

Year End Results

Full Year ended
30 September 2014

Presentation
11 November 2014



Incitec Pivot Limited

DYNO
Dyno Nobel

Incitec Pivot Fertilisers

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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

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Safety performance

Year ended 30 September	2014	2013
TRIFR ⁽¹⁾	0.97	1.21
Recordable cases	76	92
Fatalities	0	2
Percentage of sites injury free	91%	89%

(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 After Tax (NPAT)	247.1	(33%)
NPAT excl IMIs*	356.3	21%
Earnings Before Depreciation, Interest and Tax (EBITDA) excl IMIs	742.7	15%
Earnings Before Interest and Tax (EBIT) excl IMIs	519.4	13%
Business Results		
- Fertilisers EBIT	183.4	9%
- Explosives EBIT	370.5	14%
Total dividends (cents per share)	10.8	9.2

* IMIs: individual material items

Solid result in challenging external environment

2014: What were the highlights?

- ✓ Safety performance, continuous improvement
- ✓ EBIT: all business units deliver growth
- ✓ Moranbah delivered strong earnings growth
- ✓ Productivity focus: Business Excellence (“BEx”) delivered
- ✓ Overhead reduction: delivered 100% of program in year one
- ✓ Louisiana ammonia plant: more than 50% complete and on track

BEx driving safety & productivity improvements

2014: Improvement opportunities?

- ❑ Safety performance – continuous improvement
- ❑ AN capacity utilisation in North America
- ❑ Phosphate Hill reliability and cost base

Plans in place to drive improvement

2014: What were the external factors?

Significant impact from external factors:

- ✓ Weaker \$A
- ✓ Quarry & construction growth in North America
- ✗ Fertiliser and hard commodity prices
- ✗ Drought in northern Australia
- ✗ Softer mining markets globally

Internal focus on the controllables

Individual Material Items (“IMIs”)

	\$Am*
Nitromak (Turkey) impairment & restructure	(56.5)
Fabchem (China) impairment	(26.0)
Donora plant (USA) impairment	(26.7)
2014 IMIs	(109.2)
2013 IMIs	+73.6

* After tax

Primarily non cash adjustments

Strategy Overview

JAMES FAZZINO
Managing Director & CEO



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Strategy on a page

**Industrialisation
of China**



**Shale gas
revolution**

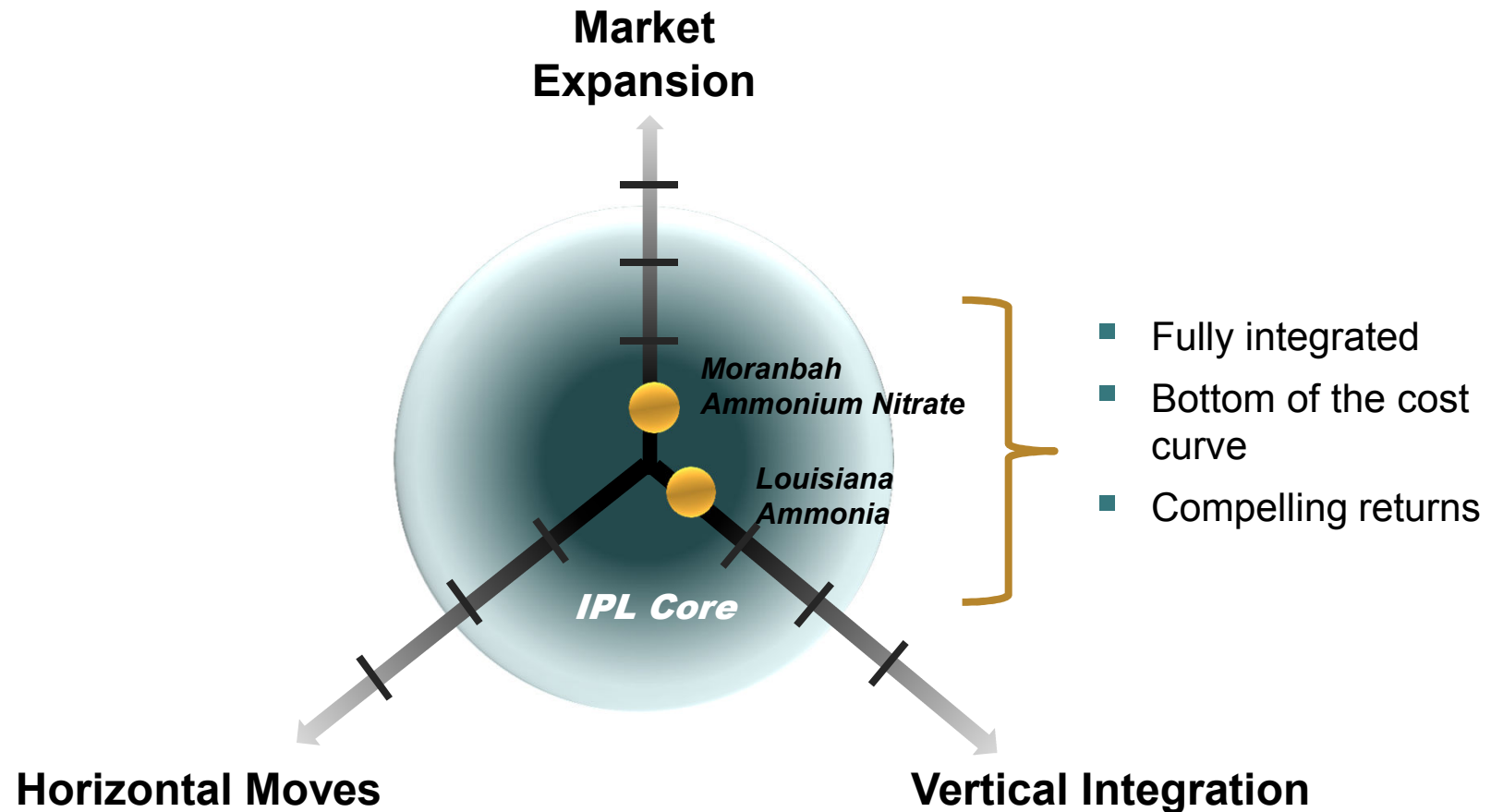
**Core nitrogen
manufacturing**

**Input side of value
chain**

**Customer aligned
downstream
businesses**

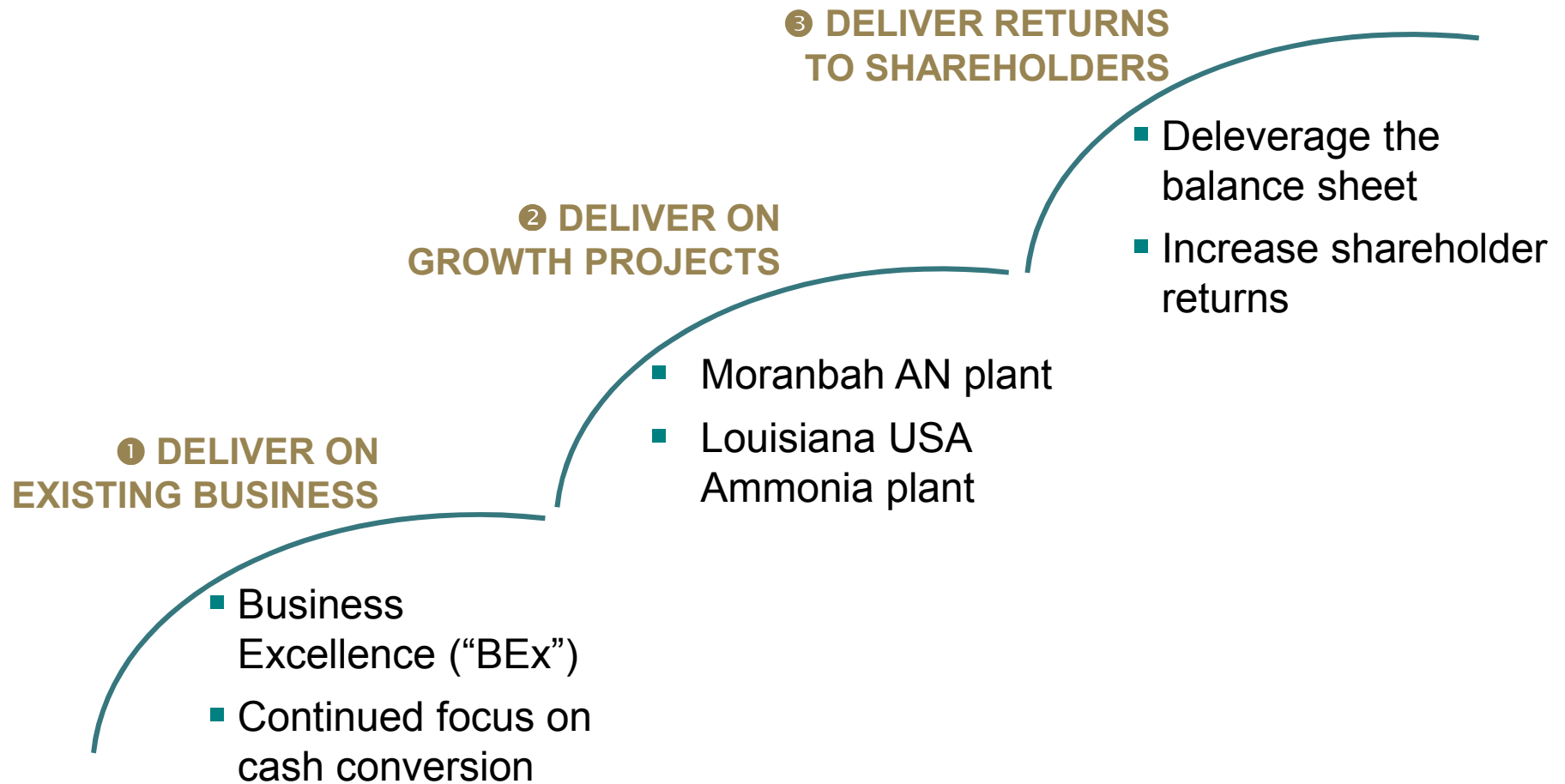


Low risk growth projects close to the core



Focus is on execution through BEx

Strategy execution



Focus on execution and delivery

Medium term growth and value drivers

IPL's growth is linked to two global economic engines:

- **USA: the recovery and re-industrialisation of the United States:**

- The Louisiana ammonia investment is capitalising on the shale gas revolution which is revitalising the North American economy
- Leveraged to the economic recovery through the Dyno Nobel Americas (DNA) business
- Leveraged to the depreciation of the AUD against the USD through the Fertiliser and DNA businesses

- **Asia: the Industrialisation of Asia, in particular China:**

- Moranbah ammonium nitrate plant is producing explosives for the metallurgical coal mines which feed blast furnaces in China and other parts of Asia

Louisiana ammonia plant update

■ As at 31 October 2014

- Project is 56% complete and on track
- Safety = No injuries to date
- Project cost = \$US850m;
\$US450m spent to date
- First production 3Q calendar 2016

■ Construction

- Ammonia tank well progressed
- Piling, underground piping & cooling tower completed
- Primary reformer, control room and water treatment plant being installed
- Main compressors workshop tested and site installed

■ Operating metrics

- Gas: 32 mmbtu per metric tonne
- Cash cost (excl gas): US\$45/tonne
- Average sustenance capex per annum US\$10m

■ Outlook

- Fundamentals under-pinning project remain positive



Synthesis gas compressor rigged for installation



Ammonia tank refrigeration equipment under construction

Financial Performance

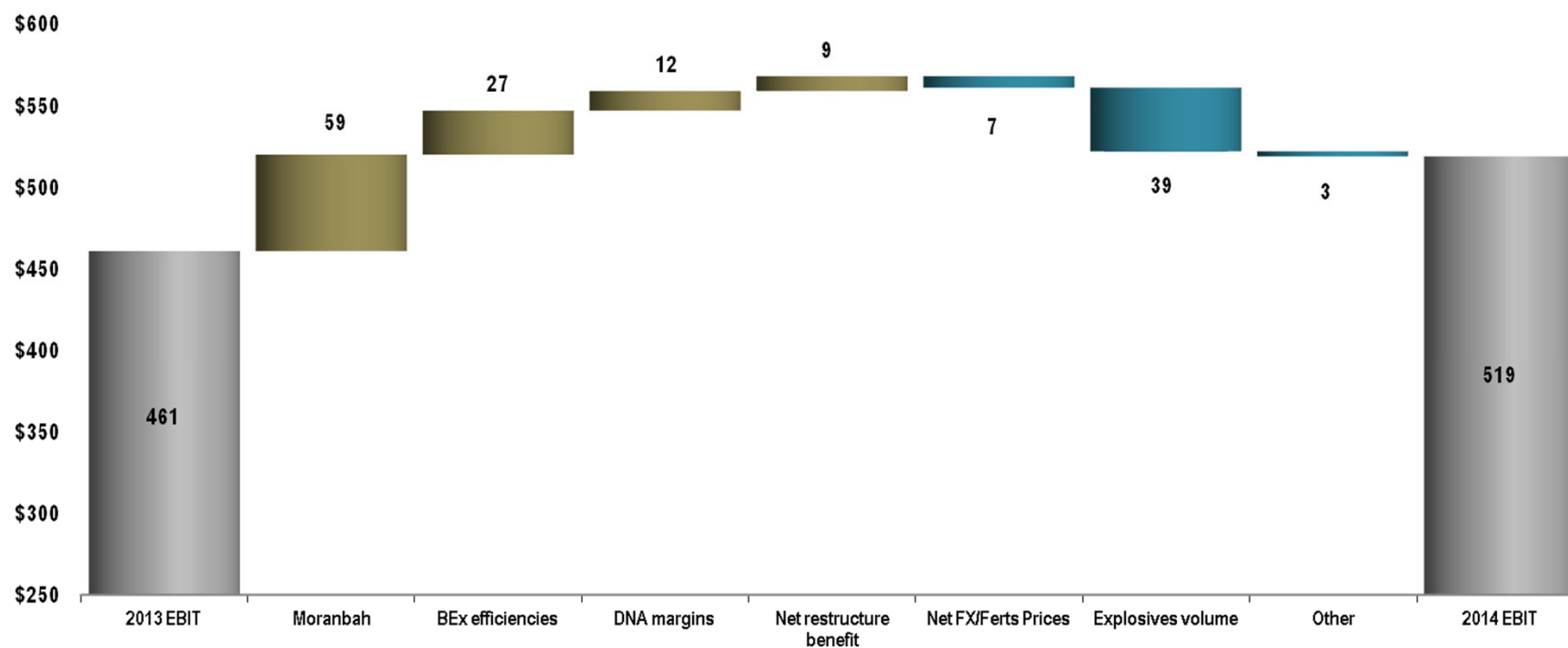
Frank Micallef
Chief Financial Officer



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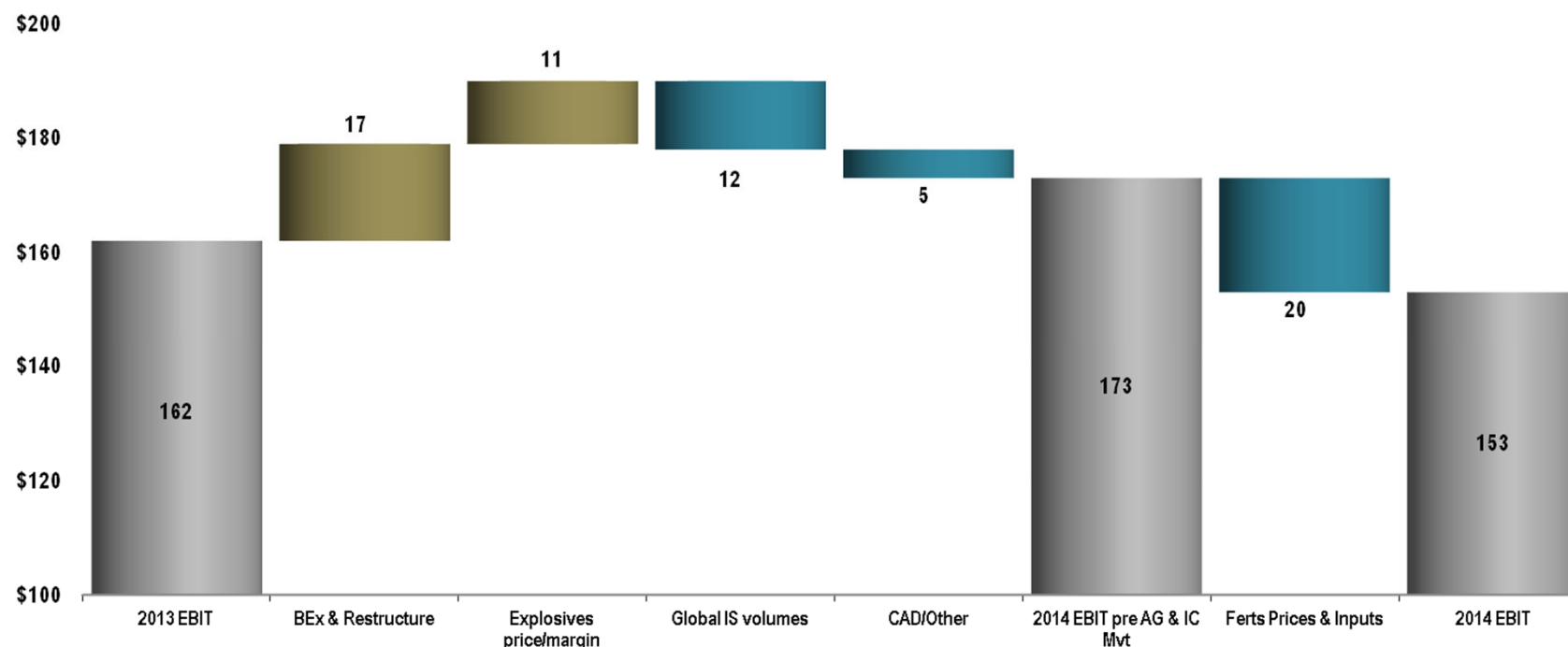


GROUP – EBIT waterfall



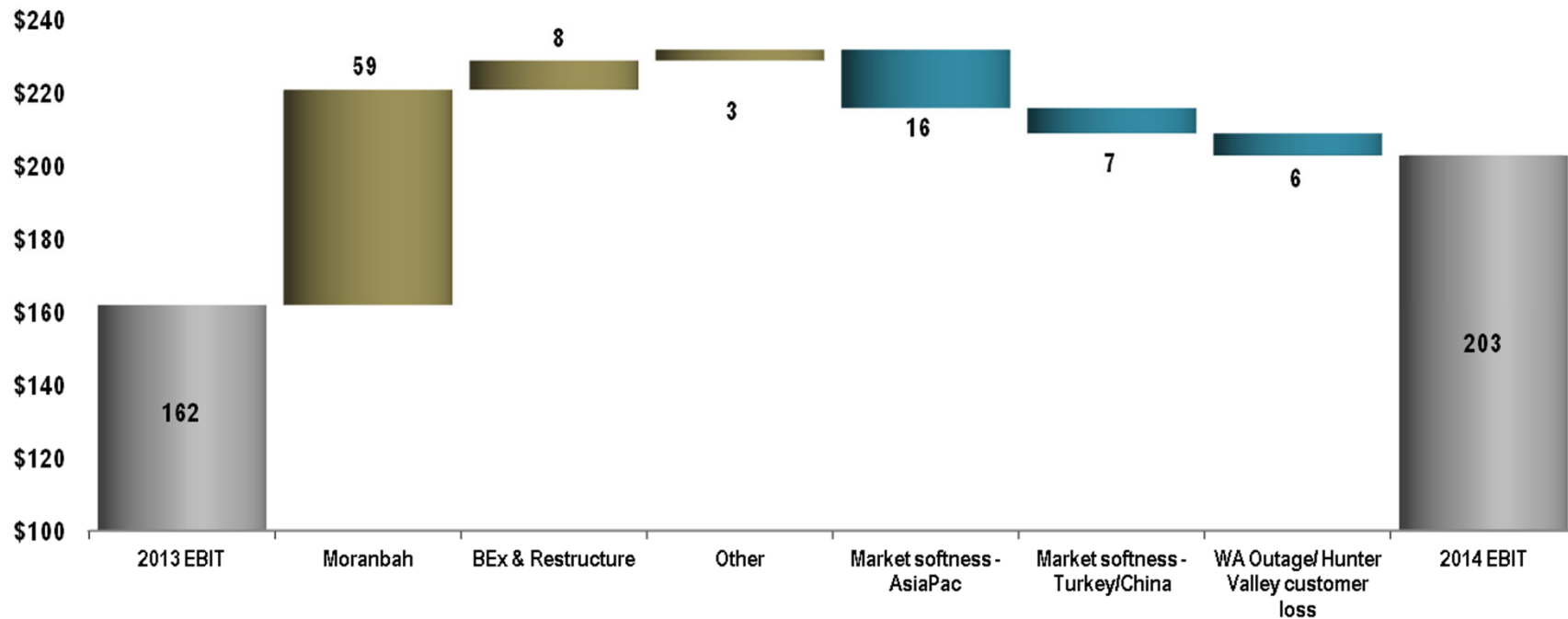
- ✓ Moranbah EBIT growth
- ✓ BEx: driving productivity gains across all business units
- ✗ Hard commodity prices impact explosives volumes in all markets
- ✗ External factors: unfavourable fertiliser prices partially offset by weaker \$A

DNA (USD) – EBIT waterfall



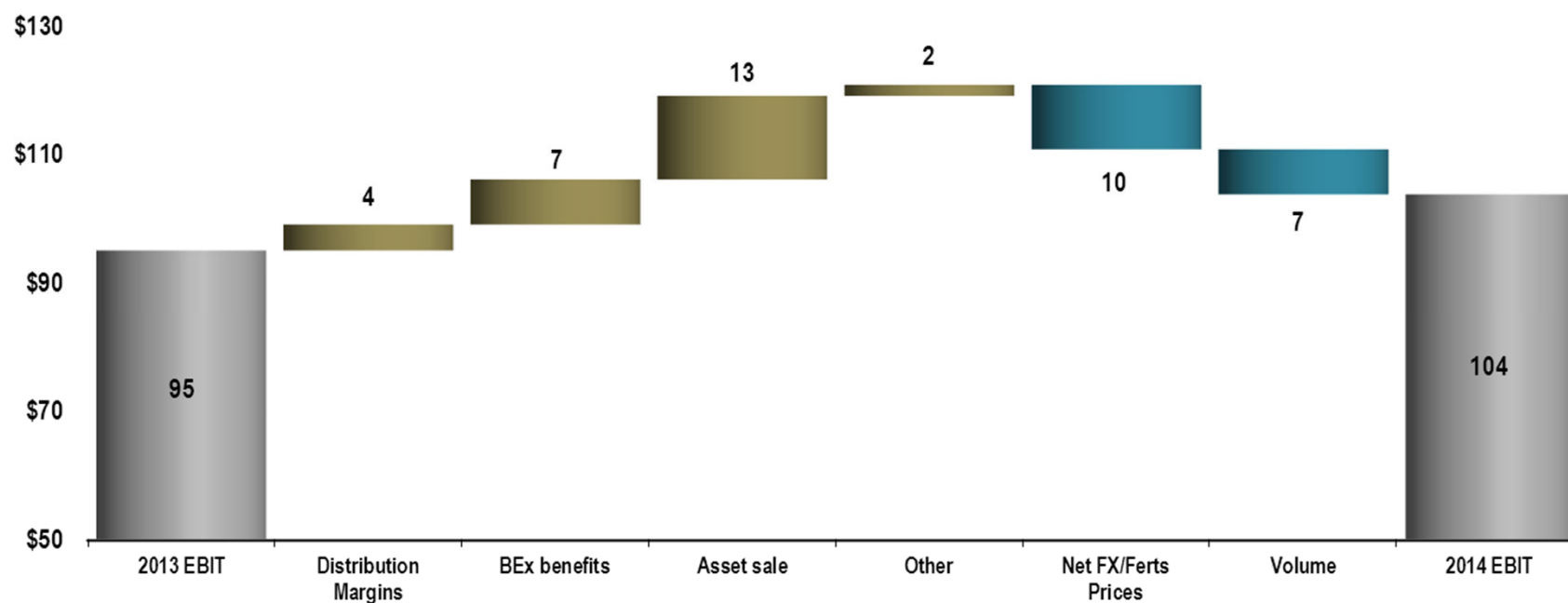
- ✓ BEx productivity improvements
- ✓ Improved margins
- ✗ Initiating Systems exports into Latin America and the Asia Pacific region
- ✗ Commodity prices: falling urea price and increased input costs (gas & ammonia)

DNAP – EBIT waterfall



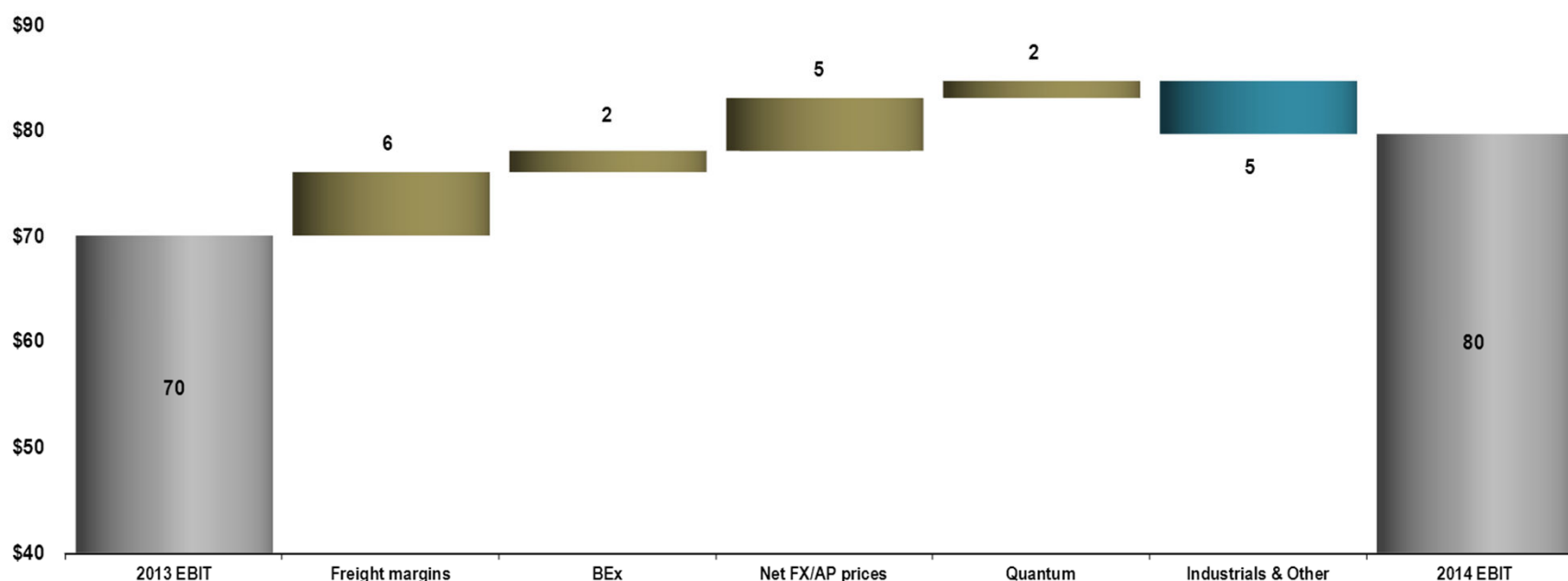
- ✓ Moranbah reliability delivered forecast earnings growth
- ✓ BEx productivity improvements
- ✗ Volume reduction: challenged Hard Rock and Underground markets
- ✗ Challenging international markets: Nitromak (Turkey) and Fabchem (China)

IPF – EBIT waterfall



- ✓ BEx value chain and productivity improvements
- ✓ Sale of excess assets
- ✓ Weaker \$A
- ✗ External factors: Global fertiliser prices and unfavourable seasonal conditions

SCI – EBIT waterfall



- ✓ Freight margin benefits
- ✓ Net benefit from weaker \$A, offset by weaker DAP prices
- ✓ Quantum: Risk management processes in place
- ✗ Industrial business impacted by weaker global urea prices

Balance Sheet & Treasury

Frank Micallef
Chief Financial Officer



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Net debt

Net debt at \$1.5bn (2013: \$1.3bn)

- Operating cash flow decreased by \$79.3m to an inflow of \$535.2m
 - Negative TWC impact due to timing of fertiliser imports
 - Lower net income tax paid due to refunds in respect of prior years
- Louisiana construction spend of \$370.7m (excludes capitalised interest)
- Sustenance spend of \$256.9m (2013: \$169.7m)
 - Phosphate Hill, Mt Isa, Moranbah and minor DNA turnarounds: \$115m
 - Non-shut related sustenance (incl Phosphate Hill gypsum cell): \$142m
- Dividend payment \$85.1m

Growth capital channelled into Louisiana ammonia plant

Strong investment grade capital structure

Year ended 30 September	2014	2013	Target Range
Net Debt / EBITDA ⁽¹⁾	2.0x	2.0x	< 2.5x
Interest Cover ⁽²⁾	9.1x	6.2x	> 6.0x
Average Interest Rate	4.7%	6.1%	
Headroom (including cash)	\$1.5bn	\$1.7bn	
Average tenor of drawn funds	3.7 years	4.7 years	

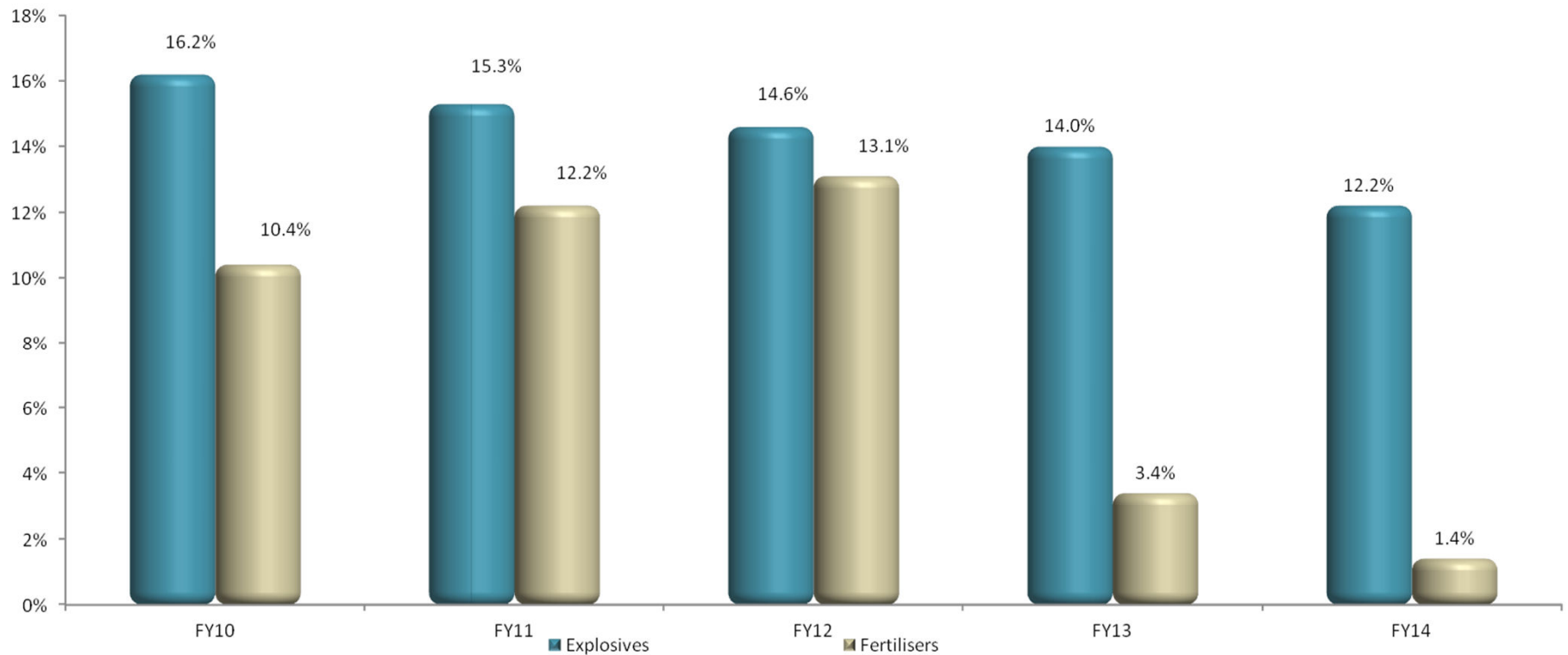
(1) Net Debt / EBITDA is based on Net Debt at point in time / last 12 month historical EBITDA excluding IMIs

(2) Interest cover = 12 month rolling EBITDA / net interest expense

Sound credit metrics maintained

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

Financial disciplines

- FX: \$US Transactional exposure – Australian manufactured fertilisers
- Hedged 90% of first half 2015 \$US referenced fertiliser sales at a rate of \$0.89, with participation in positive rate movements to \$0.82
 - Second half 2015 hedging program will be put in place early in the 2015 year
- Tax: Tax expense before IMIs decreased by \$11.1m, representing an effective tax rate of 19%
- Government grants, tax credits, recoupment of unbooked capital losses and release of tax provisions
 - Effective tax rate in 2015 is expected to be approximately 23%

Risk management approach to FX

OUTLOOK

James Fazzino
Managing Director & CEO

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Outlook

Positives

- Moranbah EBIT to \$140m (full production)
- Lower \$A (for at least the first half)
- US Quarry & construction growth
- Benefit of renegotiated contracts in North America
- Increased production at Phosphate Hill
- Full benefit of 2014 corporate restructuring
- Louisiana ammonia plant is on track: first production expected in 3Q 2016

Negatives

- Soft global mining markets
- US interim ammonia costs
- Gas cost increase at Phosphate Hill
- Drought in northern Australia

Questions ?



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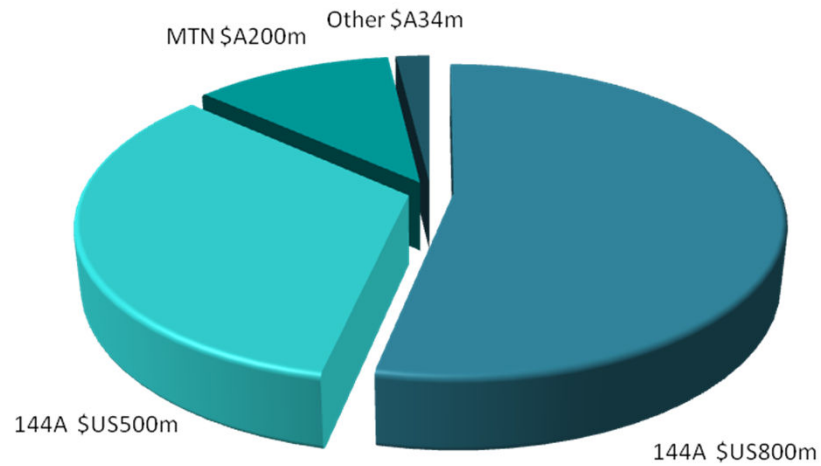
Appendix 1

Other Business Information

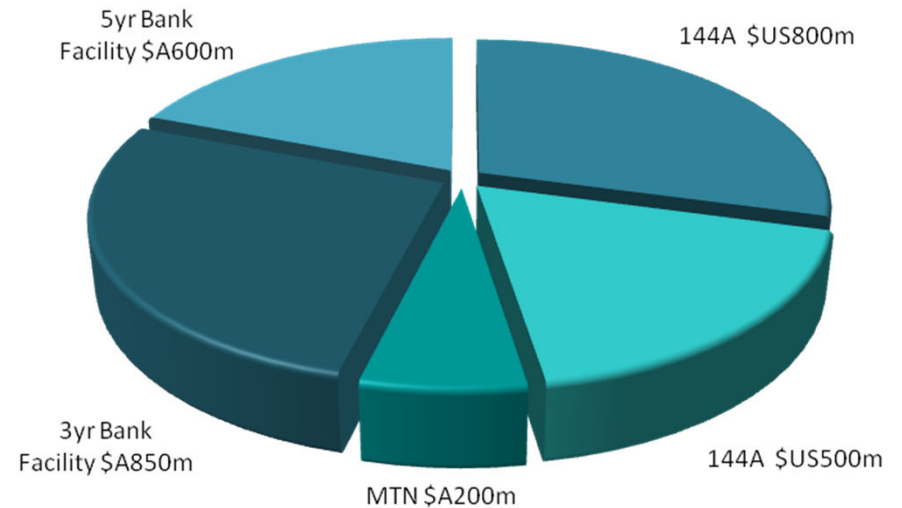


Debt structure

Drawn Funds



Available Limits

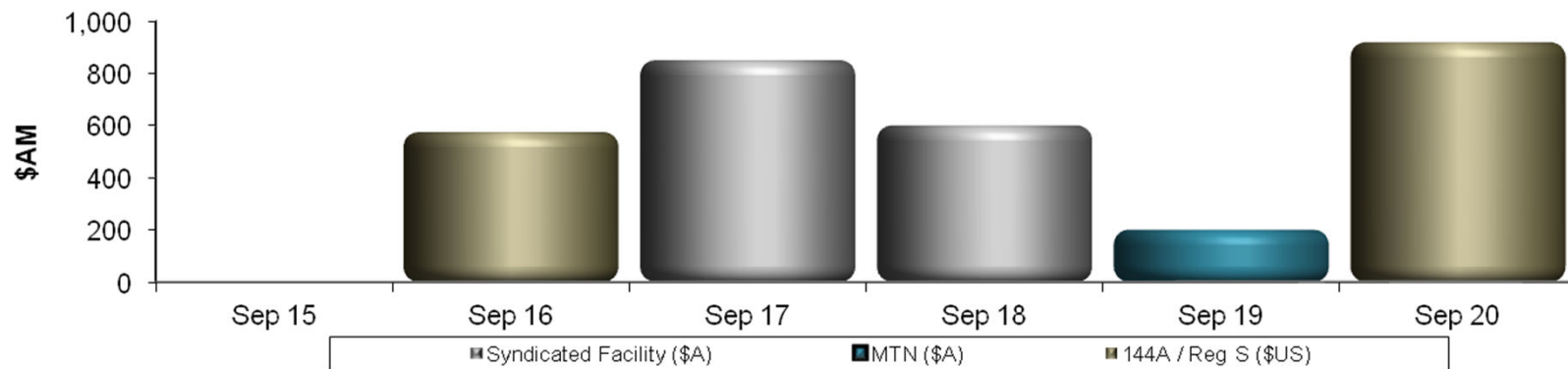


- ✓ Louisiana construction fully funded
- ✓ Mix of \$A and \$US debt to mirror earnings and cash flows

Diverse sources & surplus headroom

Debt in place for Louisiana construction

Debt Maturity Profile (Year ending Sep 2015 to Sep 2020)



- Headroom including cash: \$1.5b
- Varied sourcing, currency and maturity provides diverse debt profile

Diverse sources & surplus headroom

Capital management – Interest cost

Year ended 30 September (\$Am)	2014	2013	Change
Underlying interest expense	(89.0)	(107.2)	17%
Non-cash unwinding of liabilities	(5.6)	(6.4)	13%
Total borrowing costs	(94.6)	(113.6)	17%
Less capitalised interest	17.7	42.4	(58%)
Net borrowing costs	(76.9)	(71.2)	(8%)
Average interest rate	4.7%	6.1%	

- Average interest rate improvement due predominantly to Phosphate Hill lease ending in 2013
- 2014 capitalised interest relates to Louisiana ammonia plant

2015 Capital spend – Major items

Louisiana construction cash flows (approx)

- 2015 \$US250m⁽¹⁾, 2016 \$US150m⁽¹⁾
- Funding secured throughout the construction phase
- \$A cash flows are hedged at no worse than \$A0.96

Shut-related capital approximately \$85m

- St Helens turnaround & control system upgrade \$70m
- Other minor shuts \$15m

Non-shut related sustenance capital approximately \$95m

Minor growth capital broadly in line with 2014

Centralised & prioritised capital allocation

(1) Excludes capitalised interest

EBIT sensitivities

IPF: Urea - Middle East Granular Urea (FOB) ⁽¹⁾	+/- US\$10/t = +/- A\$4.4m
SCI: DAP - Di-Ammonium Phosphate Tampa (FOB) ⁽²⁾	+/- US\$10/t = +/- A\$10.3m
Forex - transactional (DAP & Urea) ⁽³⁾	+/- 1 cent = -/+ A\$6.7m
DNA: Urea (NOLA FOB) ⁽⁴⁾	+/- US\$10/t = +/- US\$1.8m
DNA: Forex - translation of Explosives earnings ⁽⁵⁾	+/- 1 cent = -/+ A\$2.4m

Assumptions:

- (1) 405kt (Gibson Island Fertiliser name plate production capacity) urea equivalent sales at 2014 realised price of US\$323/t and the 2014 realised exchange rate of \$A/\$US0.9132
- (2) 950kt (Phosphate Hill Fertiliser name plate production capacity) DAP sales at 2014 realised price of US\$450/t and the 2014 realised exchange rate of \$A/\$US0.9132
- (3) DAP and Urea volumes, as well as FOB price based on assumptions (1) and (2) (excludes the impact of hedging)
- (4) 180kt (St Helens Fertiliser name plate production capacity - short tonnes) urea equivalent sales 2014 NOLA Urea average price of \$US349
- (5) For each \$US200M EBIT

Appendix 2

External Market Information

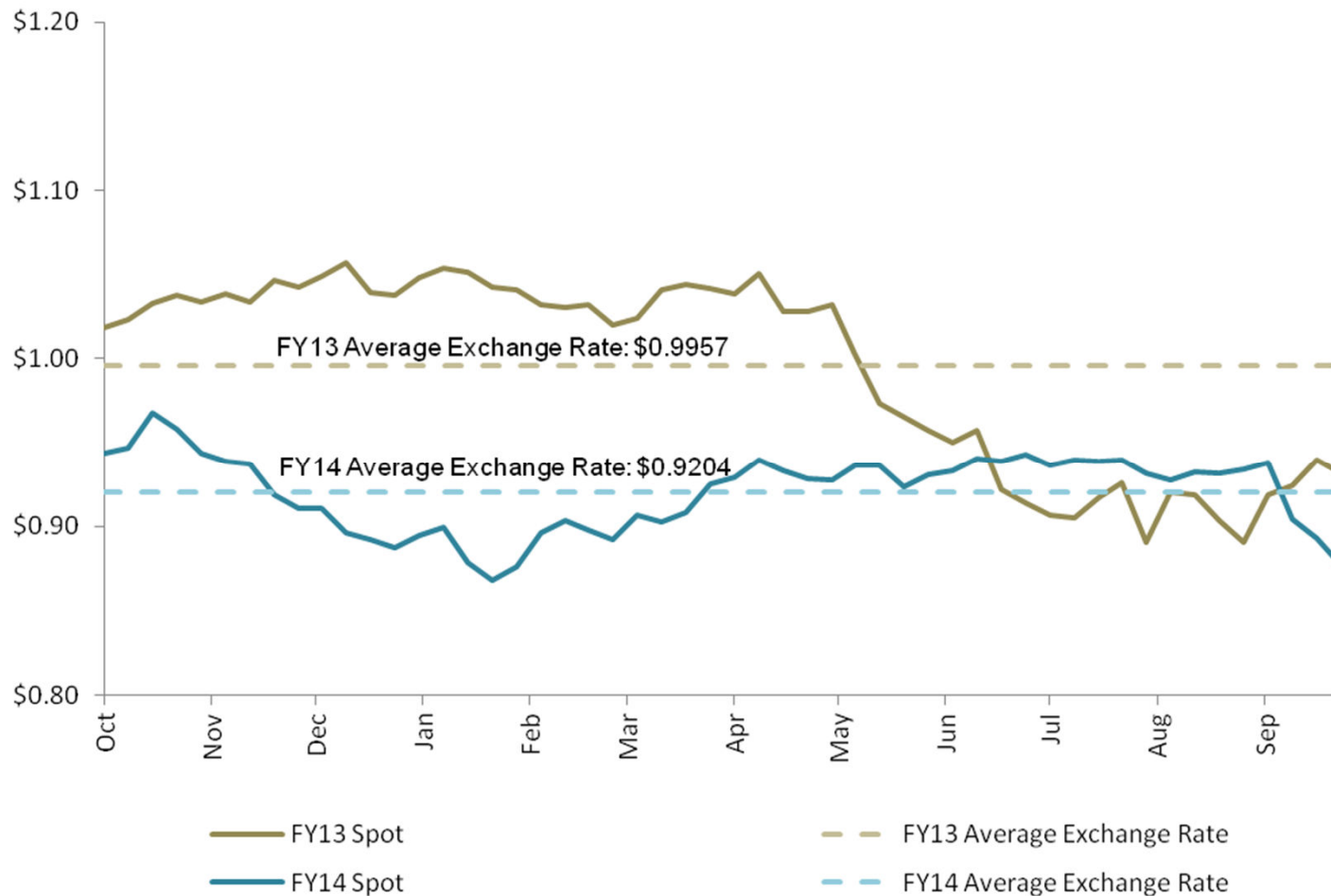


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Market information – Foreign exchange

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

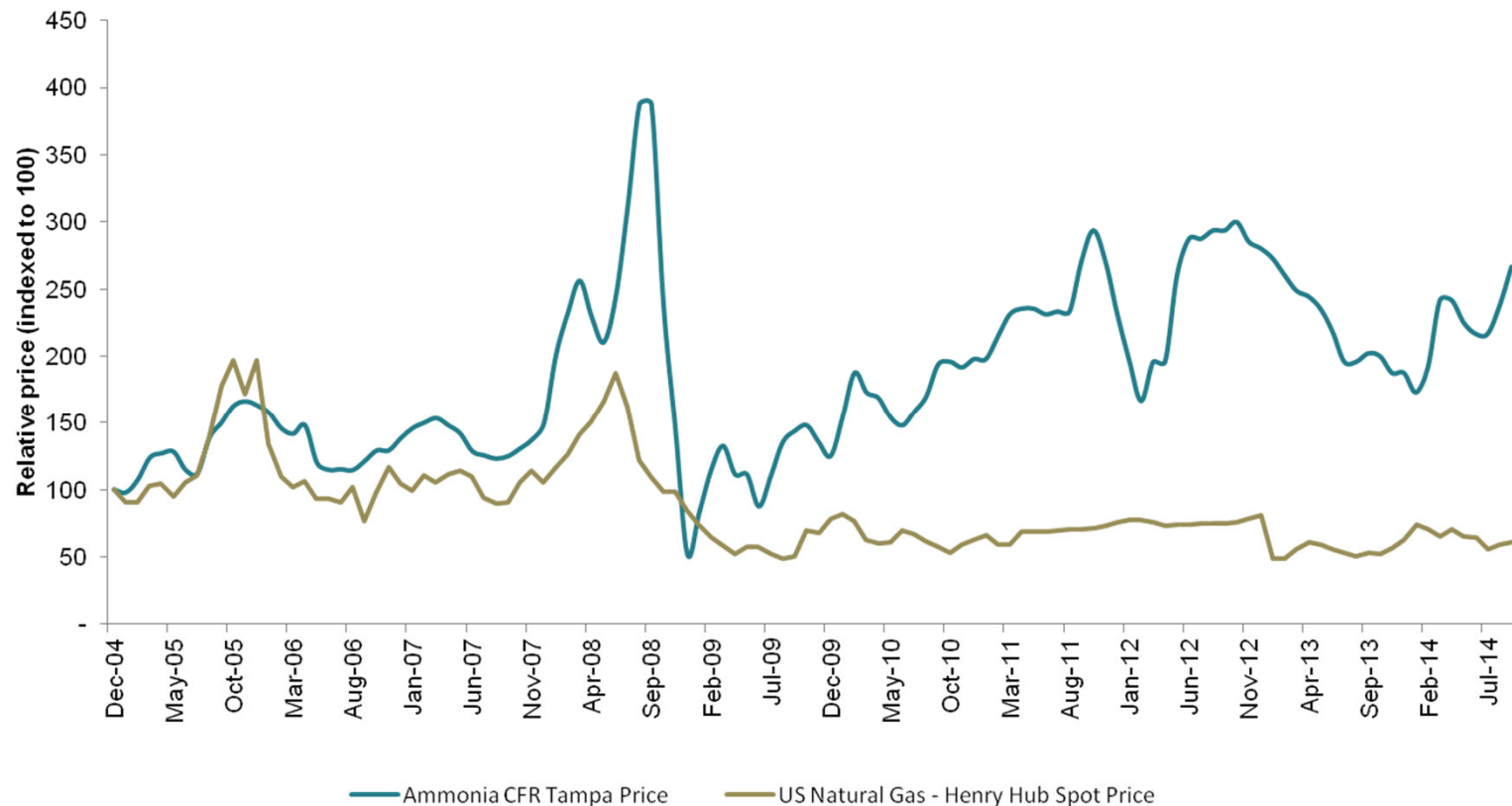


Source: Bloomberg

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

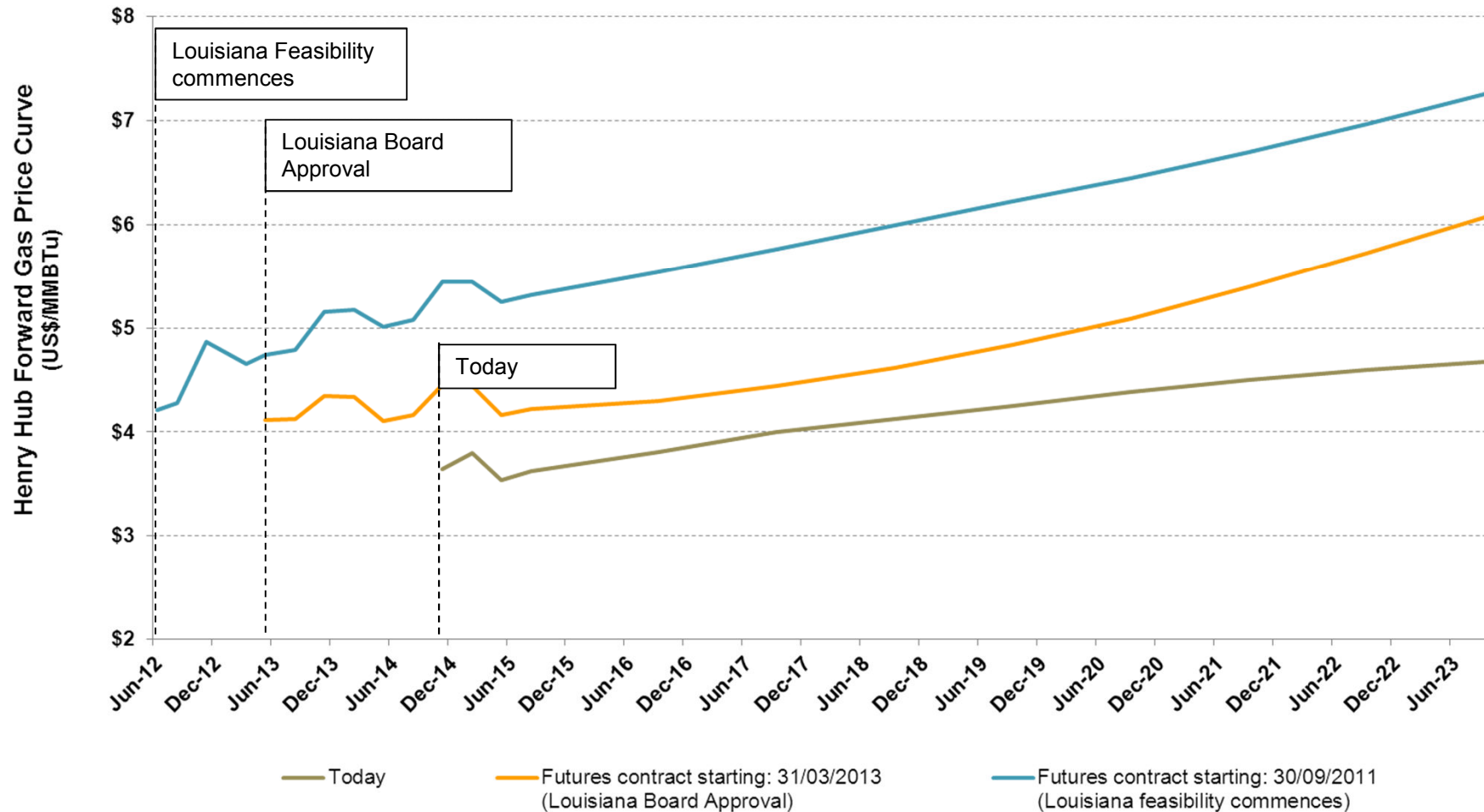
Ammonia CFR Tampa vs. US gas (Henry Hub):



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

Market information – US gas

US Natural Gas Forward Curve (NYMEX):



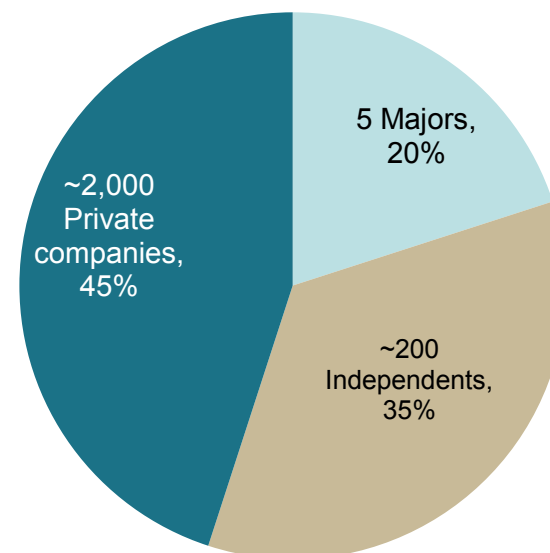
Source: Bloomberg

Market information - US gas supply

1 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
- Highly fragmented market for gas production
- Supportive government policy

Fragmented US gas market:



Gas prices:

	\$US/MMBtu
Current (as at 3 November 2014)	\$3.82

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

Market information - US gas supply (cont.)

2 Technological improvements driving alternative gas production

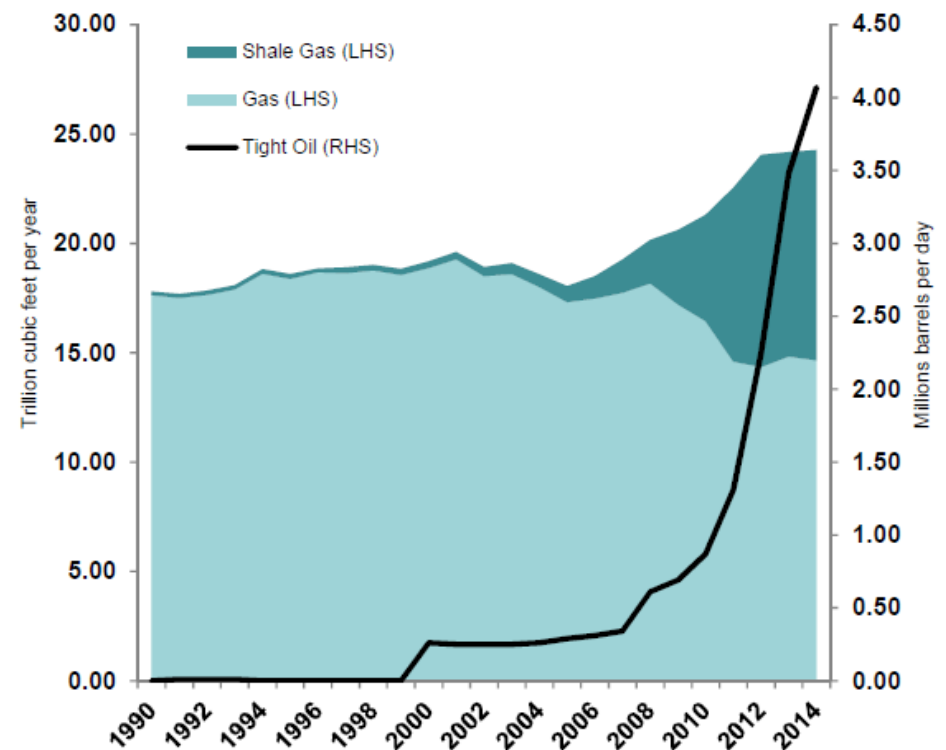
Shale gas

- Shale gas production as a percentage of US gas production increased from 6% in 2006 to ~40% in 2014

Light tight oil

- Gas is also a by-product of light tight oil production
- Over the past twelve years, light tight oil production has increased from ~200,000 barrels per day to ~4 million barrels per day
- Increased development of light tight oil and other gas-from-liquids focused drilling

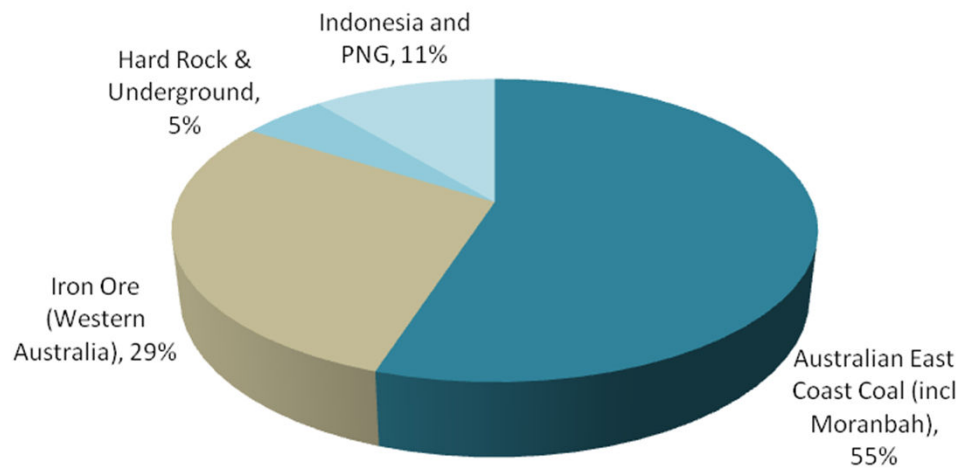
US shale gas and light tight oil production:



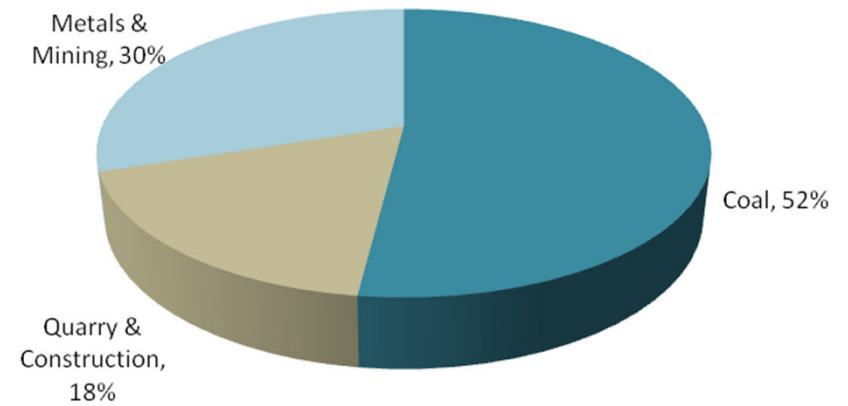
Source: U.S. Energy Information Administration ("EIA")

Explosives end-markets

DNAP – AN Volumes by end-market FY14



DNA – AN Volumes by end-market FY14

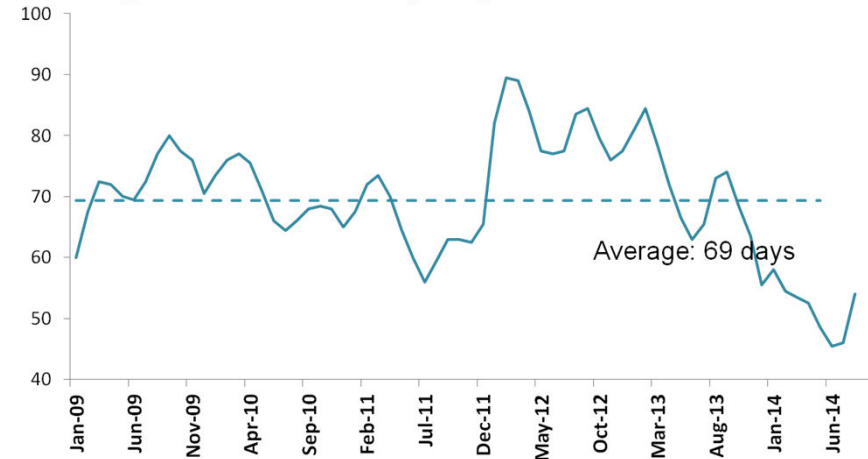


Source: IPL

Market information - US Coal

	FY14	% change to pcp
Total US coal Production (mst)	981.3	(1.2%)
Appalachia coal Production (mst)	269.2	(5.6%)
Interior coal Production (mst)	183.9	2.6%
Western coal Production (mst)	528.2	(0.2%)
US coal exports (mst)	101.9	(12.5%)

Average coal inventory days



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

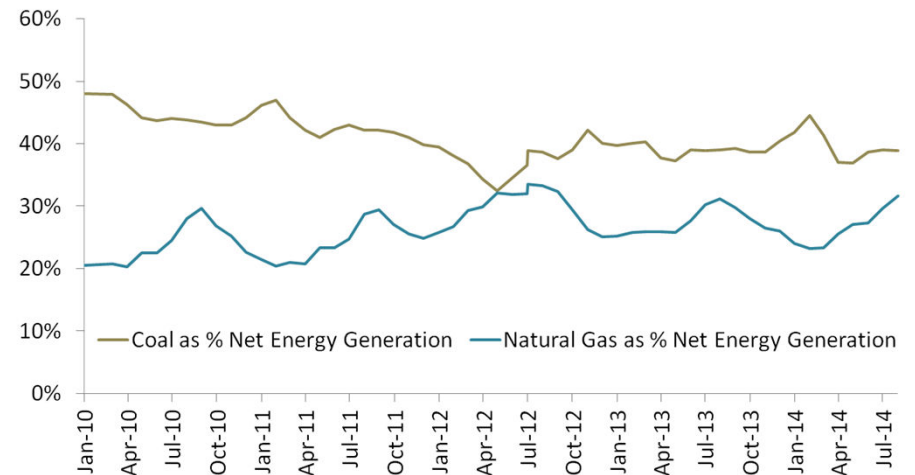
DNA coal exposure:

Powder River Basin: 65%
 Illinois Basin⁽¹⁾: 10%
 Appalachia: 25%

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

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

Net energy generation by fuel source:

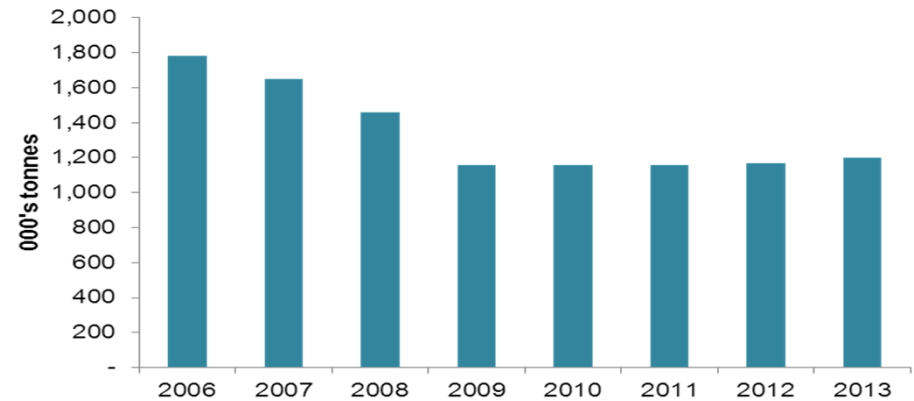


Market information - US Quarry & Construction

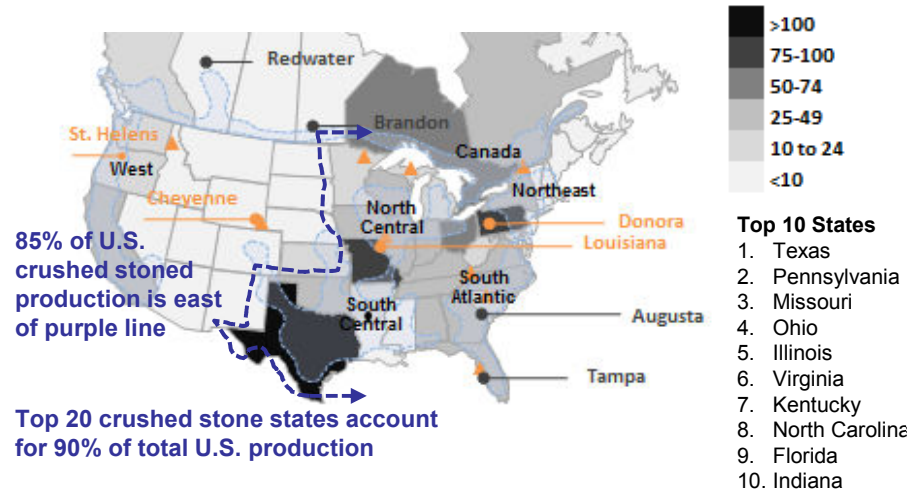
US construction value

Construction value put in place (not seasonally adjusted) ⁽¹⁾	FY14 US\$bn	% change to pcp
Total Construction	939	5.9%
Residential	351	8.6%
Non-residential – private	321	7.6%
Non-residential – public	267	0.7%

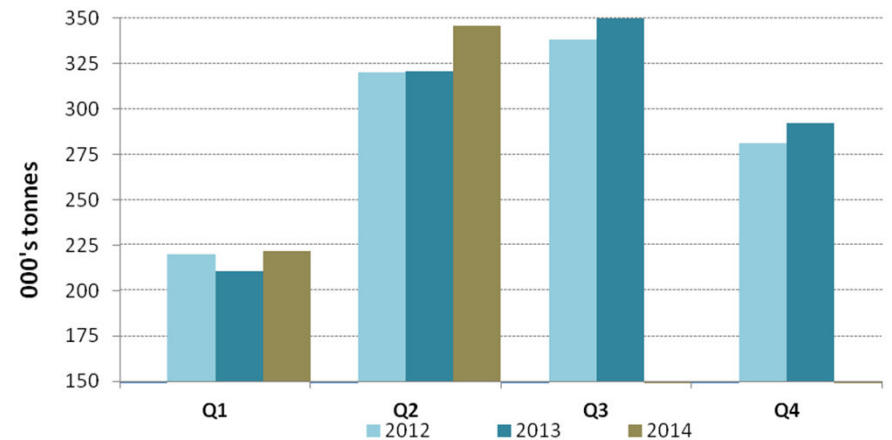
US annual crushed stone production:



North American Crushed Stone Production (million metric tonnes)



US quarterly crushed stone production:

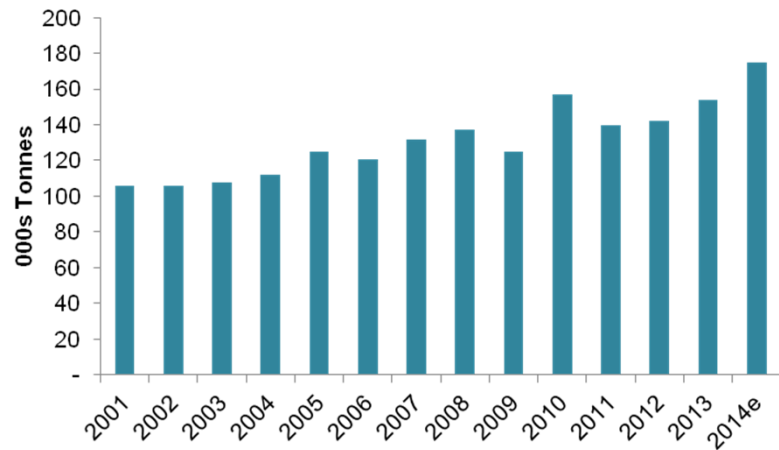


Source: US Geological Survey (USGS); US Census Bureau

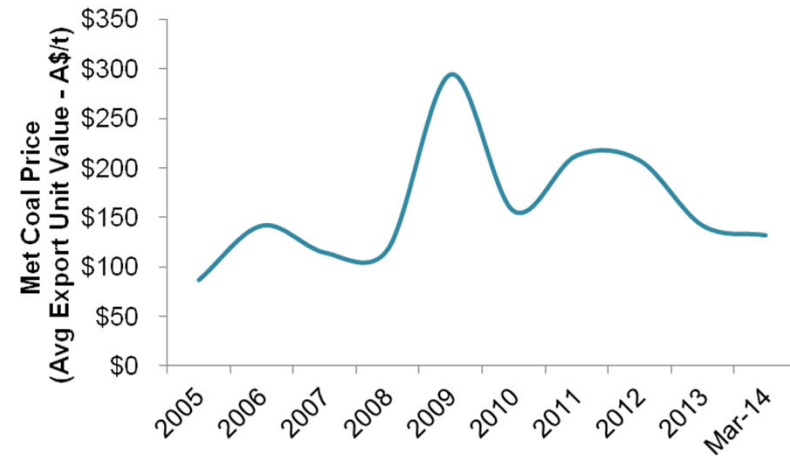
(1) A measure of all the costs of labour and materials, architectural and engineering work and overhead costs associated with construction work done each month on new private residential, non-residential construction and public construction; 12 month period Sept 13 – Aug 14

Market information - Australian hard commodities

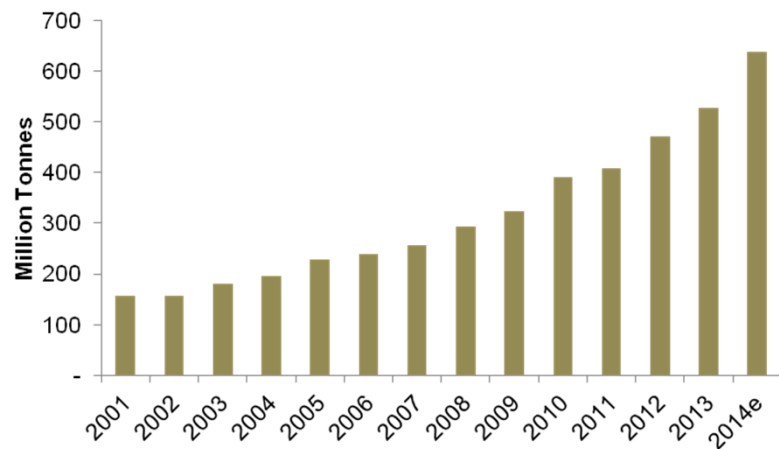
Australian metallurgical coal exports:



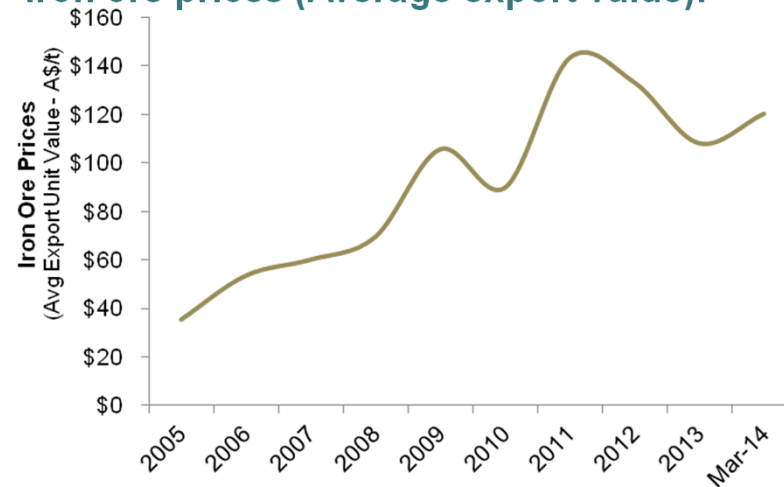
Metallurgical coal prices (Average export value):



Australian iron ore exports:



Iron ore prices (Average export value):



Source: Australian Government Bureau of Resources and Energy Economics, Resources and Energy Quarterly, June 2014

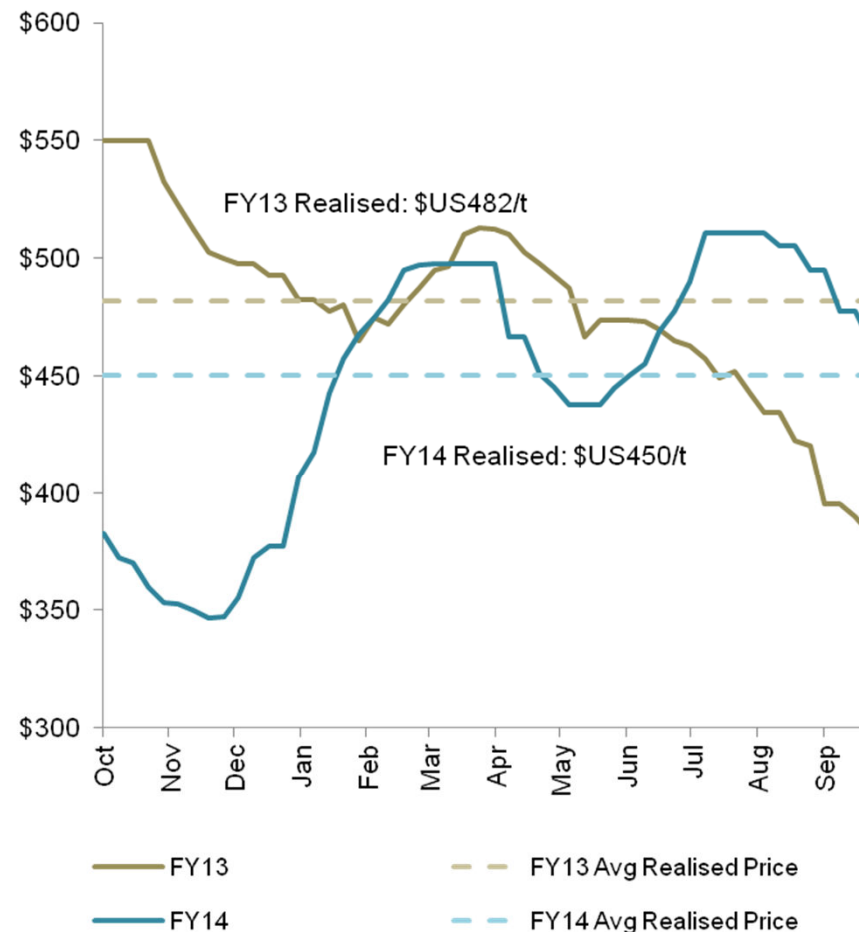
Market information - Ammonium Phosphates

Ammonium phosphates global market size: ~60mt

Million tonnes	2009	2010	2011	2012	2013
World DAP seaborne trade	14.7	15.7	14.1	14.3	13.9
India DAP imports	6.2	7.8	7.0	5.9	3.5
China DAP exports	2.1	3.9	3.9	3.9	4.1

Sources:
2009: Fertecon
2010-2013: CRU

DAP FOB Tampa prices (\$US):



Source: Fertecon

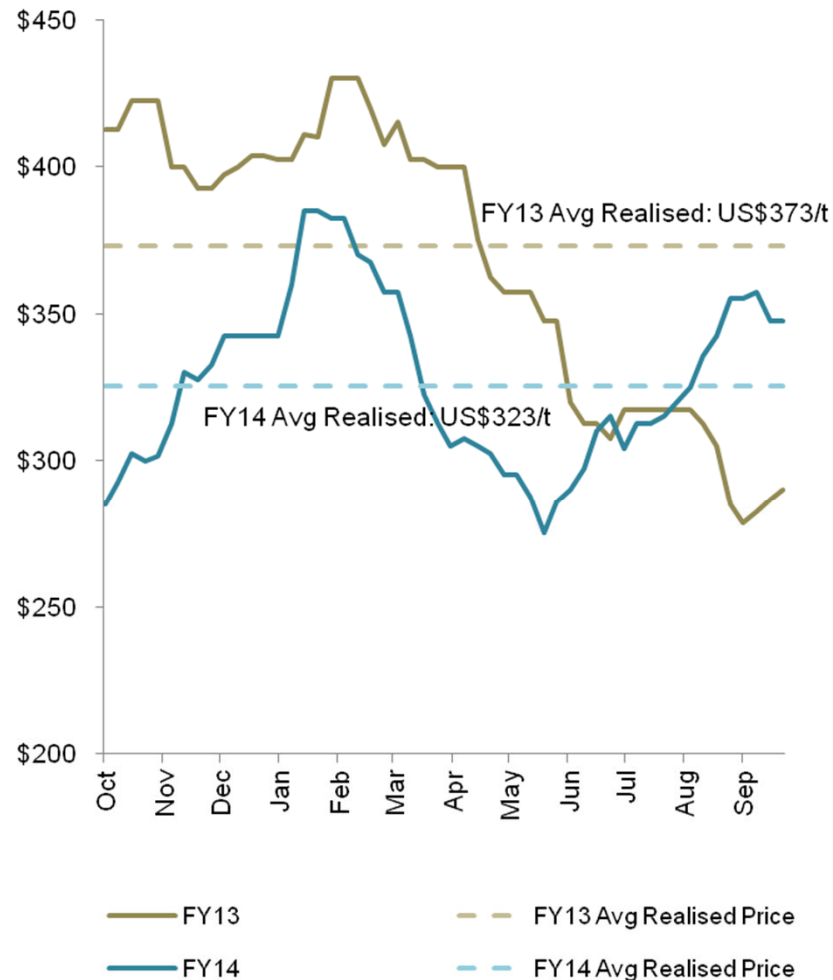
Market information - Urea

Urea global market size: ~160mt

Million tonnes	2009	2010	2011	2012	2013
World Urea seaborne trade	36.6	40.7	38.7	42.4	44.3
India Urea imports	6.0	6.1	7.6	7.8	8.7
China Urea exports	3.4	7.0	4.0	6.8	8.4

Source: CRU Urea Market Outlook - June 2014

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



Source: Fertecon

Key raw materials - Australia

Natural Gas:

Gas tranche	Amount (PJs/pa)	Contract Expiry
Tranche 1	10.5	31 December 2014
Tranche 2	16.8	30 September 2017 ⁽¹⁾
Tranche 3	7.0	31 March 2025 ⁽¹⁾
Tranche 4	8.7	31 December 2016

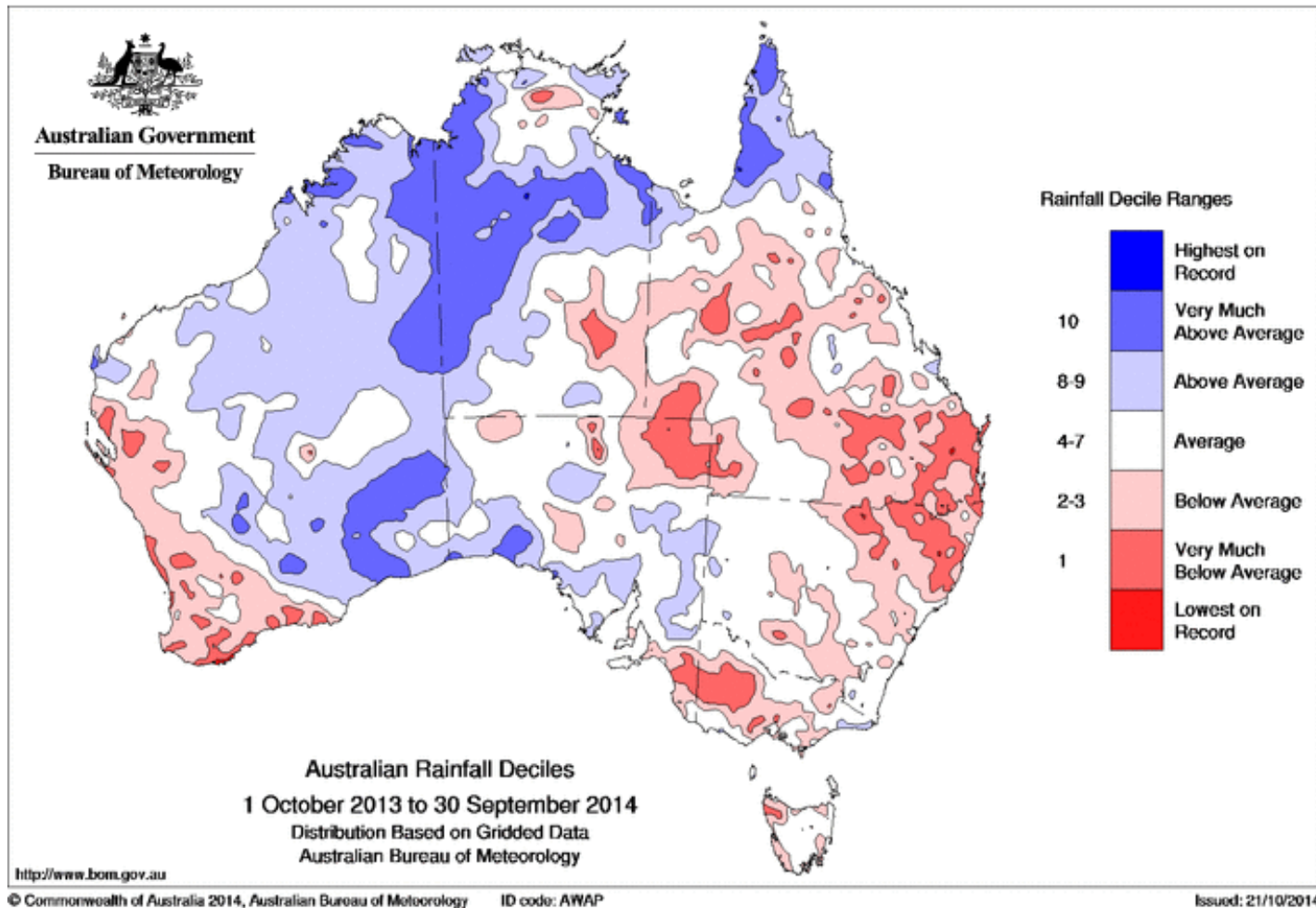
(1) Extends for up to 12 months to take any banked gas

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

2014 Australian seasonal conditions



Dry conditions in Eastern Australia; particularly in Queensland and northern New South Wales