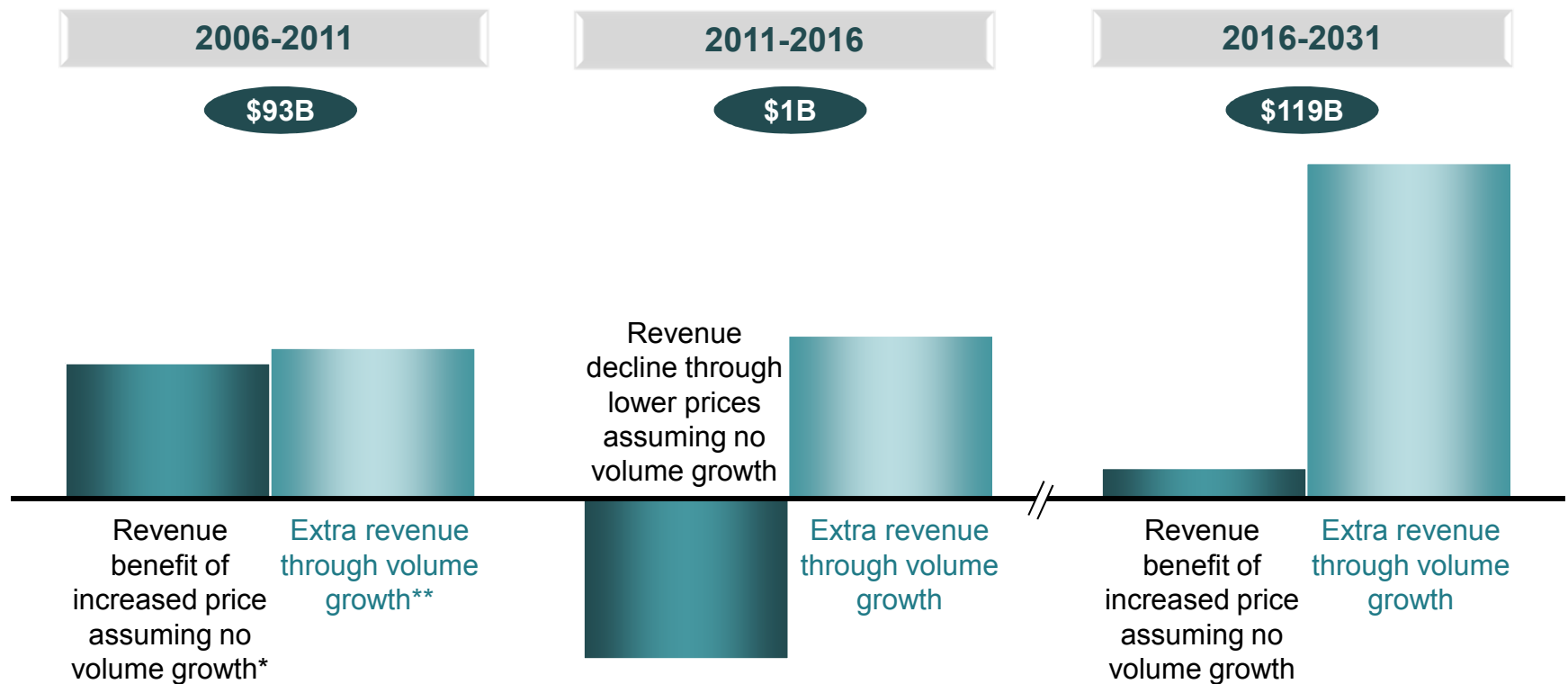
DNAP Strategy executed

- Business approach of committing to longer term contracts in WA and Bowen Basin mitigates AN volume and price risk
- Customer base in WA and Bowen Basin – bottom of the cost curve, mitigates the business against short term fluctuations in hard commodity volumes and prices

Australian mining is transitioning from price driven to volume driven

DRIVERS OF REVENUE CHANGE – 2006 TO 2030

2010 A\$ Billions; bubbles indicate total revenue change



* Calculated by multiplying 2006 volumes by the change in prices between 2006 and 2011

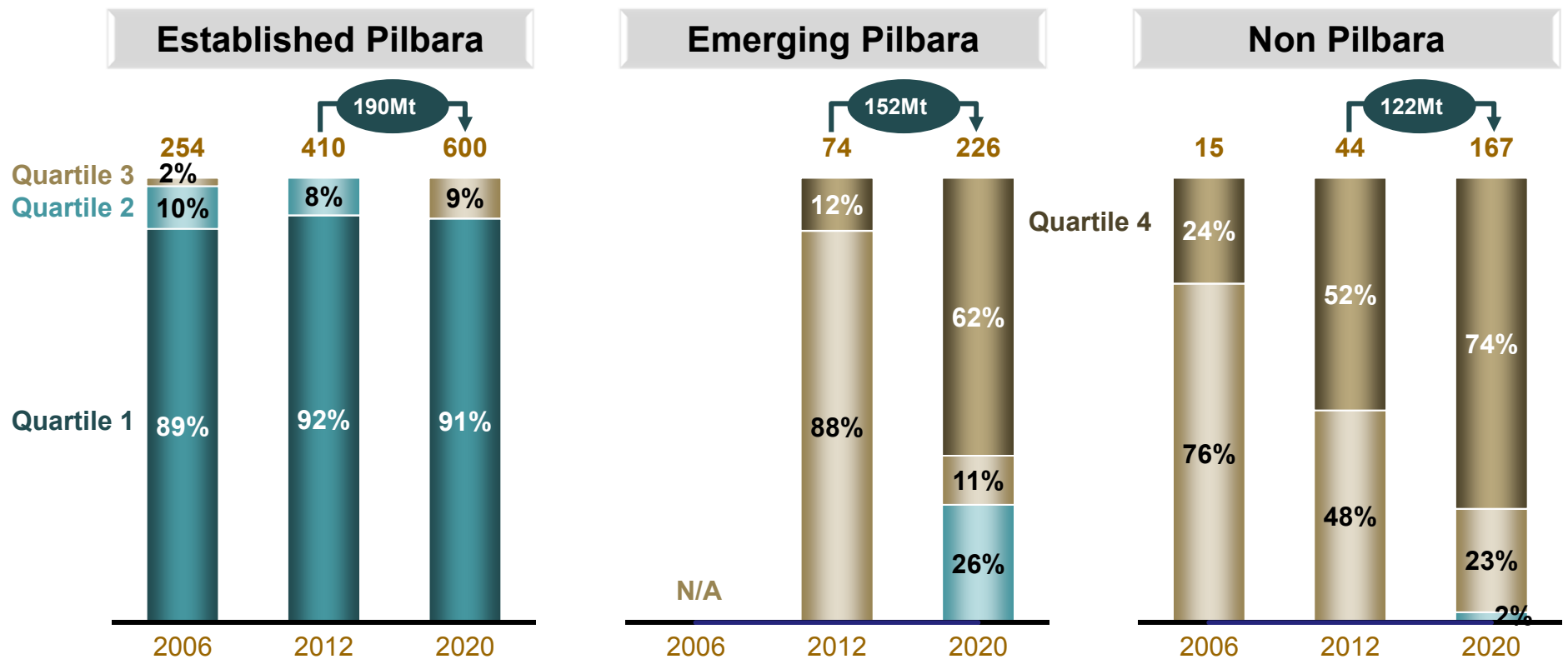
** Difference of total revenue increase between 2006-2011 (\$93B) and revenue benefit of increased prices assuming no volume growth (\$44B)

Source: Port Jackson Partners analysis

Investment based on right customer mix is critical to delivering reliable returns

COMPETITIVENESS OF AUSTRALIAN IRON ORE MINES – DELIVERED COST INTO CHINA

Percent of production by cost curve quartile, totals in Mt of production

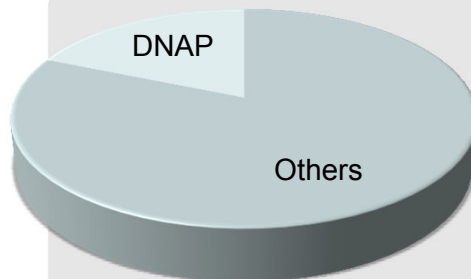


Source: CRU, Port Jackson Partners analysis

AN Market Overview – Asia Pacific

Indonesia – 2011

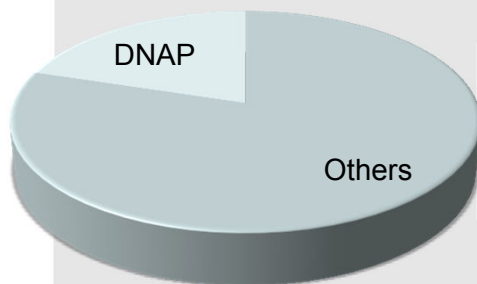
Est* AN mkt size: 650kt



Production (Capacity):
Various 180kt; Ori Bontang 300kt

WA – 2011

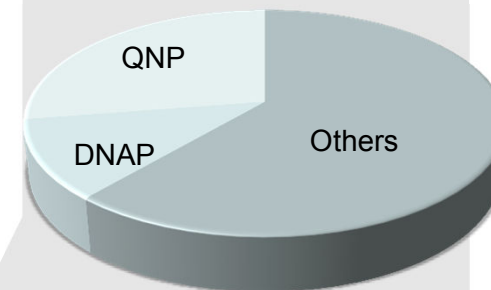
Est* AN mkt size: 520kt



Production (Capacity):
CSBP Kwinana 420kt
New / Proposed Production:
CSBP 260kt; Yara / Ori 330kt

Bowen Basin – 2011

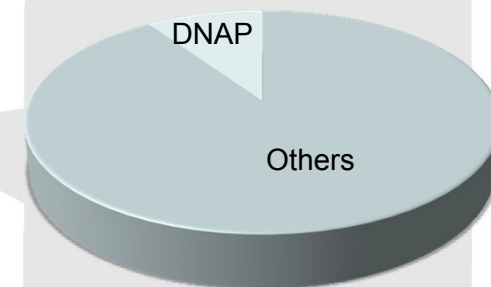
Est* AN mkt size: 800kt



Production (Capacity):
QNP 220kt; Ori Yarwun 550kt;
DNAP Moranbah 330kt

Hunter Valley – 2011

Est* AN mkt size: 420kt



Production (Capacity):
Ori KI 420kt
New / Proposed Production:
DNAP 330kt; Ori 320kt

*IPL estimate of market size

Major growth projects

Moranbah – AN (July 2012)

- AN from 1 July 2012, 50kt of production in 2012 financial year, no EBIT from plant, \$15m from Initiating System sales
- 2013; 250kt of AN production, \$90m EBIT (\$75m incremental to 2012)
- 2015; 330kt of AN production, \$165m EBIT
- 2018; 360kt of AN production, \$180m EBIT

Hunter Valley – AN (feasibility)

- Proposed 330kt AN plant (imported ammonia feedstock)
- Plant will only proceed if majority of AN tonnes are under long term contracts and at a price that allows IPL to meet IRR hurdle of 15%
- Feasibility study being completed. Final Investment Decision (FID) in Q1 2013 calendar year

Pilbara Emulsion plant update



January 2012

✓ On time

March 2012

✓ On budget

April 2012

✓ Project IRR >15%



May 2012

June 2012

July 2012

Technology – Customer focussed innovation

- Customer specific focus (site by site)
- Joint Forum with customers for idea generation, concept development, project scoping and delivery
- Joint accountability to deliver agreed outcomes
- Focussed on efficiency of entire value chain - raw material sourcing and delivery through mining to ore production

QUESTIONS ?



Moranbah AN



Presented by
Alan Grace
Project Director, Moranbah

Moranbah start up – Commissioning team

Commissioning team includes:

- A team of experienced ammonia commissioning experts
- Our in-house ammonia technology experts
- Experienced operations engineers from our 3 other Queensland ammonia plants and our 2 US plants
- The ongoing operations team

Leveraging IPL's Ammonia Plant Expertise

Moranbah start up

- Strong safety and environmental performance
- Nitric Acid, Ammonium Nitrate (“AN”) Solution, AN Prill and Emulsion plants
 - In production from 1 July 2012
 - Product on spec
 - Customer feedback positive
- The start up process is running to plan:
 - The first step of running and stabilising the downstream plants is on track
 - The ammonia plant is now being commissioned and will come on line this quarter

Moranbah start up – Ammonia plant

Ammonia plant commissioning proceeding well:

- Solo run all compressors
- Commissioned in-plant boiler
- Undergoing final trip and interlock testing
- Catalyst reduction late August
- Ready to introduce natural gas early September

On track for Successful Ammonia Plant Start-up

New Projects



Presented by
Alan Grace
Project Director, Moranbah

Moranbah – lessons learnt for future projects

- Degree of difficulty 9.99!
- The best way to mitigate construction risk include:
 - Front End Loading (“FEL”)
 - The capability of contractors and organisations engaged
 - Especially the strength of owner’s team
- Demonstrated excellent problem solving capability and, through lessons learned, strengthened our FEL capability, people and processes

IPL capability proven and improved

Application to Kooragang Island AN Project

- **Project is being developed through a rigorous Front End Loading process prior to final sanction**
- Transfer of personnel from Moranbah to KI Project including project manager
- Working with experienced Spanish contractor with access to strong pool of experienced project managers, engineers and procurement professionals
- Approach facilitates improved global procurement
- Incorporation of proven modularisation approach

Execution Approach Mitigates Risk

Application to Louisiana (USA) Ammonia Project

- **Project is being developed through a rigorous Front End Loading process prior to final sanction**
- Working with the best EPC companies in the world replicating the best performed plants in the world
- Working in the most productive construction environment in the world. Access to 160,000 skilled workers (Queensland ~8,000)
- Centre of excellence for suppliers and technologists
- Excellent attitude to development from State government
- Site established for over 50 years with very skilled workforce

Best Technology, Best Location, Best Suppliers

QUESTIONS ?





Fertiliser Business

Presented by
James Whiteside
Chief Operating Officer,
Incitec Pivot Fertilisers



Fertiliser Business

Presentation overview

- Strategy
- Fertiliser business overview
- Benefits of the combined Fertiliser business
- Quantum Fertilisers

Fertiliser business – Fundamentals

Compelling outlook for global agriculture

- Industrialisation of Asia and growing population driving greater food demand from finite arable land

Strong medium term outlook for Australian agriculture

- Soft commodity prices above long term trend
- Water
- Proximity to Asia

Fertiliser business – Strategy

IPL Fertiliser business is well positioned

- Australian Distribution – distribution assets support leading market share
- Manufacturing – GI and Phosphate Hill, low book value assets that are internationally competitive
- Global – Quantum a significant global operator with a presence in 4 countries, purchasing from 19 countries and selling to 23 countries

Strategy

- Invest where required to maintain competitive position (BEx, Third Filter Train at Phosphate Hill) and to ensure the safety of our people
- Maximise potential of strong cash flow business

Fertiliser business – SCI

Summary of operations

- Manufacturing - Ammonium Phosphate (“AP”) production at Phosphate Hill
 - 950kt of Ammonium Phosphate production
- Quantum Fertilisers
 - International wholesale business
- Industrial Chemicals
 - Utilises terminal and off-take assets to sell to industrial markets
- SCI Wholesale
 - Sale of fertiliser to Australian importers at import parity maximises domestic sale of domestic production

Fertiliser business – IPF

Summary of operations

- Manufacturing - Urea production at Gibson Island
 - 300kt of Ammonia production, which is sold into Australian distribution channel via IPF and Industrial urea market
- Manufacturing - Superphosphate (SSP) production at Geelong & Portland
 - SSP plants at Geelong and Portland produce 400kt of SSP for sale by IPF into the Australian distribution channel
- IPF (Australian Distribution)
 - Sale of Manufactured AP's, Urea and SSP plus the sale of imported product into the Australian distribution channel

Fertiliser business – IPF Markets

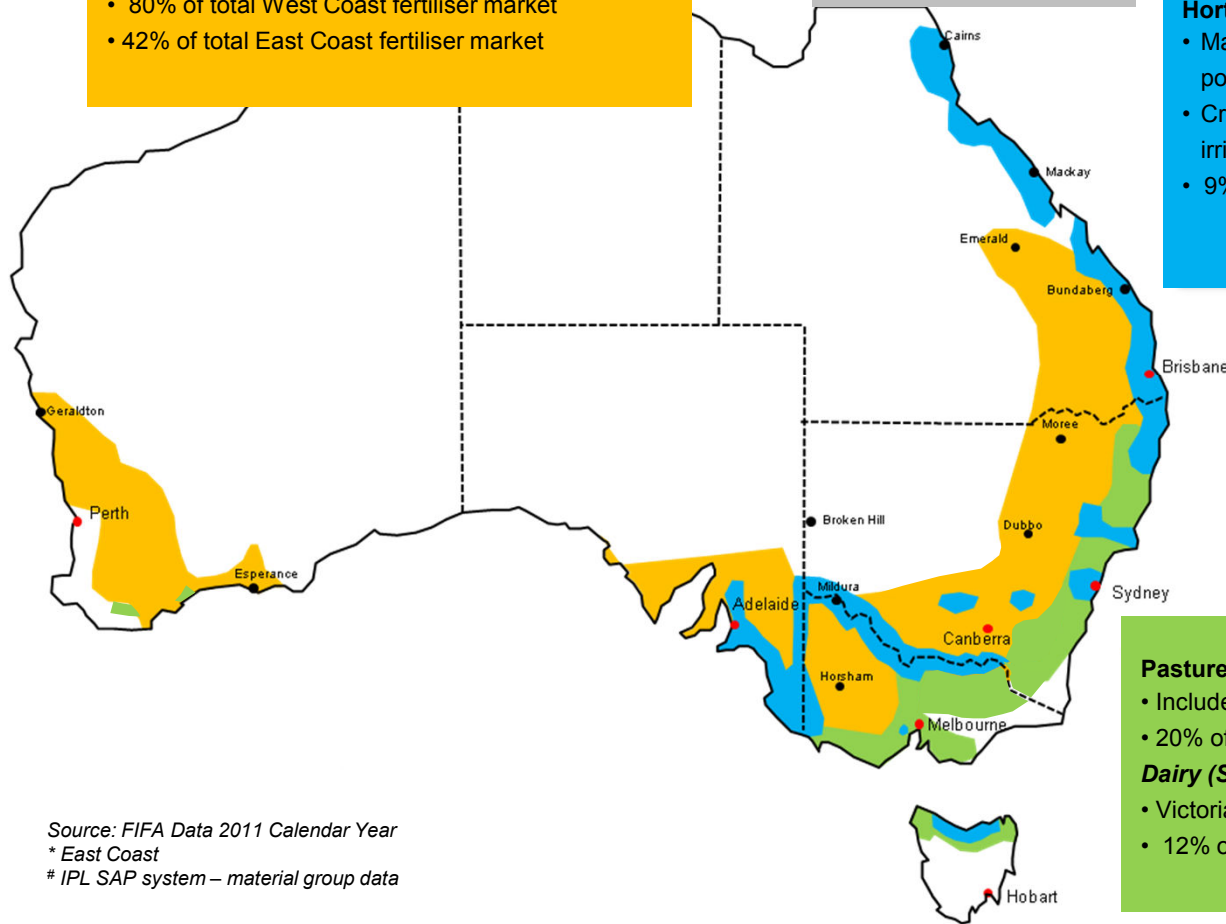
Broadacre

- Largest crop segment in all states
- Winter crops (wheat, barley, oats, canola, lupins)
- Summer crops (sorghum, sunflower, soybean, rice)
- 80% of total West Coast fertiliser market
- 42% of total East Coast fertiliser market

Total Market
Market Position '000 tns
Total Market: 4,854

Horticulture

- Major segments: citrus, bananas, tomatoes, potatoes, vines, nuts, fruit / veg
- Crops fertilised to optimum levels / mostly irrigated
- 9% of total fertiliser market



Pasture

- Includes beef, wool, sheep meat
 - 20% of total fertiliser market
- Dairy (Subset)**
- Victoria dominates the dairy market
 - 12% of total fertiliser market

Source: FIFA Data 2011 Calendar Year
* East Coast
IPL SAP system – material group data

Fertiliser business – Australian distribution market

- New competitors are large international manufacturers and/or distributors – Koch, Weng Fu and Ameropa (Impact)
- Fundamental economics of the industry have not changed
- These competitors have scale and greater flexibility to move product between countries

Benefits of the combined business

Benefits of the combined business:

- One profit objective – all parts of fertiliser business aligned to deliver maximum profit for the total business
- Value at Risk (VaR) methodology applied across entire business
- VaR limits set for each major season and product
- Enhanced product marketing function, working across the entire business
- Multiple value-chains allow for movement of product from one to another to reduce demand forecast risk in each
- Cost savings in reduced management structure

Australian fertilisers – Actions from first half

Actions taken to address margin volatility:

- VaR approach by season and product (limit long positions)
- Reduce shipment sizes to spread pricing risk over more vessels
- Total business approach – optimising channel strategy
- Internal restructure to improve internal alignment and across business accountabilities

Quantum Fertilisers

- First half losses were fully controlled and within Board policy
- Limited open trading activities in the second half and VaR limits have been reduced going forward
- Quantum and Domestic distribution businesses will be managed via combined VaR approach to limit total business exposure

Benefit to IPL:

- Procure import requirements on shorter lead times and with destination options to manage forecasting risk
- Maximise value of AP exports (opens up new markets)
- Improved market intelligence
- Provides extra channels to market to enable quick product response when domestic demand changes

Australian fertilisers

IPF

- No change in guidance* \$80m EBIT delivery for FY

SCI

- Quantum to make a small positive EBIT contribution in the second half, given no open position trading
- Freight margins US\$16/t (consistent with FY11)

Manufacturing

- The business is on track to deliver Urea and AP production volumes per half year guidance

*Source: Interim results announcement, 14 May 2012

Fertiliser business – Reporting

To ensure consistent and transparent reporting of the Fertiliser business performance to the market, there will be no change to the way we report earnings from the Fertiliser business to the market

QUESTIONS ?



Close Out



Frank Micallef
Chief Financial Officer