

# Incitec Pivot Limited

## Office of the Company Secretary

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4 September 2014

The Manager  
Company Announcements Office  
Australian Securities Exchange  
Level 45, South Tower  
Rialto  
525 Collins Street  
MELBOURNE VIC 3000

Dear Sir or Madam

### **Electronic Lodgement**

### **IPL Investor Day Presentation**

In accordance with the listing rules, I attach for release to the market, the IPL Investor Day presentation to be given by Incitec Pivot Management in Sydney today, Thursday, 4 September 2014.

Yours faithfully,



**Daniella Pereira**  
Company Secretary



# *Investor Day*

Sydney  
4 September 2014

**Incitec Pivot Limited**

**DYNO**  
Dyno Nobel



# Zero Harm



- Emergency procedure
- Emergency exit locations

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INCITEC PIVOT LIMITED ABN 42 004 080 264

# *Introduction*

**James Fazzino**

Managing Director and Chief Executive Officer

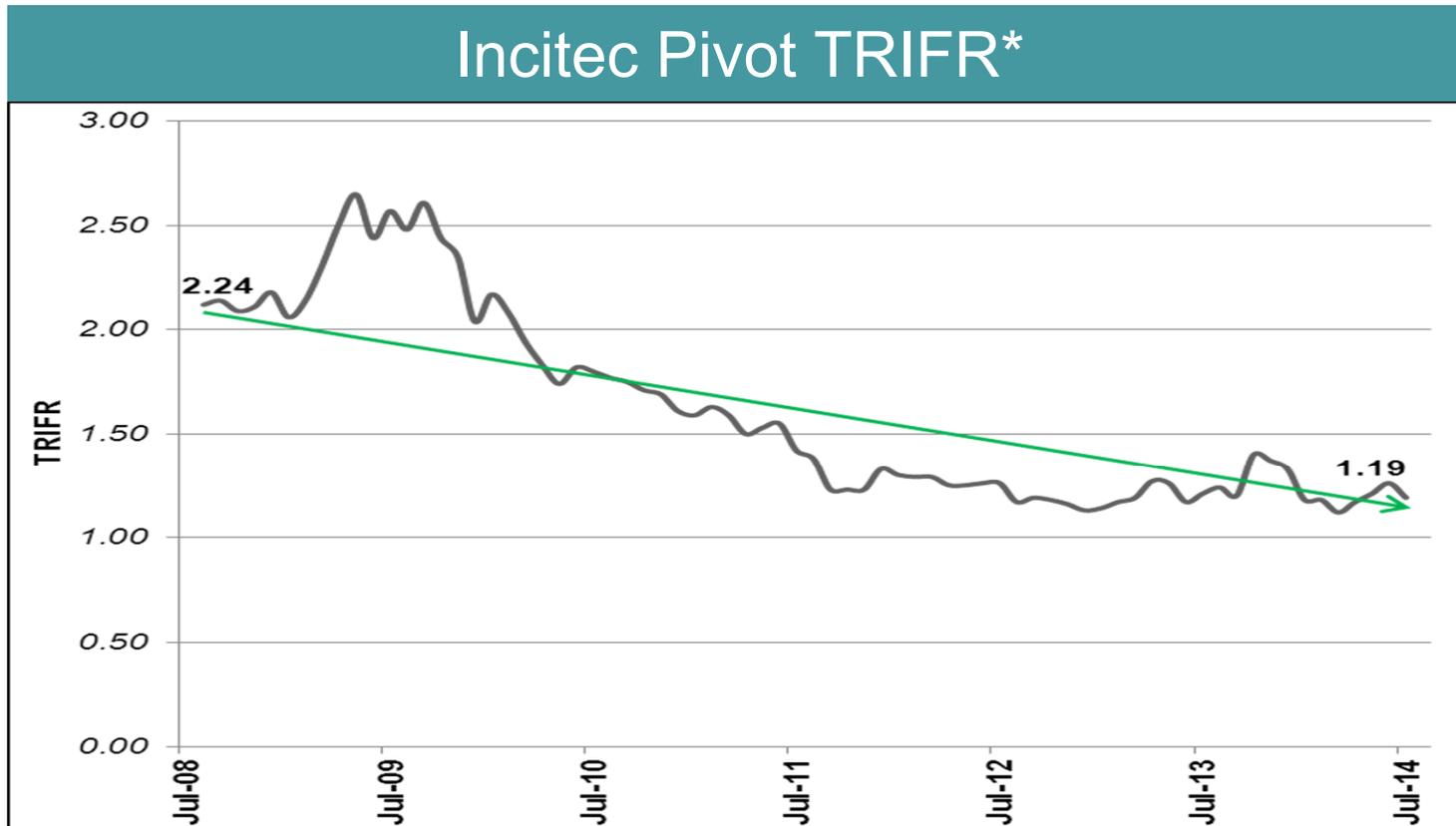


# Welcome & program

Thursday, 4 September 2014

Introduction & Strategy Overview	James Fazzino	Managing Director & CEO
Louisiana Ammonia Plant	Jamie Rintel	President, Strategy & Business Development
IPL Manufacturing - Strategic Engineering - Operations & BEx	Alan Grace Stephen Dawson	President, Strategic Engineering President, Manufacturing Operations
Morning Tea Break		
Explosives Business - DNAP Overview - Marketing & Technology	Simon Atkinson Rob Rounsley	President, DNAP & Global Technology Senior VP, Global Marketing & Technology
Fertiliser Business Overview	James Whiteside	Chief Operating Officer, Incitec Pivot Fertilisers
Business Update	Frank Micallef	Chief Financial Officer
Lunch		

# Zero Harm – improving performance



- Safety: Number 1 priority
- Improvement reflects improved execution across the business

\* TRIFR = Total Recordable Injury Frequency Rate

# Strategy on a page

**Industrialisation  
of China**



**Shale gas  
revolution**

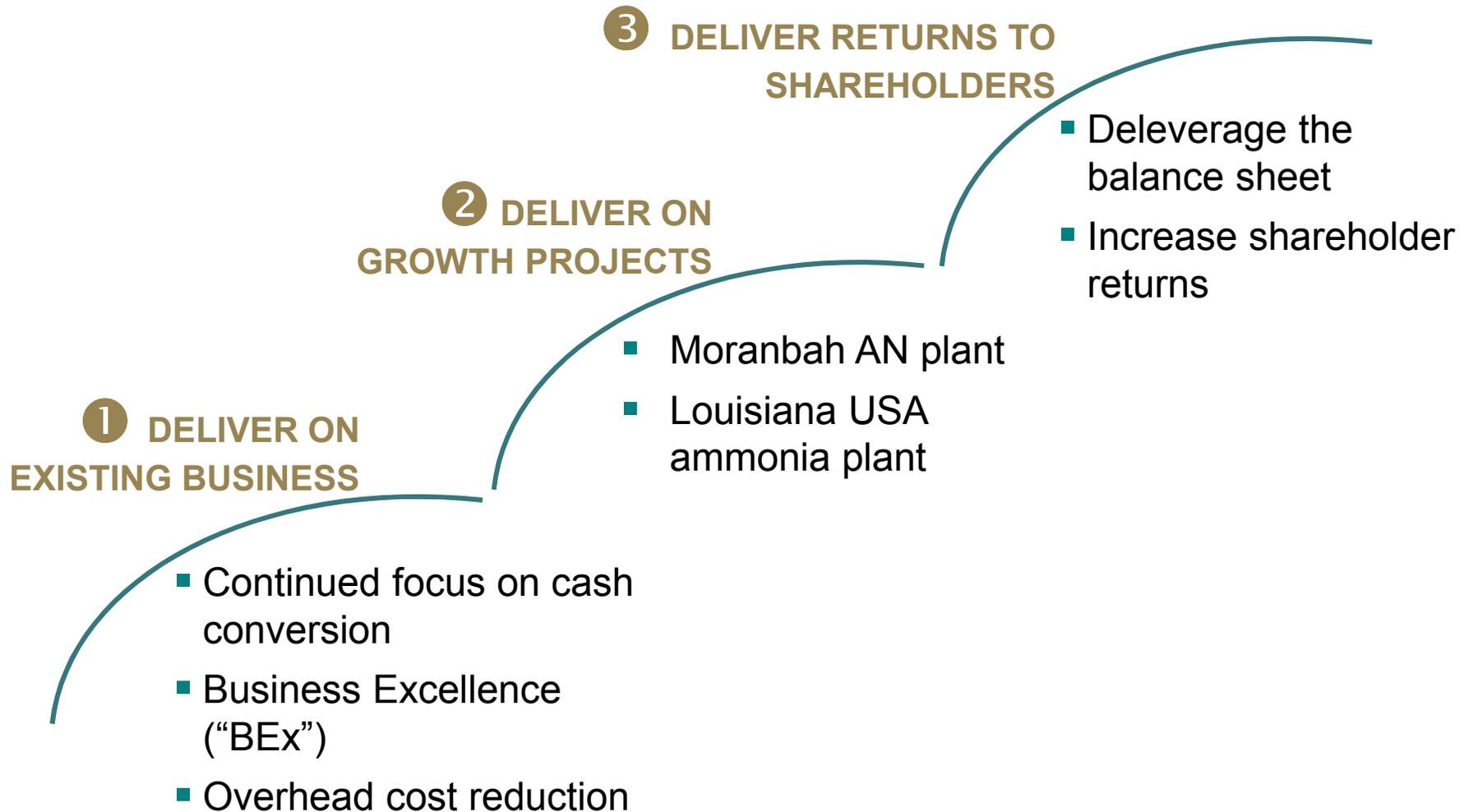
**Core nitrogen  
manufacturing**

**Input side of  
value chain**

**Customer  
aligned  
downstream  
businesses**



# 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*

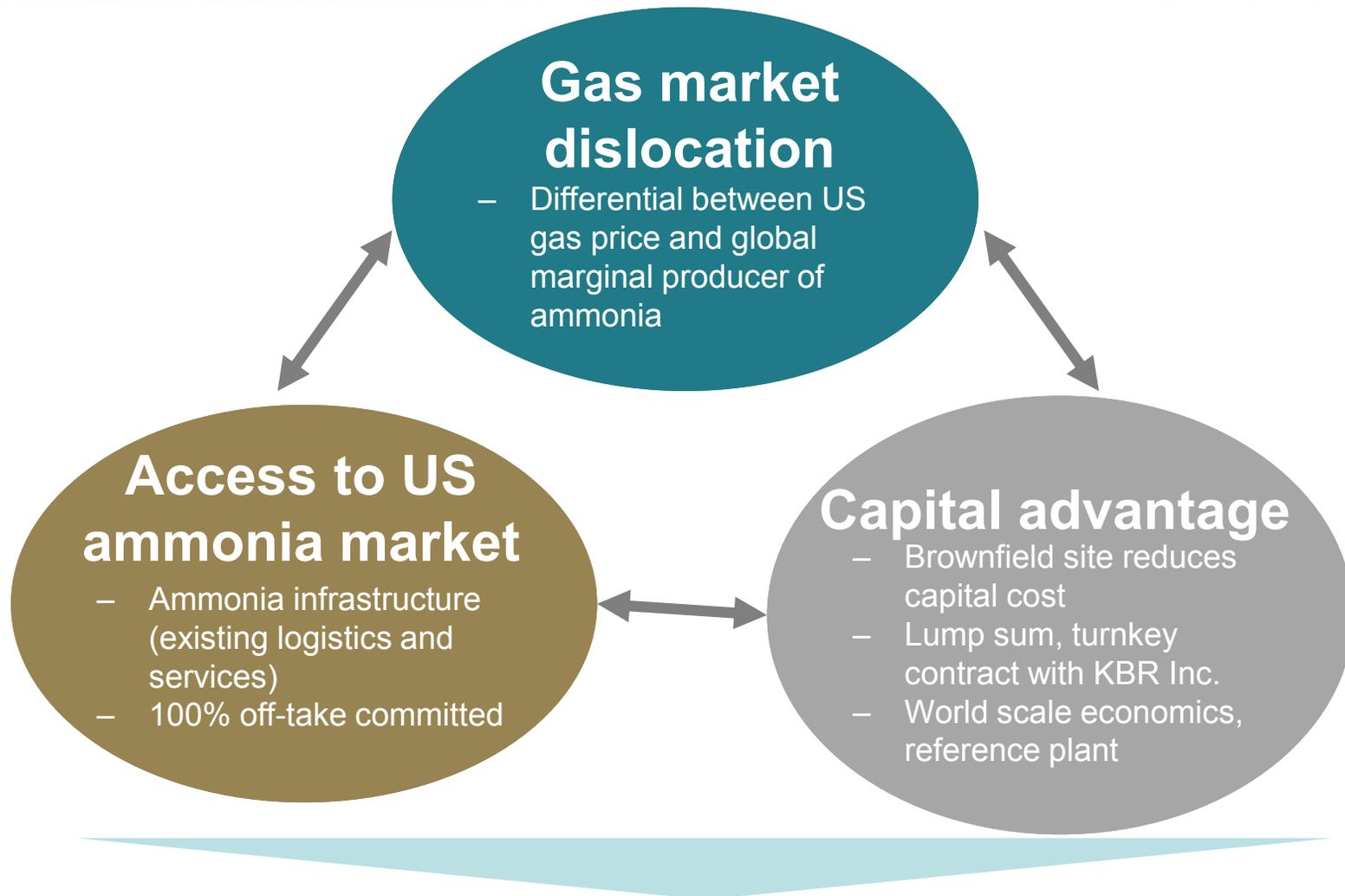
**Jamie Rintel**  
President, Strategy & Business Development

08/27/2014 14:04

# Investment overview

- **Construction of a world scale ammonia plant (800kt p.a.) for a capital cost of US\$850m**
  - Fully funded by debt and internally generated cash flow
- **Investment thesis**
  - Gas market dislocation
  - Access to US ammonia market
  - Capital advantage
- **KBR is the engineering procurement and construction contractor under a lump sum turnkey arrangement**
- **Plant sold out**
  - Dyno Nobel = 300kt per annum
  - Cornerstone Chemicals = 200kt per annum
  - Trammo = 300kt per annum
- **Financial returns**
  - 15% IRR
  - Simple payback ~ 5 years

# Investment thesis

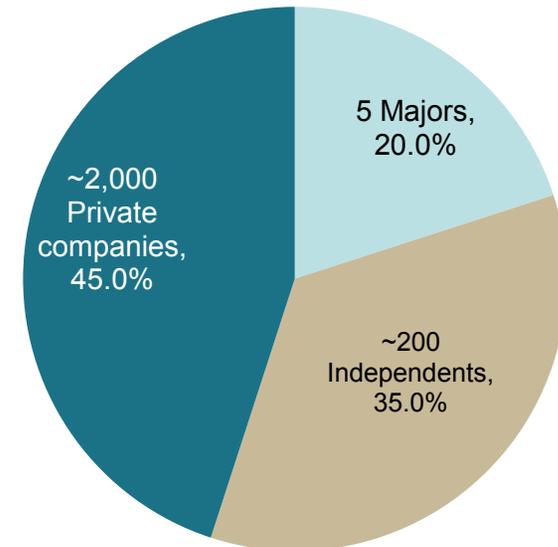


# US gas supply

## 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 26 Aug 2014)	3.99

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

# US gas supply (cont.)

## 2 Technological improvements driving alternative gas production

### Shale gas

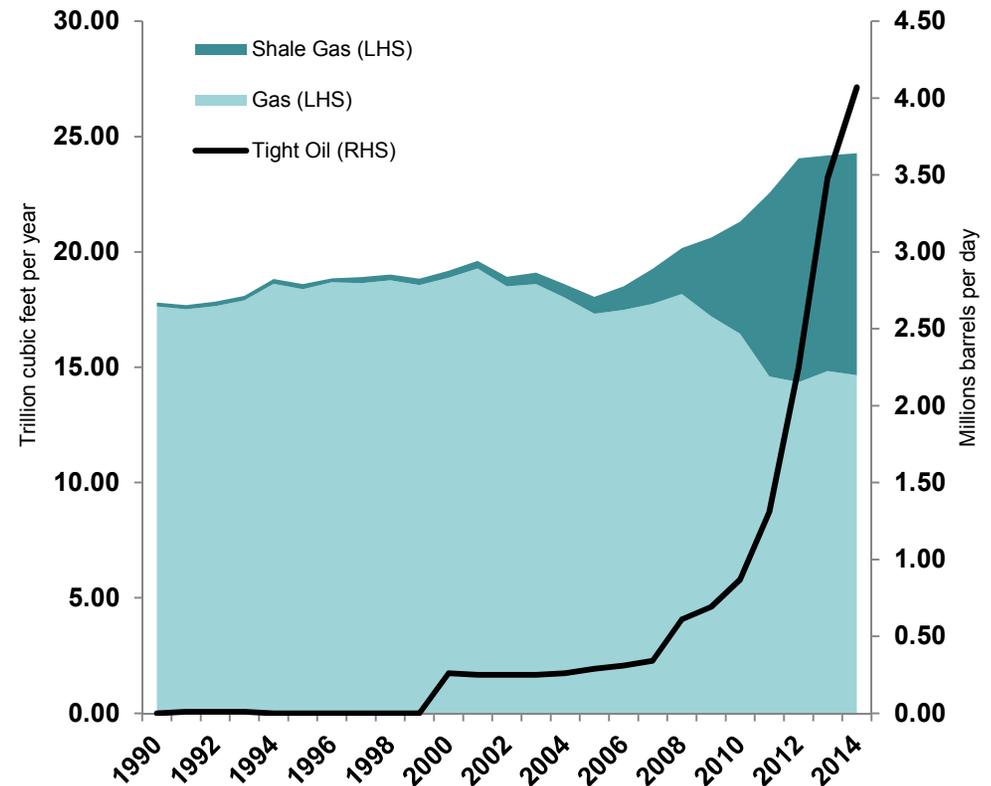
- Shale gas production as a percentage of US gas production has increased from ~ 6% in 2006 to ~40% in 2014

### Light tight oil

- Gas is also a by-product of light tight oil production
- Light tight oil production has increased by ~22% from 2000 to just over 4 million barrels per day
- Increased development of light tight oil and other gas-from-liquids focused drilling

Source: EIA

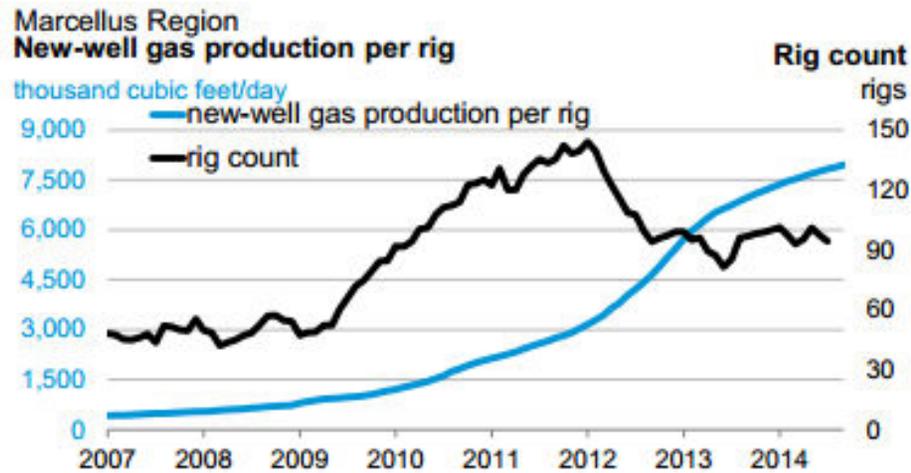
US shale gas and light tight oil production:



# US gas supply (cont.)

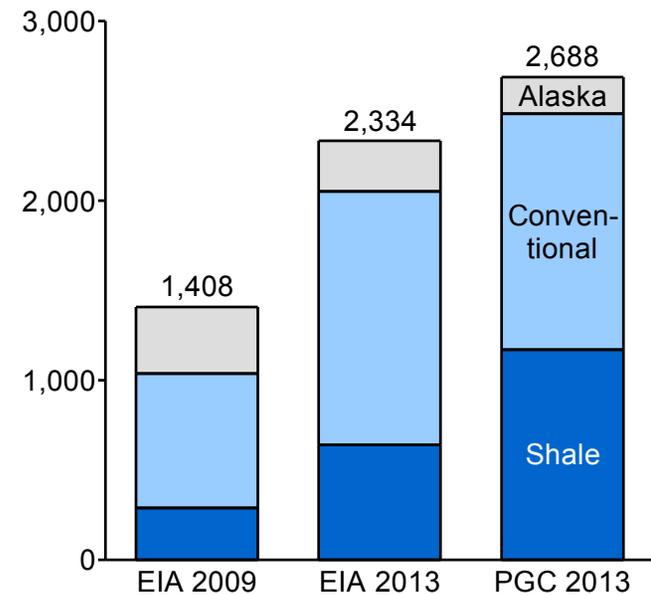
## 3 Technological improvements driving alternative gas production

*Drilling rig productivity continues to improve....*



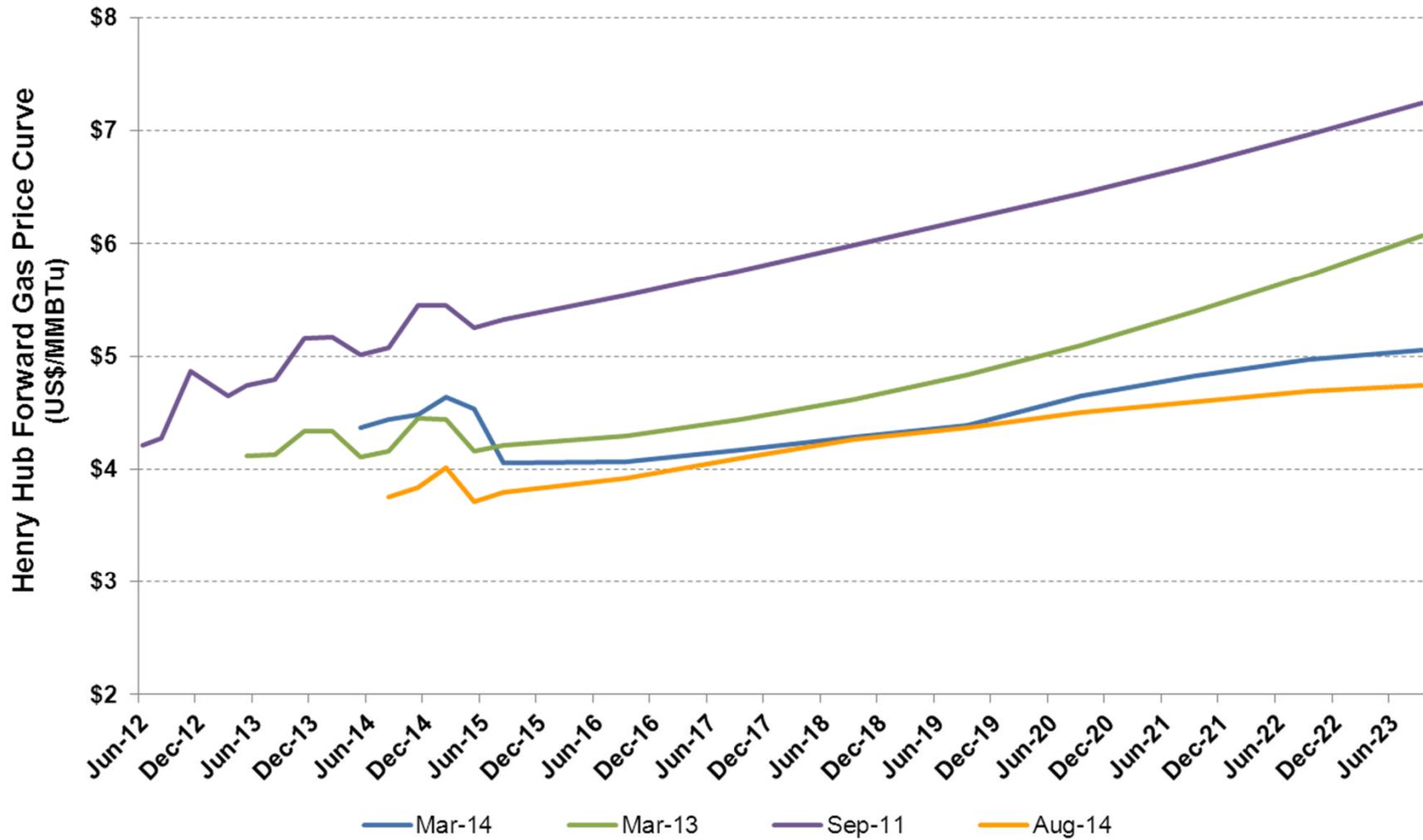
*... resulting in revisions upwards to technically recoverable reserves*

Trillion cubic feet



Source: EIA, Potential Gas Committee (PGC), PIRA

# US gas supply (cont.)

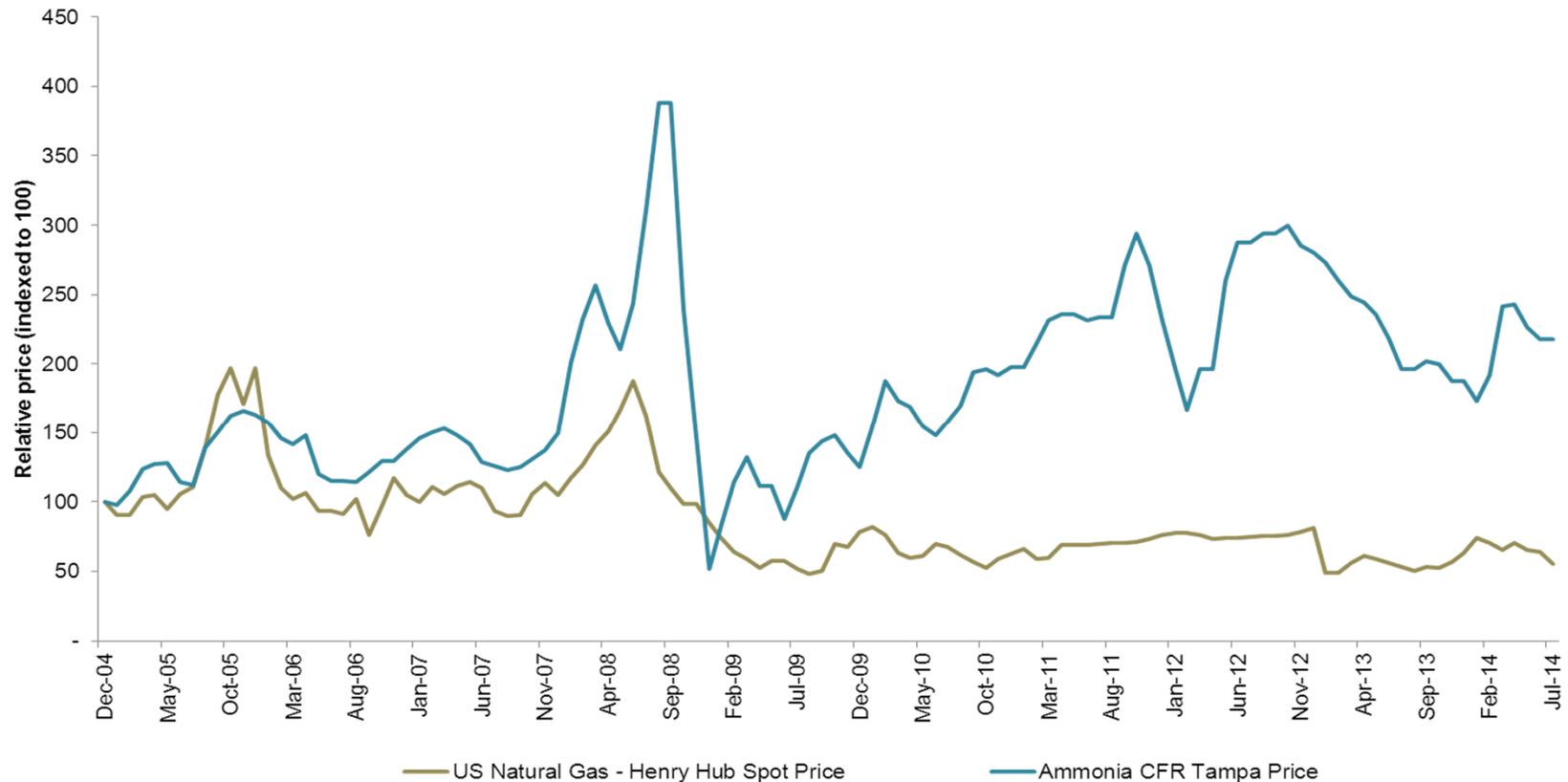


Source: Bloomberg

# Market information - ammonia

- Global ammonia price has historically trended closely with cash costs of marginal production, currently from European producers

## Ammonia CFR Tampa vs. US gas price:



Source: Fertecon, Bloomberg

# Louisiana ammonia plant update

## ■ As at 31 August 2014

- Project is on track
- Safety = No recordable injuries to date
- Construction cost = \$US850m
- First production ~ Third Quarter 2016

## ■ Construction

- On track
- Demolition, excavation, piling and most foundations are complete
- Steel construction work is well underway
- First gas compressors arrive in Sept 14

## ■ Other

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

## ■ Outlook

- Fundamentals under-pinning project remain positive



# Louisiana ammonia plant video





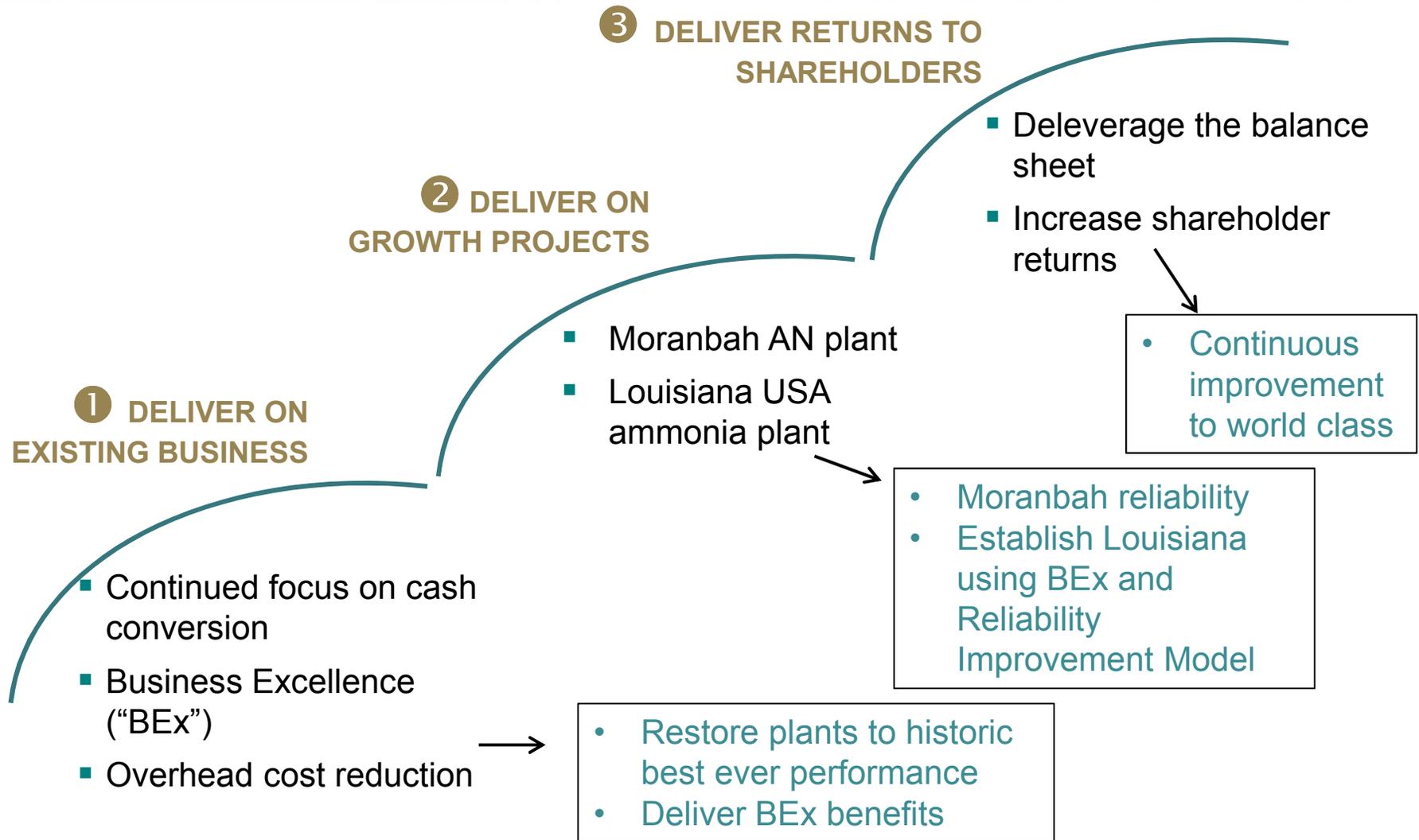
*Questions ?*

08/27/2014 14:06

# *Strategic Engineering*

**Alan Grace**  
President, Strategic Engineering

# Strategy execution



***Focus on execution and delivery***

# Vision – to be safe, reliable and competitive world class manufacturers

**World Class: Amongst the top 5% of chemical manufacturers in the world, the measures of which will include the following:**

- **Zero Harm:**

- TRIFR of less than 0.5 and decreasing to zero



- **BEx maturity scores of 4 and higher**



- **People:**

- World class leaders in all critical roles
- Improving employee satisfaction, low levels of turnover and absenteeism



# Strategic fit – world class operations

## Safe, reliable and cost competitive manufacturers

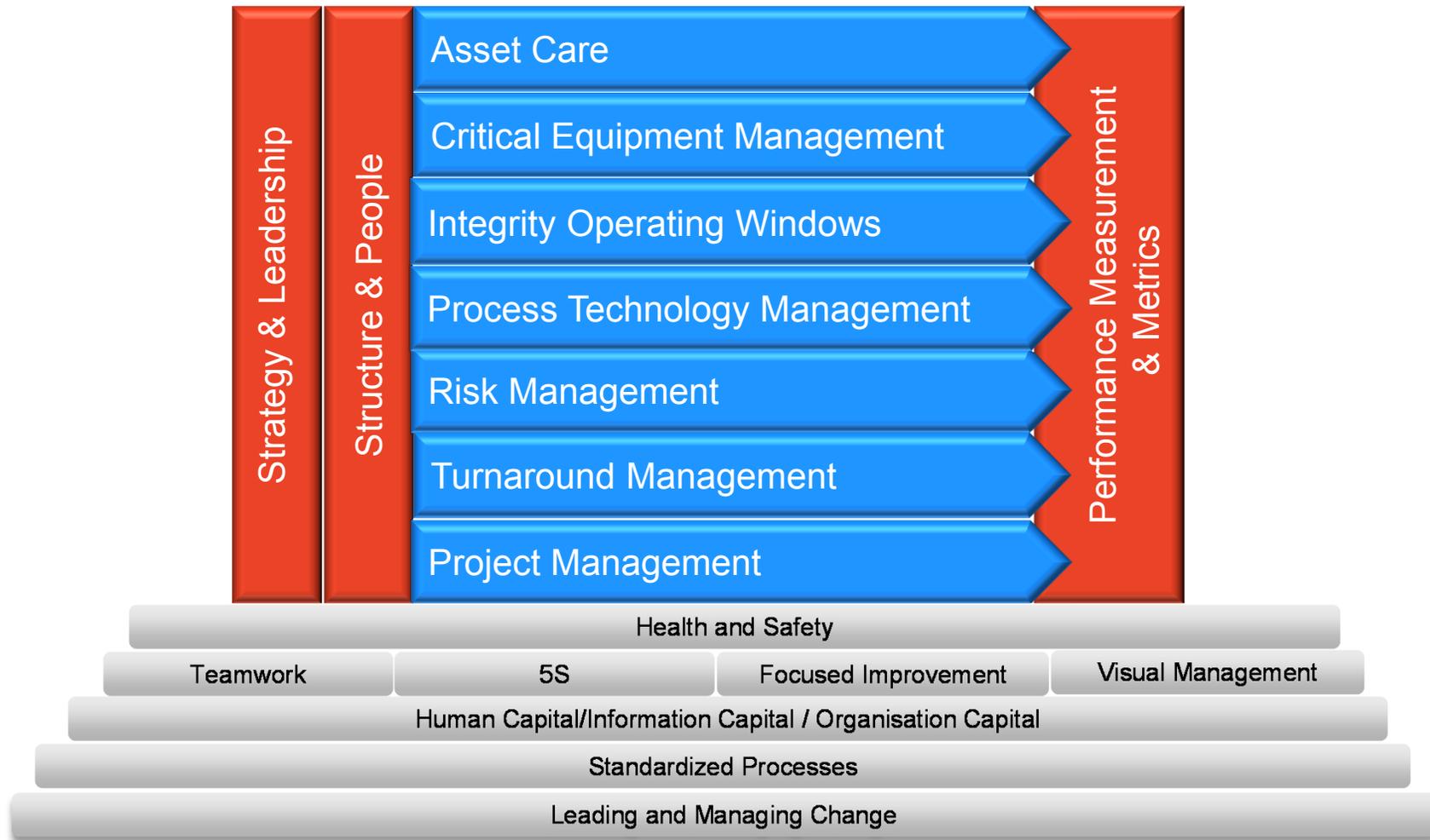
- Predictably reliable operations:
  - Uptime  $\geq 97\%$  for non-maintenance intensive plants
  - Asset capabilities increasing by 2 to 3% per annum
  - Reactive maintenance at less than 5 to 10% of total work



- Quality product delivered first time to a rigorous S&OP
- Cash conversion costs declining by 2 to 3% per annum
- The establishment of world class operations team at Louisiana ammonia plant



# Reliability Improvement Model



# Division of accountabilities

## Strategic Engineering

- Define maintenance strategies & routines
- Identify critical spares
- Own asset care strategy and processes

### Asset Care

## Operations

- Execute defined maintenance routines
- Procure and manage spares
- Implement asset care strategy

- Nominate critical equipment
- Develop equipment life plans
- Define standard work

### Critical Equipment Management

- Execute condition monitoring
- Execute standard work
- Manage to life plans

- Provide risk management framework
- Facilitate site risk assessments
- Ensure quality of risk treatment plans

### Risk Management

- Execute control plans and actions
- Own site risk registers and gap closures

- Define plant operating limits
- Periodically review performance to limits

### Integrity Operating Windows

- Operate plants within defined operating parameters
- Own daily measurement

# Division of accountabilities (cont.)

## Strategic Engineering

## Operations

- Establish process standards
- Identify, lead technical & process improvement

Process Improvement

- Identification of need
- Ownership of project initiation

- Own best practice
- Define turnaround scope
- Execute turnaround project

Turnaround Management

- Own business case. Agree scope
- Provide safe systems of work
- De-commission and re-commission plants

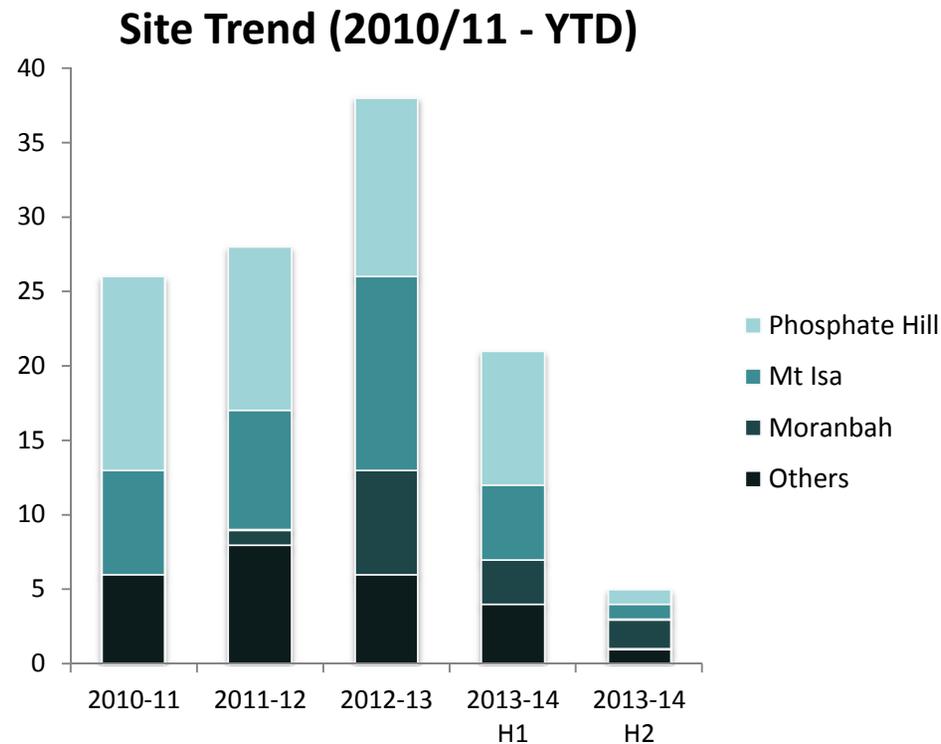
- Project concept to initiation
- Project execution and handover

Project Management

- Project execution involvement & ongoing ownership

# Manufacturing incidents\* - by site

Most occurred at Phosphate Hill and Mt Isa



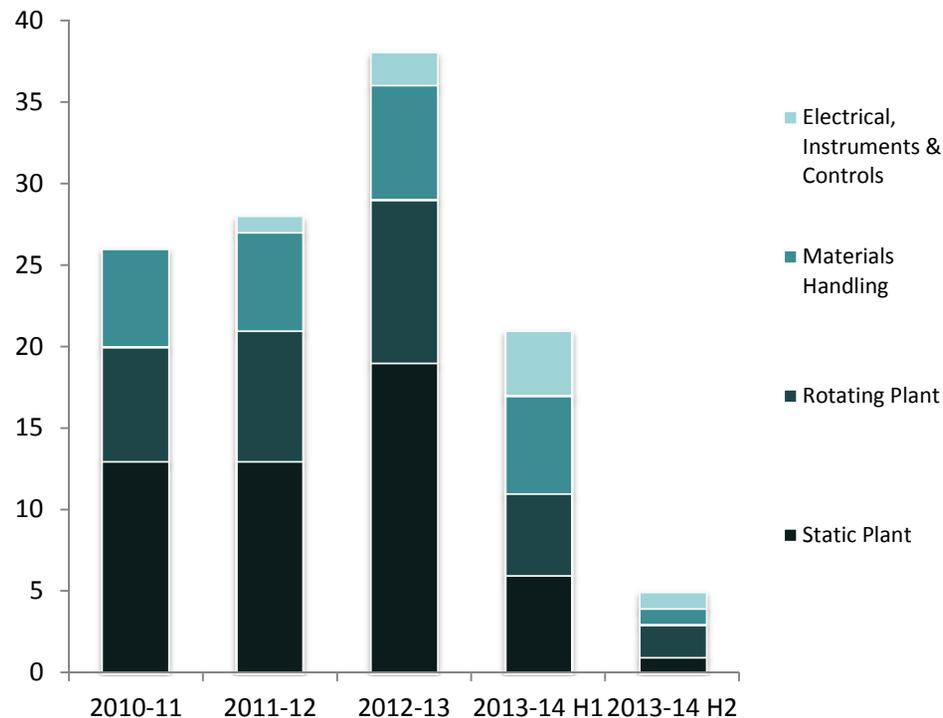
- IPL operates 17 major manufacturing sites
- Majority (14) have run reliably
- Key reliability issues in recent years have been:
  - Phosphate Hill
  - Mt Isa
  - Moranbah – start up

\* Significant equipment failure incidents

# Incidents\* - by equipment type and process

## Static and rotating equipment failures dominate

### Discipline Trend (2010/11 - YTD)



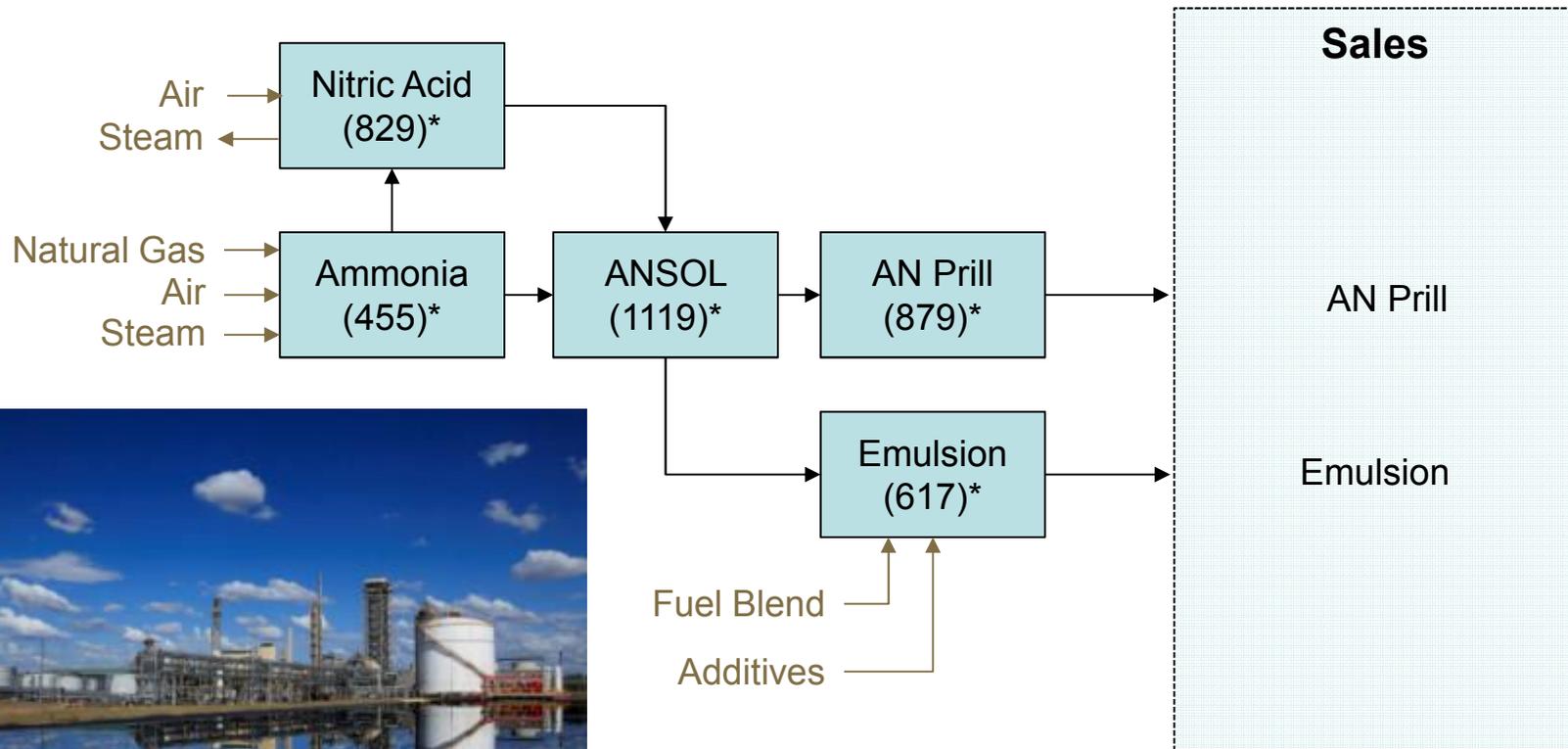
### Insights from review led to:

- Increased and dedicated reliability resources (Strategic Engineering)
- Risk reviews at critical sites
- Enhancement of management plans for critical equipment
- Renewal of maintenance effectiveness (Asset Care)
- Definition of “Integrity Operating Windows” (safe and reliable windows for operation)
- Improved turnaround scope definition

\* Significant equipment failure incidents

# Moranbah ammonia nitrate facility

## Process Flow



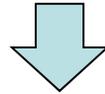
\* Maximum sustained production rates (MSPR)

# Risk profile – Moranbah

## Risks identified and removed in turnaround

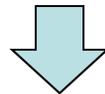
### Pre-Turnaround:

43 significant reliability risks\*



March 2014 turnaround focused on reduction of risk profile including:

- Isothermal shift reactor repairs & catalyst change
- Gas heated reformer & secondary reformer catalyst change
- 40+ electrical & instrument hardware fixes (vendor supply issues)
- Nitric acid plant air compressor complex controller replacement



### Post-Turnaround:

1 significant reliability risk\*

= Natural gas quality / supply but tie-ins were completed during turnaround (so no need for further downtime) and hardware fix scheduled in calendar year 2015.

\* Based on IPL risk management framework

# Moranbah case study – difference in a year

Plant	2012/13 H2	May to August 2014	MSPR*	Nameplate Design rate
Ammonia	250 tpd	<b>431tpd</b>	455 tpd	454 tpd
Nitric Acid	472 tpd	<b>769 tpd</b>	829 tpd	764 tpd
AN Solution	606 tpd	<b>951 tpd</b>	1119 tpd	1000 tpd
Prill	407 tpd	<b>673 tpd</b>	879 tpd	800 tpd
Emulsion	338 tpd	<b>330 pd</b>	617 tpd	350tpd

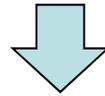
**Reliability improved through application of BEx principles: HSE, leading & managing change, teamwork, focused improvement, visual management**

\* *MSPR is maximum sustained production for 5 consecutive days*

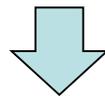
# Phosphate Hill and Mt Isa - turnaround

## Largest scope ever undertaken to reset capability

**Pre-Turnaround:**  
21 significant reliability risks\*



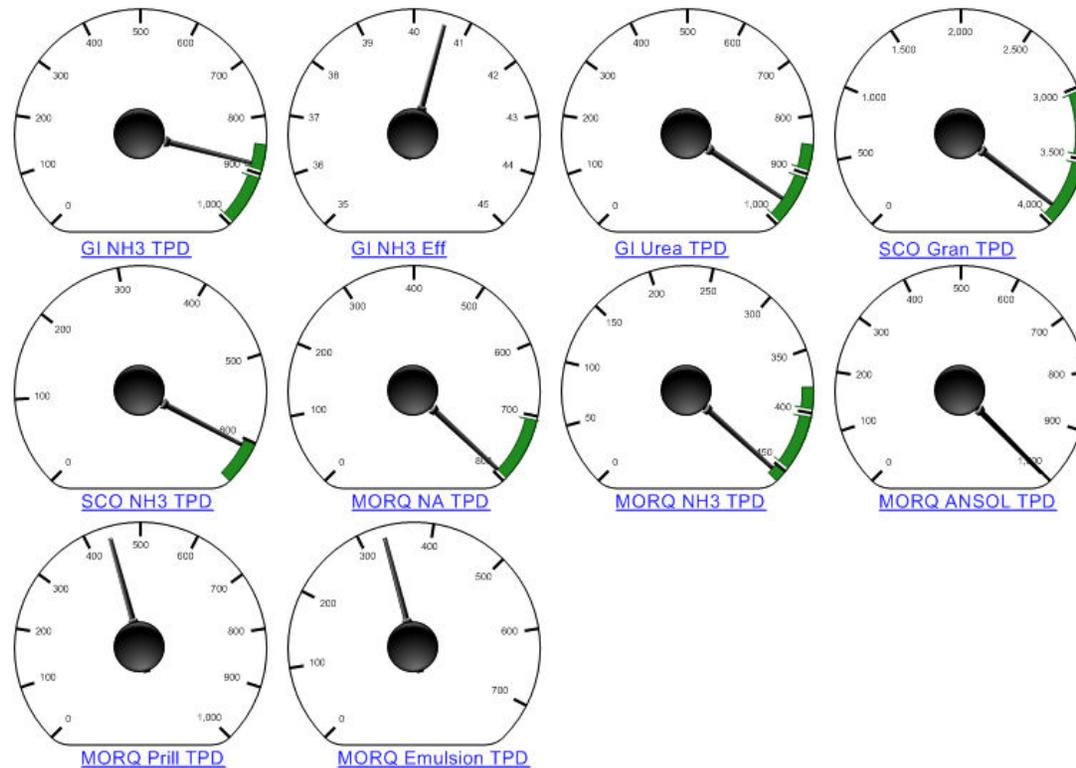
- Largest maintenance scope ever (>30% more scope items)
- ~\$80m of expenditure executed in May and June 2014
- Mt Isa scope included
  - Drying tower nozzle and shell upgrade
  - Waste heat boiler #1 retube
  - Burner management system upgrade
- Phosphate Hill scope included
  - Isothermal shift reactor repair
  - Significant granulation plant scope compared with 2010



**Post-Turnaround:**  
No significant reliability risks remaining

\* Based on IPL risk management framework.

# Australian Manufacturing Performance (extract from IPL Visual Management System)



Yellow dial indicates meter temporarily unavailable/unreliable  
<> indicates meter temporarily unavailable, work around in place

**Post turnaround, the dials are consistently in the “green zone”**

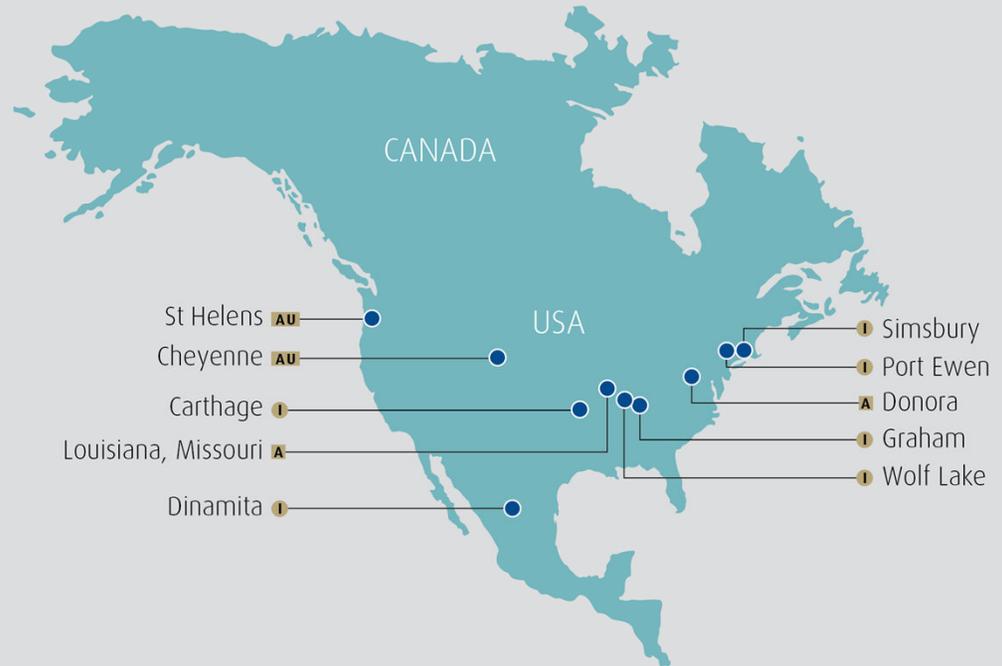
An aerial photograph of a large industrial manufacturing plant, likely a refinery or chemical processing facility, set in a dry, arid landscape. The plant features several large, cylindrical storage tanks in the foreground, a complex network of pipes and structures in the middle ground, and a tall smokestack emitting a plume of white smoke. The background shows a flat, open landscape under a clear blue sky with some light clouds. The title "Manufacturing Operations" is overlaid in a large, white, italicized font across the upper portion of the image.

# *Manufacturing Operations*

**Stephen Dawson**  
President, Manufacturing Operations

# Global manufacturing plants

- Incitec Pivot Fertilisers
- Dyno Nobel
- H2SO4 Manufacturing
- DAP/MAP Manufacturing
- SSP Manufacturing
- IS Manufacturing & Assembly
- AN Manufacturing
- Urea Manufacturing
- AN/Urea Manufacturing

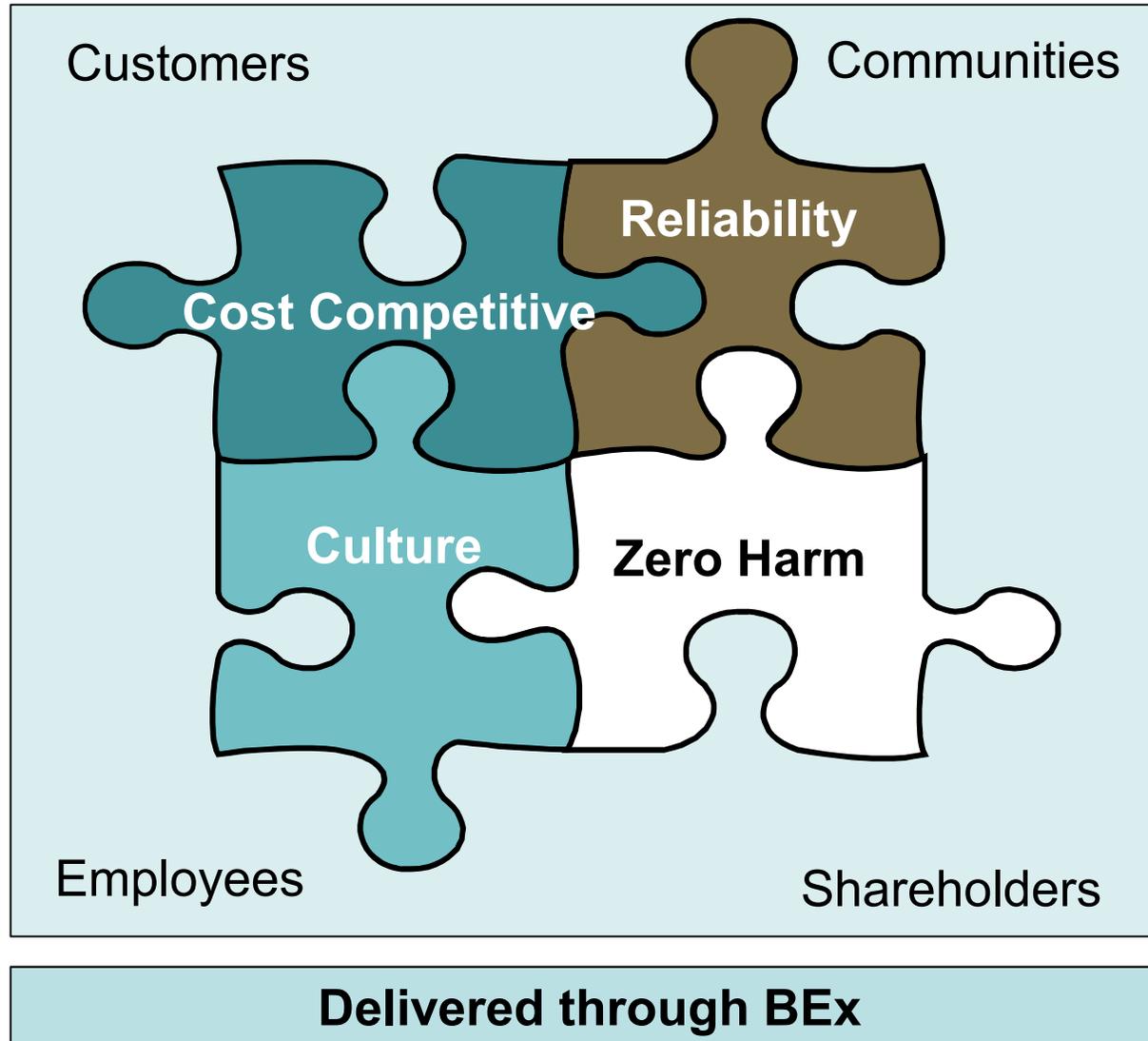


Initiating Systems Sites x 7  
 Ammonia Plants x 6  
 Nitric Acid Plants x 6

Super Phosphate Plants x 2  
 Ammonium Phosphate Plant x 1  
 Ammonium Nitrate Plants x 6

Sulphuric Acid Plant x 1  
 Urea Plants x 3

# Key strategic focus areas



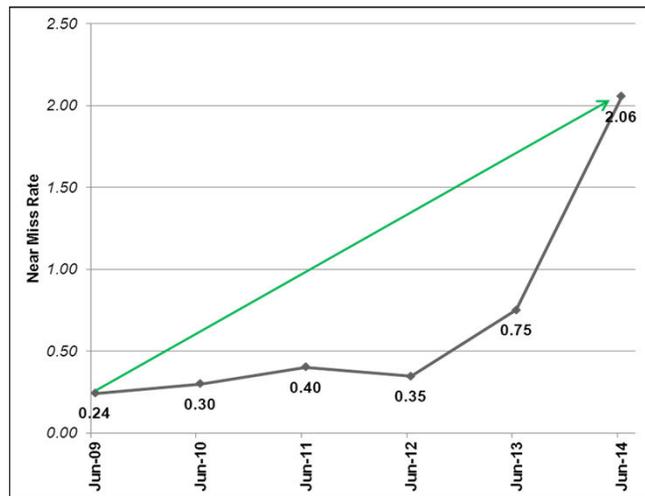
# Zero Harm – improving performance



**Zero Harm culture is embedded & results are improving:**

- 47% TRIFR Improvement since July 2008
- 6% TRIFR improvement since July 2012

**Site leadership changes throughout 2014**

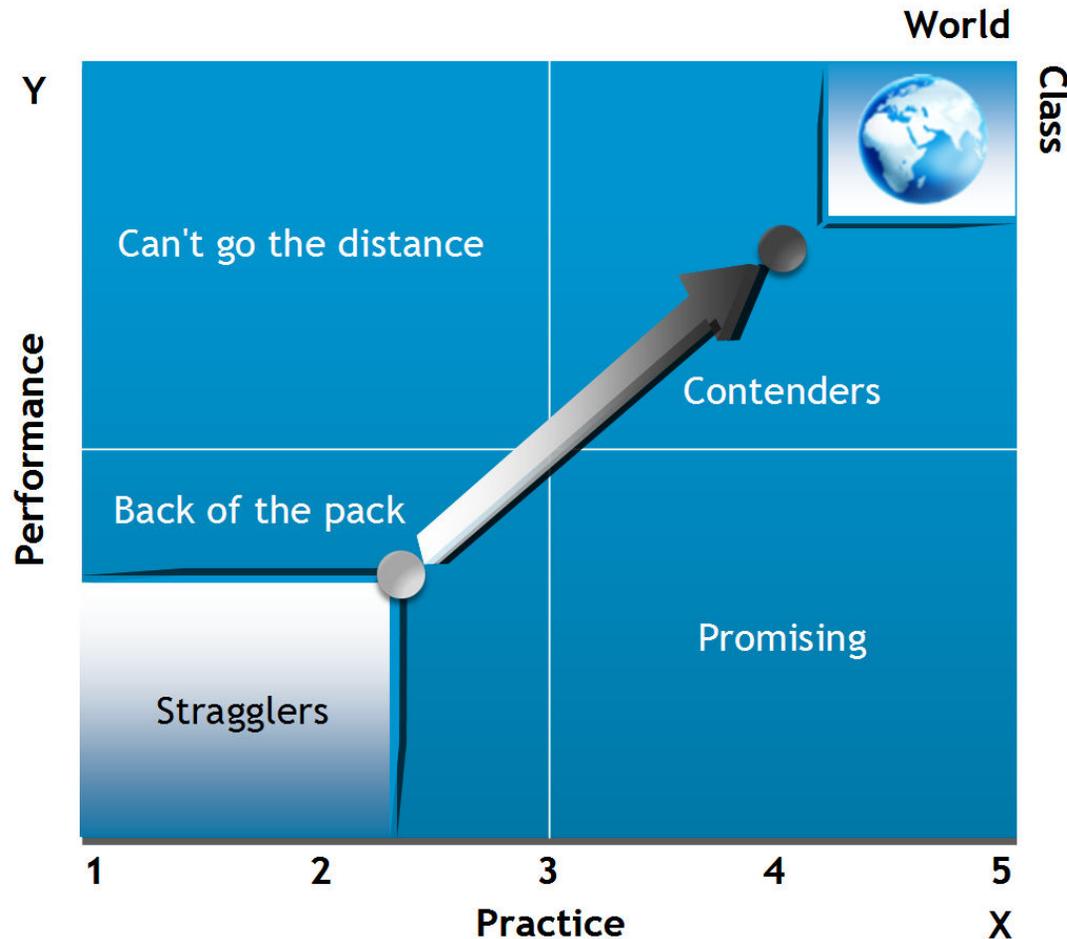


**Focus has been on reporting all near misses**

- Learning from near misses to prevent future incidents

**Uniform approach to risk assessment and management established**

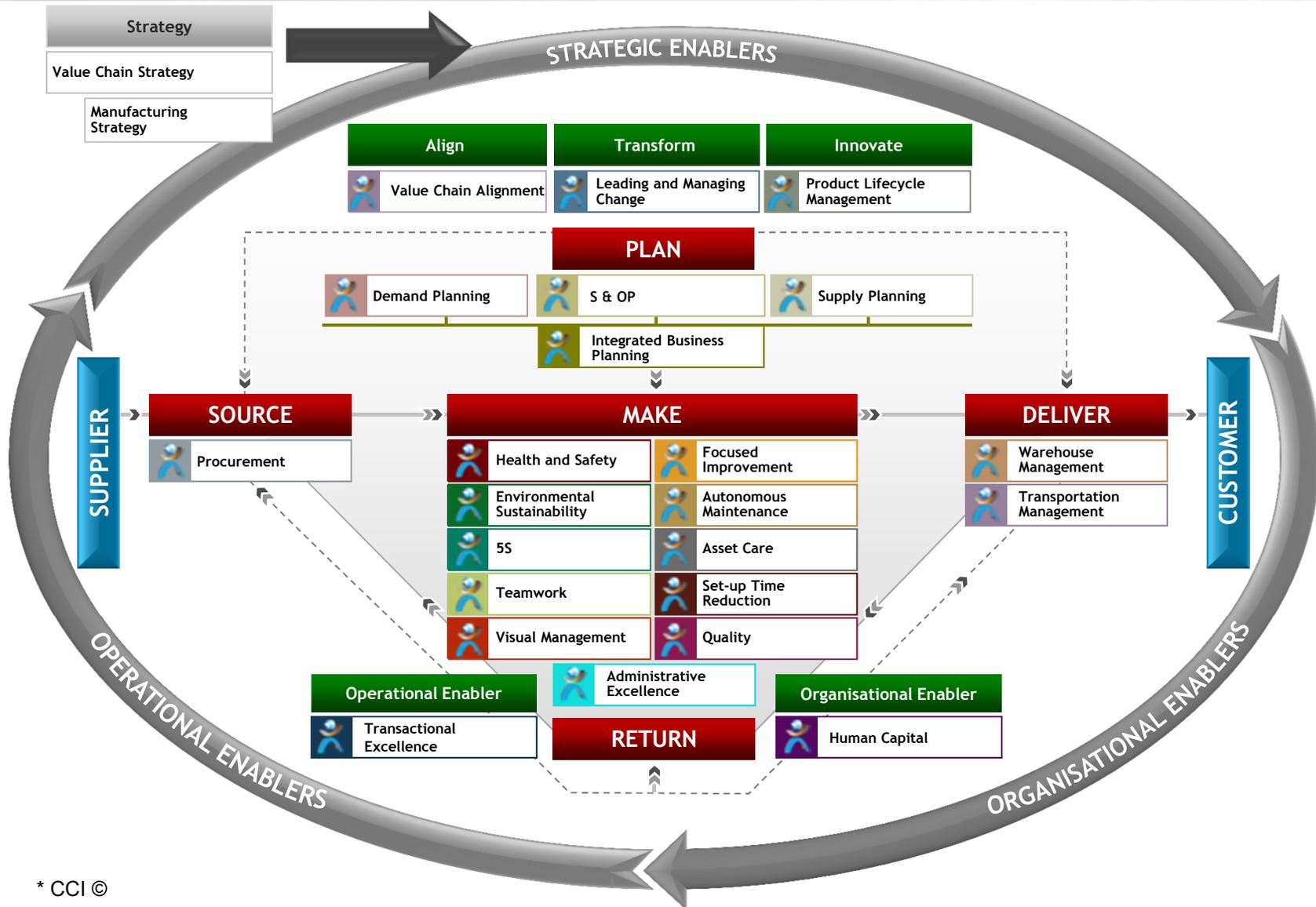
# Culture – the BEx journey



## Key Messages

- Creating a competitive advantage through our IPL culture
- Improvement focus in everything we do
- Ensuring long term sustainability
- Engaged workforce applying discretionary effort to deliver IPL's goals

# BEx is an integrated business system



\* CCI ©

# A clear cascade of strategy through A3s

A3 template for Global Manufacturing. The template is divided into sections: BACKGROUND, BUSINESS CASE, CURRENT STATE, TARGET STATE, ACTIONS, and METRICS. The text "Global Manufacturing" is overlaid in the center.

## Defining the strategic focus areas

- Corporate strategic initiatives
- Organisational culture, leadership & capability
- Business critical opportunities

A3 template for Gibson Island. The template is divided into sections: BACKGROUND, BUSINESS CASE, CURRENT STATE, TARGET STATE, ACTIONS, and METRICS. The text "Gibson Island" is overlaid in the center.

## Defining operational and functional focus areas

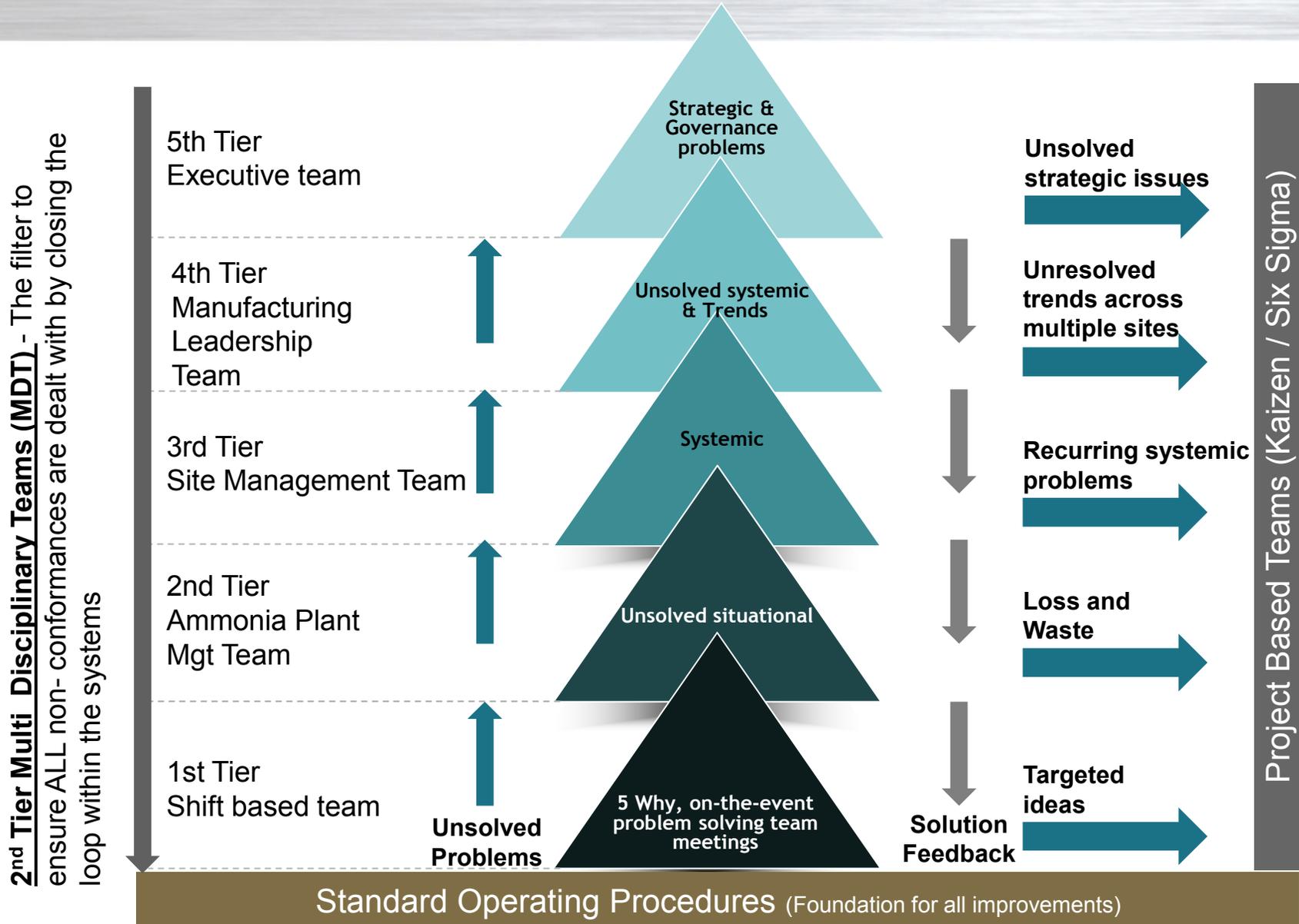
- Operational and functional strategic initiatives
- Operational and functional leadership capability
- Opportunities within operational and functional systems

A3 template for Ammonia Plant. The template is divided into sections: BACKGROUND, BUSINESS CASE, CURRENT STATE, TARGET STATE, ACTIONS, and METRICS. The text "Ammonia Plant" is overlaid in the center.

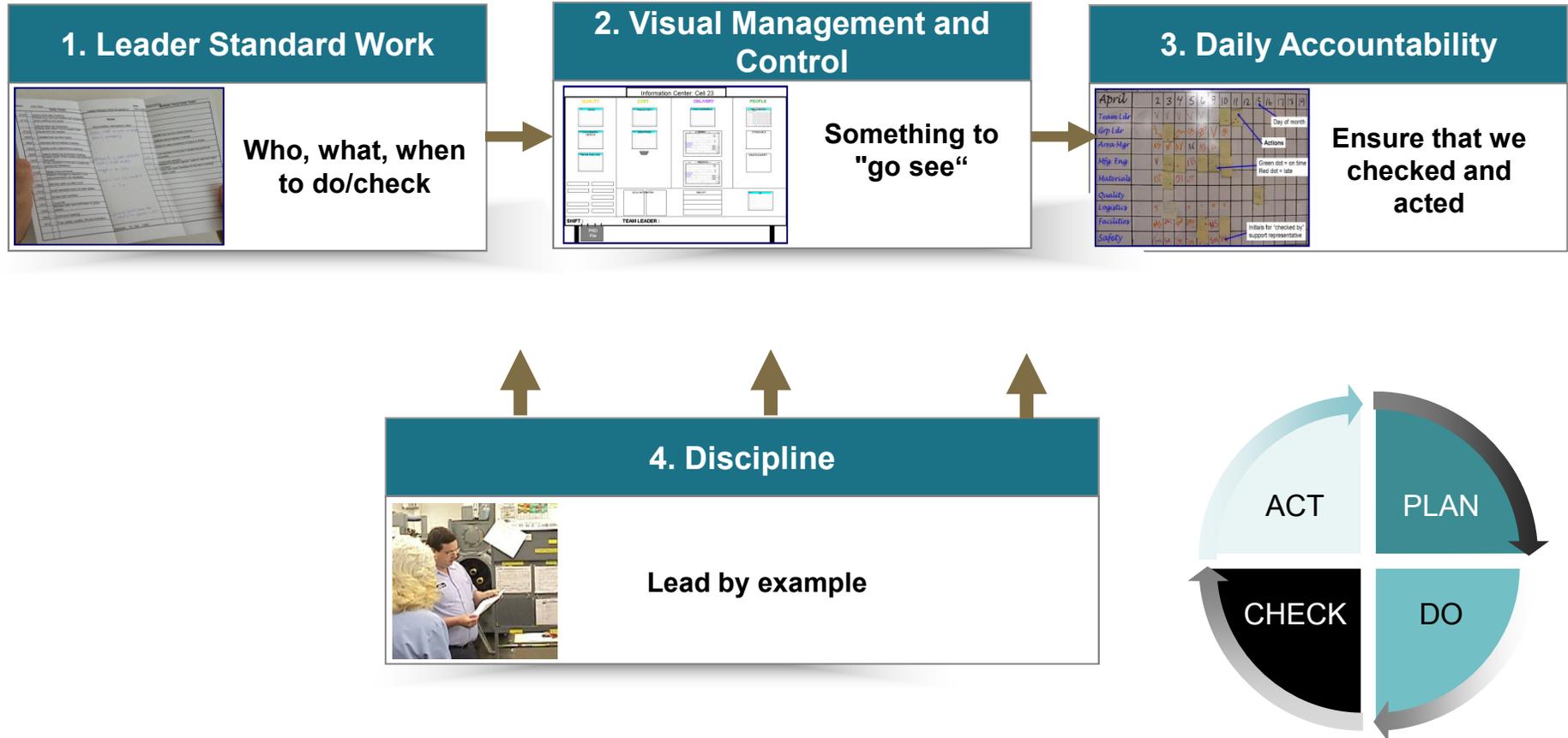
## Defining situational focus areas

- Plant focus area value add initiatives
- Team capability
- Opportunities for improvement at the value add layer

# Problems solved at the right level



# IPL's daily management system



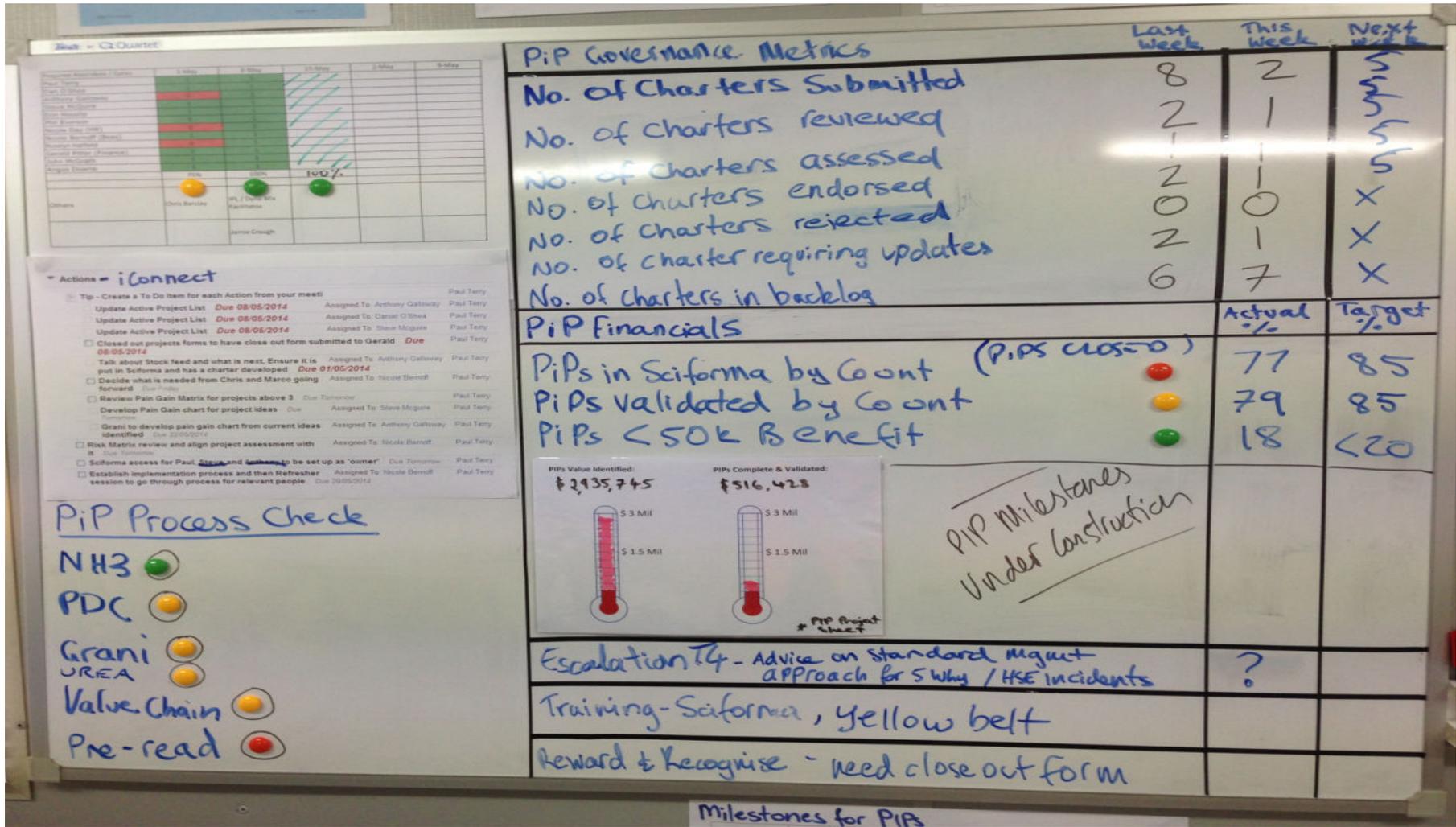
# Wolf Lake visual management video

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Dyno Nobel

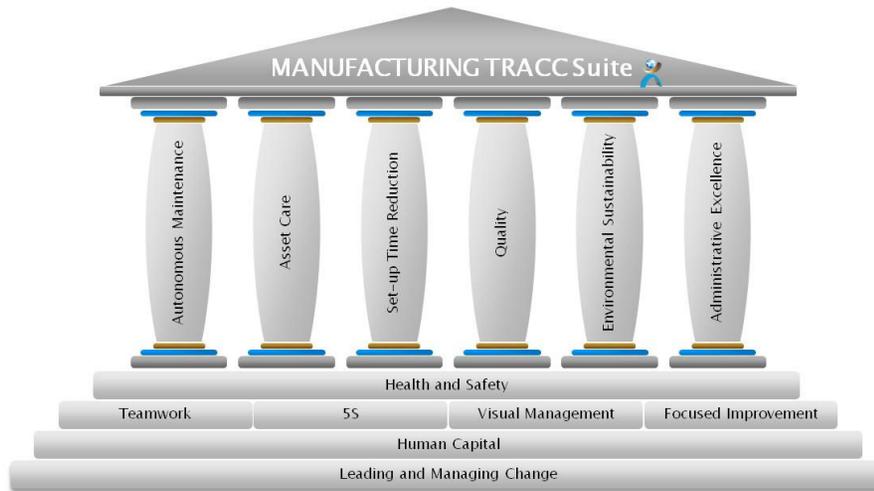
**G r o u n d b r e a k i n g P e r f o r m a n c e**<sup>®</sup>

**BEX**  
BUSINESS EXCELLENCE

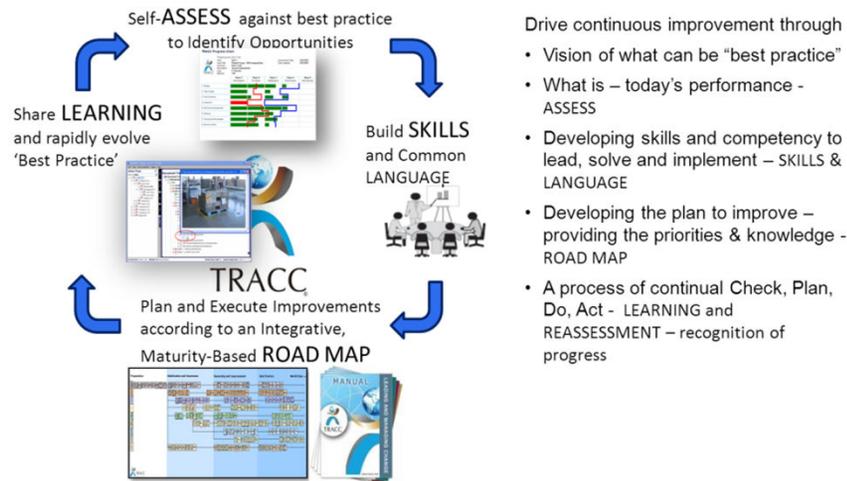
# Improvement projects a core focus of all teams



# Monitor business system maturity against a model of world's best practice



- Rigorous assessments determine progress and forward path in the development of the business system as part of PDCA cycle



### 7. BEx Progress & Delivery – AFISM

**BEx Progress & Maturity**

Control/Target	Apr	May	Jun	Jul	Aug
Autonomous Maintenance	Green	Green	Green	Green	Green
Asset Care	Green	Green	Green	Green	Green
Set-up Time	Green	Green	Green	Green	Green
Quality	Green	Green	Green	Green	Green
Environmental Sustainability	Green	Green	Green	Green	Green
Administrative Excellence	Green	Green	Green	Green	Green

**D P T**

**Notes:**

- Health & Safety TRACC under review to determine applicability to asset & general safety culture
- Asset Care: Safety changes in place at foundation TRACCs
- Confirmation of roles and responsibilities required for asset care integration

**Risks and Opportunities**

- D - AFISM AS & Master Plan set for review in July
- D - Establish the links between SS and operating discipline
- D - Health and Safety TRACC not 'ownership' by teams (a steering committee or zero harm councils)
- D - Asset Care - Roles & responsibilities require clarity (AC, P&S, maintenance & operations)
- P - PIP governance teams raising (project resourcing) as a constraint to PIP delivery
- P - Management of Change process not standardised and not 'instilled' by Aus Manufacturing when change is being introduced to sites by functional areas
- T - Leadership - Drive coaching, TA and TB lead by example
- T - Operating discipline - relatively scattered approach to implementation of standard work at T1, T2 & T3

**Financial Benefits Delivery - (Soforms)**

YTD Actual: \$15.48 mil (+\$5.55 mil)

FY 2014 forecast \$19.99 mil (+\$4.01 mil)

Full Year Target \$14 mil

Gap To Target +\$5.99 mil

2014 Hopper \$24.13 mil (+\$4.06 mil)

2015 Hopper \$14.64 mil (+\$2.2 mil)

**Key Actions**

Action	Owner	Date
UPRIP SS & Master Plan review to be completed and published	WW	July 14
Review safety TRACC to determine applicability to UPRIP	DJMT	July 14
Build and implement processes to support PIP execution, resourcing & authority levels	WWMT	July 14
Review and implement a standard management of change process for UPRIP	WWMT	July 14
Agree prioritisation of SS TRACC and establish 'best TRACC' focused approach to deployment	MT	July 14

**DYNO** Dyno Nobel

\* CCI ©



*Questions ?*



# *Morning Tea Break*

Groundbreaking Performance Through Practical Innovation

# *Dyno Nobel Asia Pacific*

**Simon Atkinson**  
President, Dyno Nobel Asia Pacific & Global  
Technology

# Content

- DNAP Business Overview
- Demand/Supply Overview
- Business imperatives
  - HSE
  - People
  - BEx in DNAP
  - Value-in-Use



# Business overview

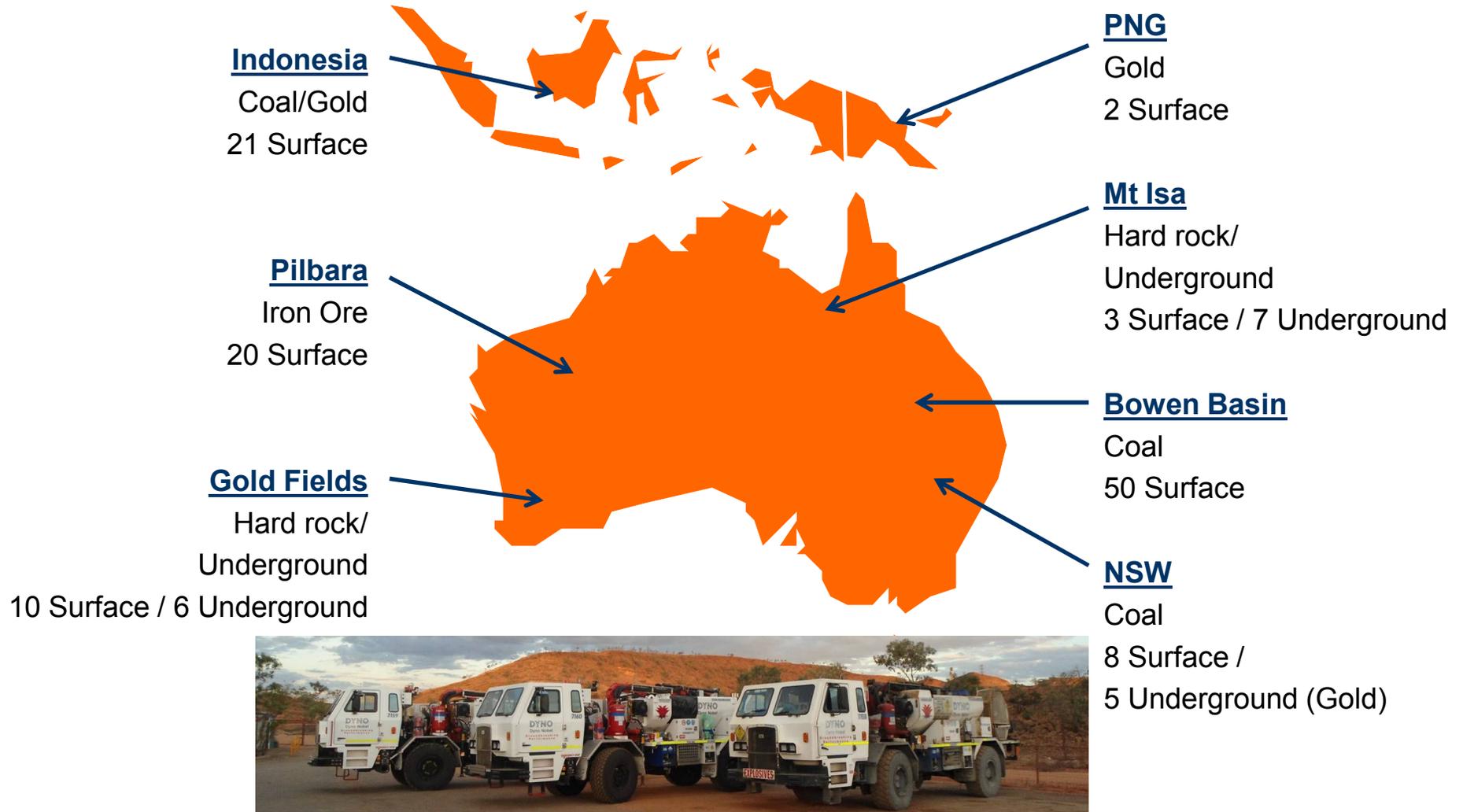
## Customer Aligned Business Streams



Business Unit	Primary Customer Segment
East	Coal
Central	Hardrock & Underground
West	Iron Ore / Gold
Indonesia	Thermal Coal
Europe	Quarry & Construction

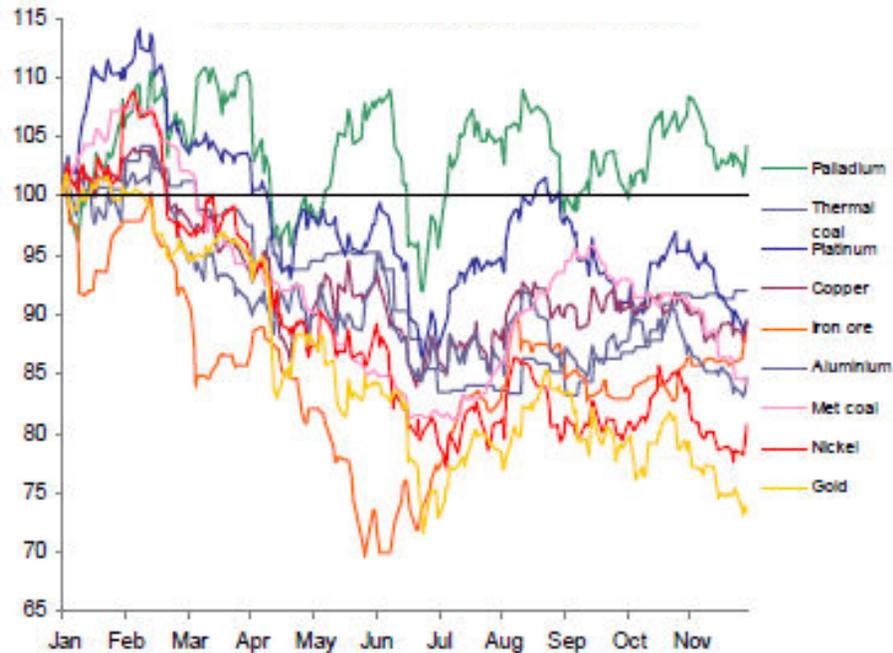


# Comprehensive range of delivery systems & service



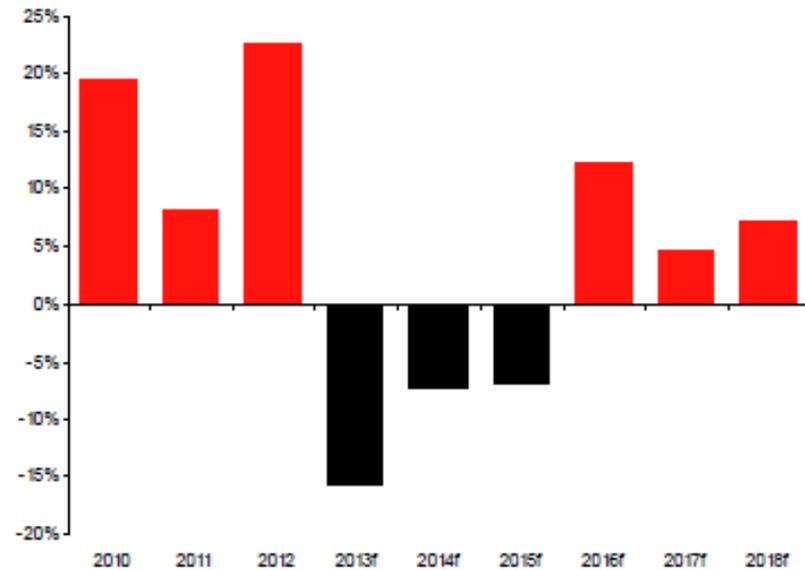
# Demand and mining growth capex

**Commodity price history, 2013 Calendar Year**  
2013 Indexed



Commodity prices continued to fall in 2013 and 2014

**YoY changes in global mining CAPEX**  
2010 - 2018

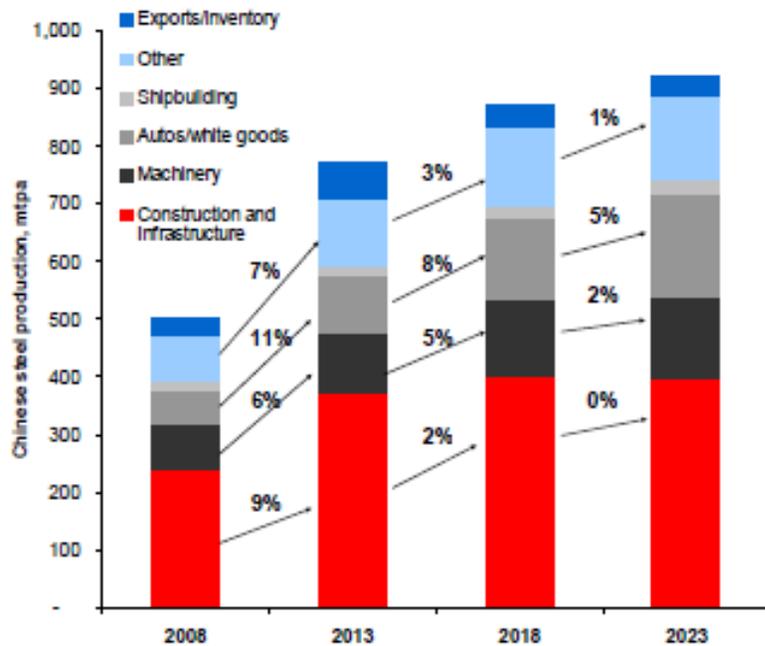


...resulting in a continued reduction in mining growth capex over the period 2013-15

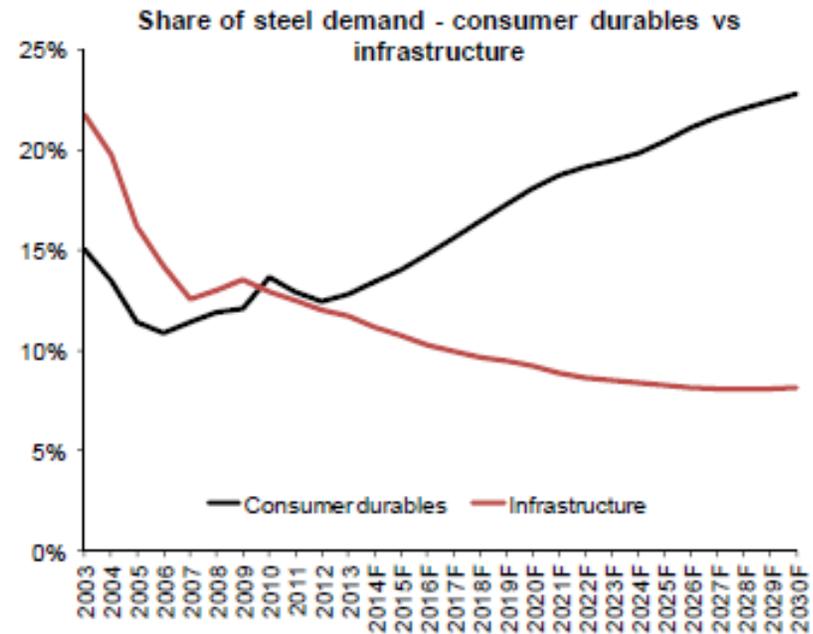
Source: Analysts reports, Dec 2013 & May 2014

# Commodity growth driven by new end-use sectors

**Steel production by end-use sector**  
2008 - 2023



**Share of steel demand – consumer durables vs infrastructure**  
2003 - 2030



**A shift to more consumer driven demand in the steel sector**

Source: Analysts reports May 2014

# Historical and forecast demand

	<u>Recent growth 2009-2013</u>	<u>Forecast growth Next 5 years</u>
<b>Bowen Basin</b>	7%	2 - 3%
<b>Hunter Valley</b>	11%	2 - 3%
<b>Pilbara</b>	+20%	10%
<b>Indonesia</b>	9%	2%

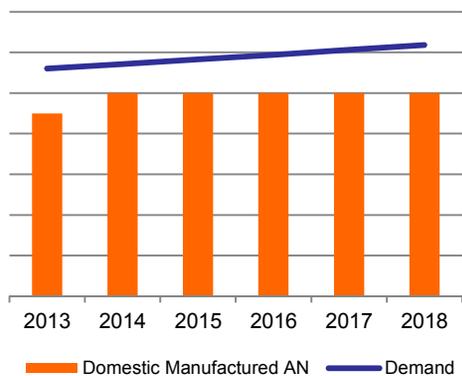
**AN demand growth will slow over the next 5 years relative to the previous 5 years**

Source: Consensus external analyst reports, 2014

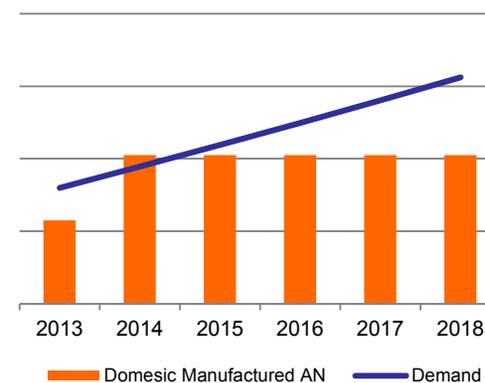
# Ammonium nitrate supply & demand



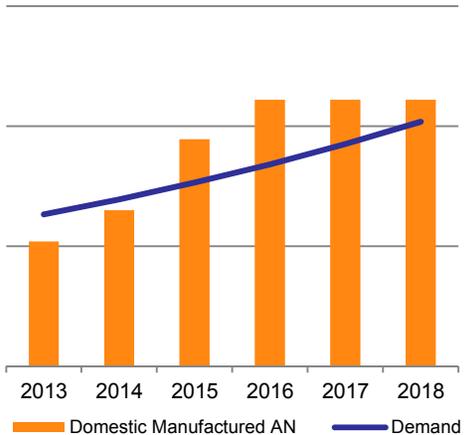
**Indonesia  
AN, ktpa**



**East Coast, Australia  
AN, ktpa**



**West Coast, Australia  
AN, ktpa**



Source: Consensus External Analyst Reports, 2014

# Our safety

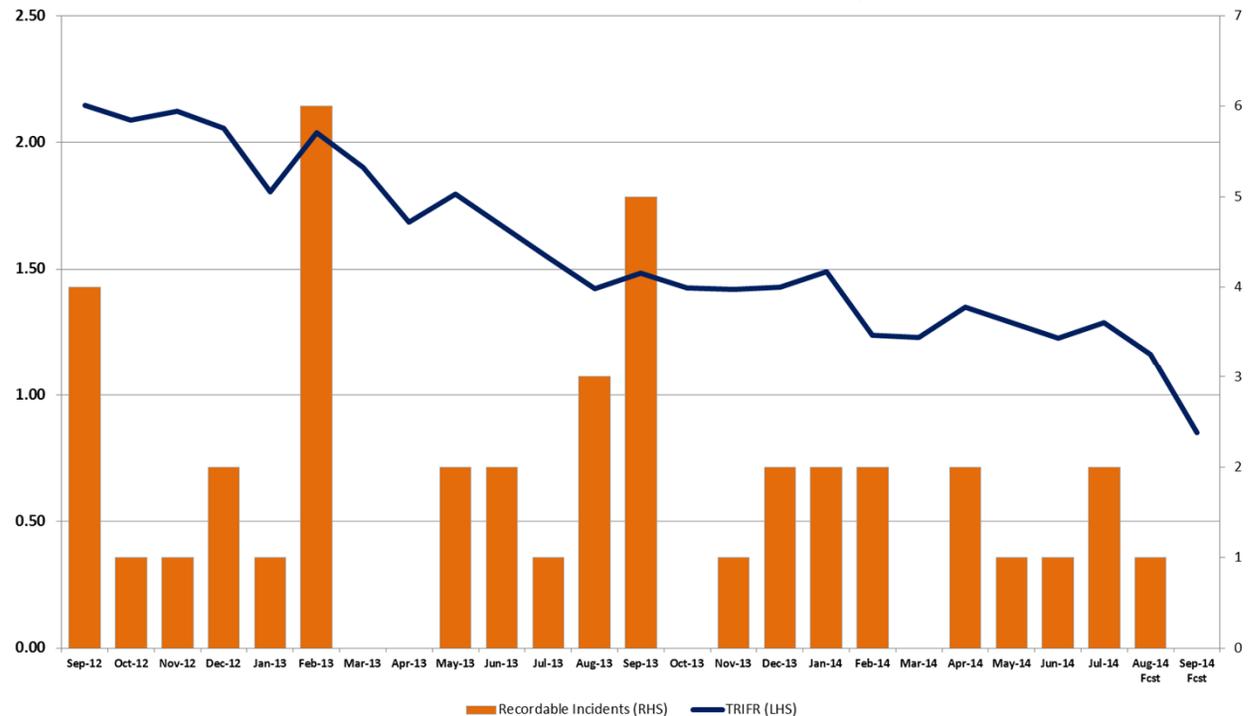
## An improvement in all safety key performance indicators in 2014

### Critical focus area:

- Safe Act Observations – 117% increase in number of recorded observations
- TAKE 5! – 61% increase in personal risk assessments completed
- Near Miss & Hazard Reporting > 300:1 (DuPont best practice 100:1)

### Key performance indicators:

- No fatalities
- TRIFR – YTD 0.90 (target 1.05)
- LTIFR – 12MMA\* 0.31 (28% improvement)



\* Moving monthly average

Source: Dyno Nobel Internal Analysis

# Our people - world class expertise

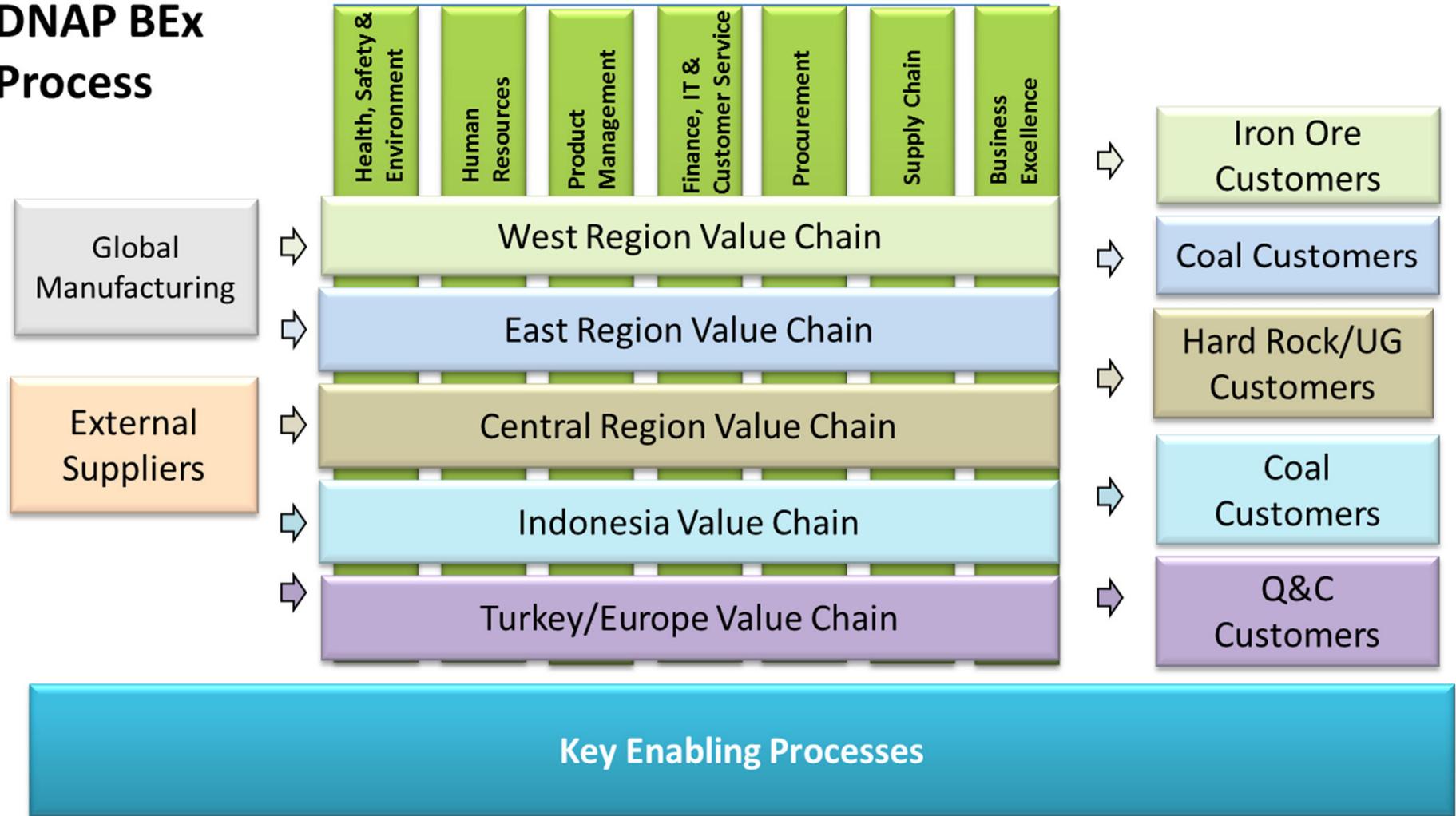


# Our people



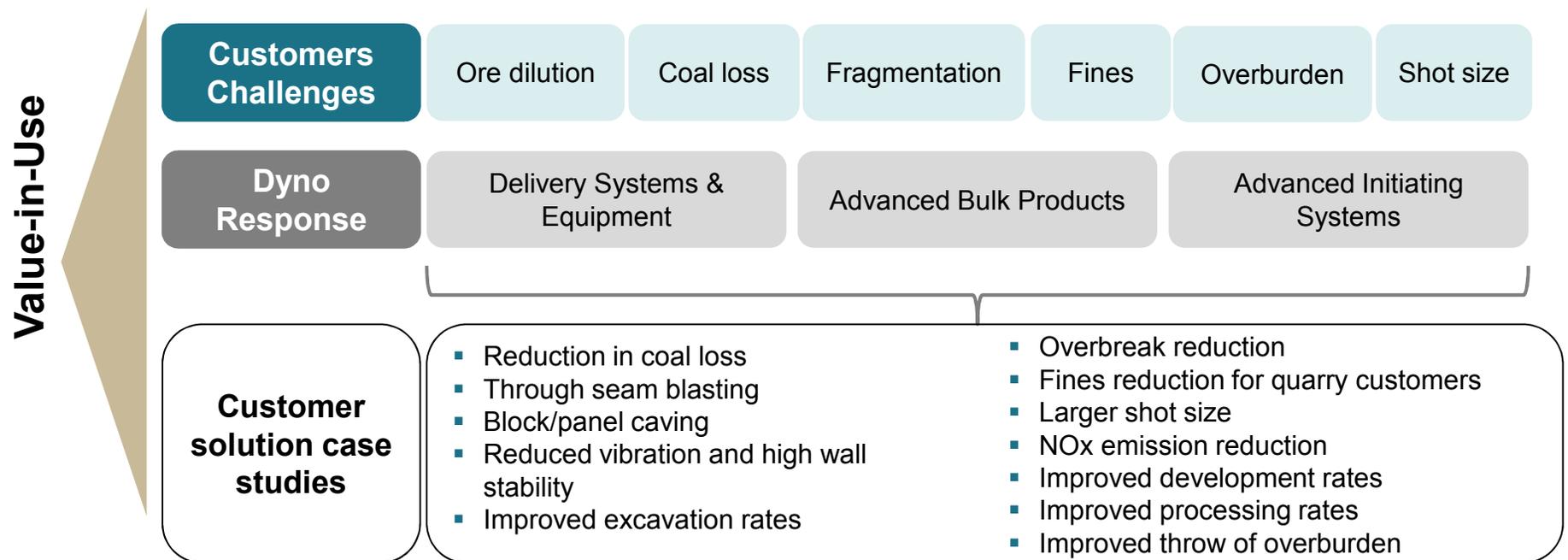
# BEx – continuous improvement business system

## DNAP BEx Process



# Our customer driven solutions: *Value-in-Use*

- Dyno Nobel has an extensive global program, delivering practical customer solutions for its customers for over 30 years
- Recognised as leading innovators and technology providers across the industry
- Value-in-Use is driven by a collaborative approach to site specific customer needs and challenges



***Ground-breaking performance through practical innovation***

# In summary

- DNAP is connected to Australian miners of world class mineral resources close to Asia
- Now at a tougher time in the cycle
- DNAP is a good business with good assets, great customer focused people, technology and services



Groundbreaking Performance Through Practical Innovation



***Products, Services & Technology***

**Rob Rounsley**

Senior Vice President, Global Marketing & Technology

# Why practical innovation?

## Our customers are facing many challenges

### Deposits have:

- Greater depth
- Declining ore grades
- Increased ore complexity
- Increasing costs to explore and mine

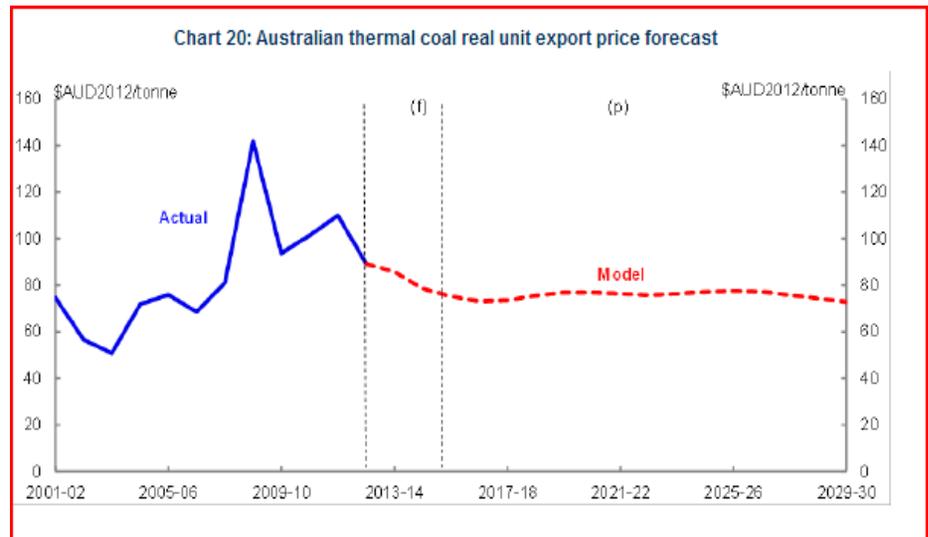
### Mining costs are on the rise due to:

- Energy
- Skills and labour shortage
- Rising material costs
- Increased regulation and environmental challenges



# Today's imperative

- In recent years our customers were focussed solely on output
- During this period explosives innovation was problematic as there were limited drivers for change
- Our customers now face operations with cost challenges, and as prices moderate, productivity and cost reduction is imperative
- Today our customers must embrace innovation to achieve the required productivity improvements

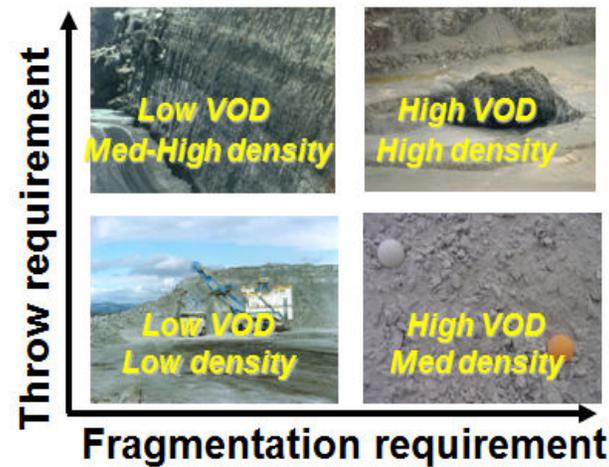


# Technology focus: practical innovation

## Delivery Systems & Equipment



## Advanced Bulk Products

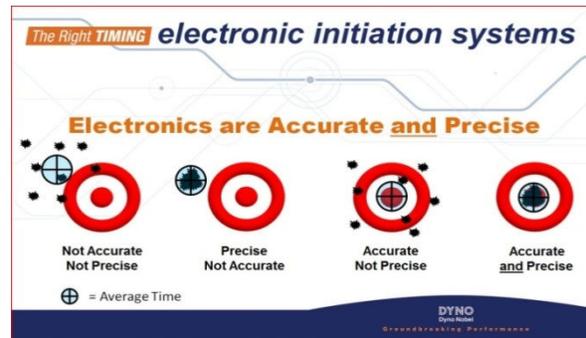
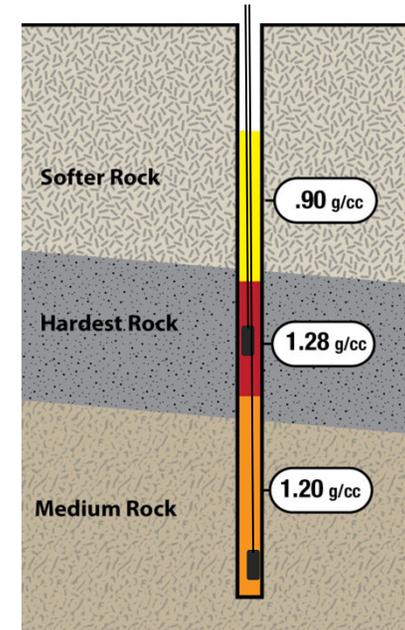


## Advanced Initiation Systems



# The Right SOLUTION

- The Right People
- The Right Energy
- The Right Timing
- The Right Outcome



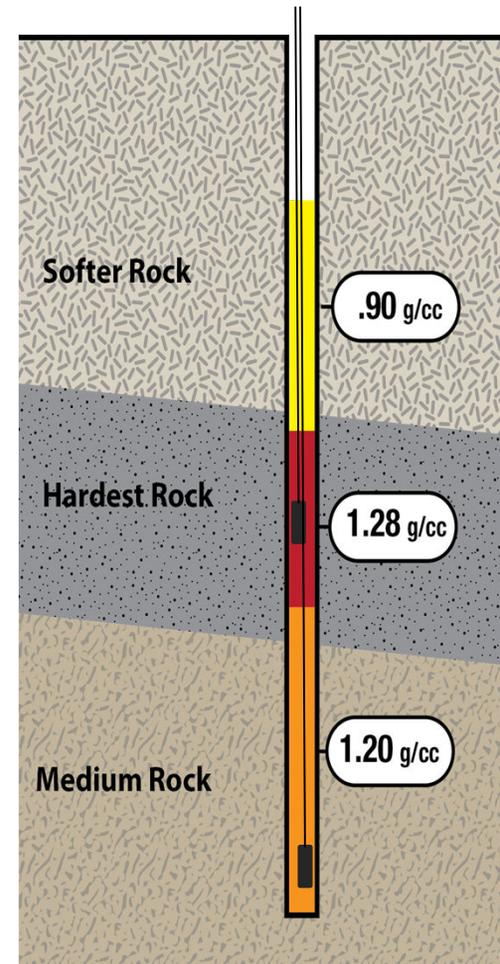
# *The Right PEOPLE*



# The Right ENERGY

## Precise placement of energy in the borehole has important advantages

- Reduce flyrock and improve wall stability
- Minimise post blast NO<sub>x</sub>
- Minimise possibility for groundwater contamination from explosives
- Optimise blast fragmentation



# *The Right ENERGY*



***CASE STUDY – U.S. Gold Operation (surface)***



# The Right **TIMING**

## electronic initiation systems for every application

**digishot**<sup>Φ</sup>

**digishot plus**<sup>Φ</sup>

**smartshot**<sup>Φ</sup><sub>TM</sub>

**geoshot**<sup>Φ</sup><sub>TM</sub>

**driftshot**<sup>Φ</sup><sub>TM</sub>

Small blasts –  
Surface & Underground

Large blasts –  
Surface & Underground

Largest blasts –  
Surface & Underground

Geophysical Exploration

Underground  
Development & Tunnelling

# *The Right **TIMING***

## *electronic initiation systems*

### **More Control of Operational Efficiency**



**Predictable  
Fragmentation**

**Crushing  
Costs**

**Load / Haul  
Costs**

# The Right **TIMING**

**Electronic Initiation System**

## **Automated Product Manufacturing**



**DYNO**  
Dyno Nobel

Groundbreaking Performance

# The Right **OUTCOME**

## Development Optimisation

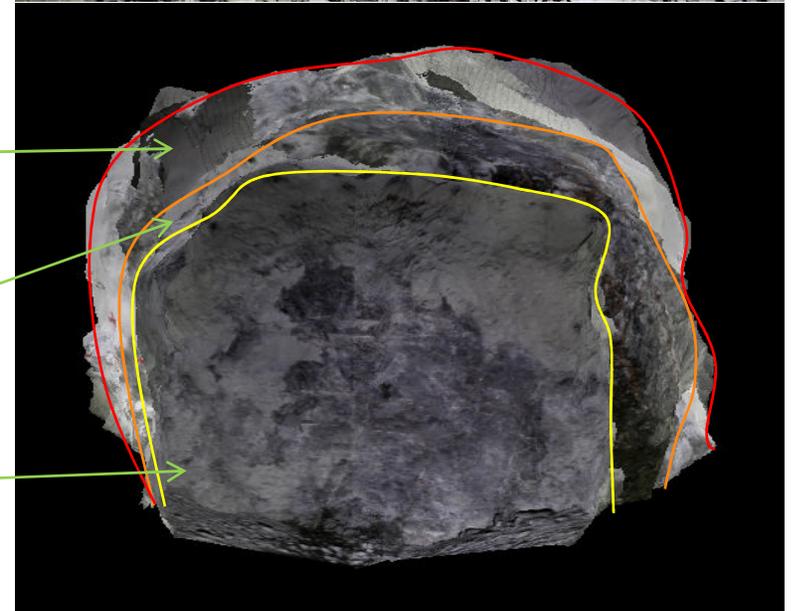
- Average overbreak of 4.45%
- Reduction to this figure puts project value at \$6m + for our customer
- Prominent half barrels on all fired faces
- Great control on breakthrough



Cut 1

Cut 2

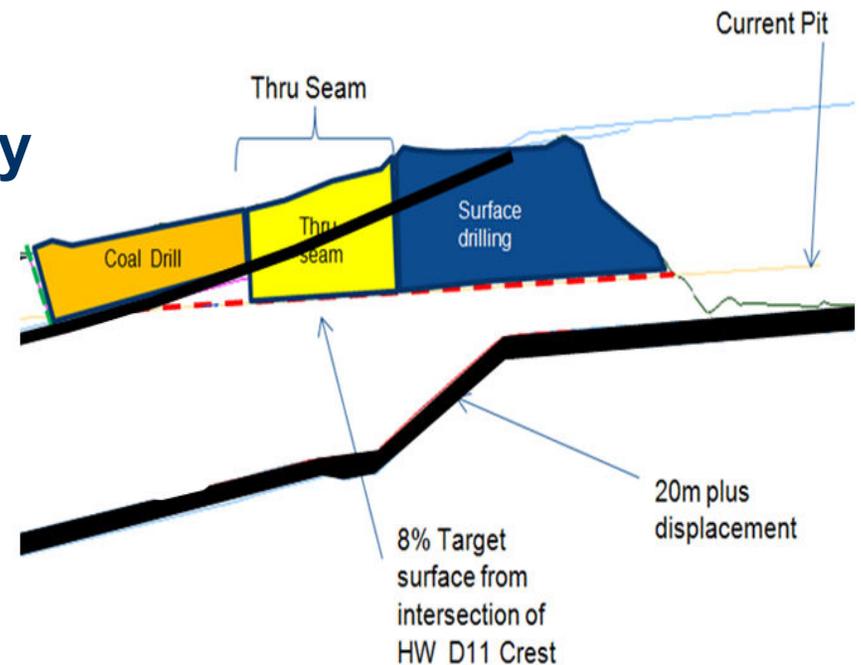
Cut 3



# The Right **OUTCOME**

## Through Seam Blasting Efficiency

- With the use of precision timing, the mine was able to recover coal in a pit that had been dormant for 15 years due to the challenge of steeply dipping coal seams
- The result was minimal coal loss combined with improved mining efficiency



# *The Right **OUTCOME***



# Questions ?



# Fertiliser Business

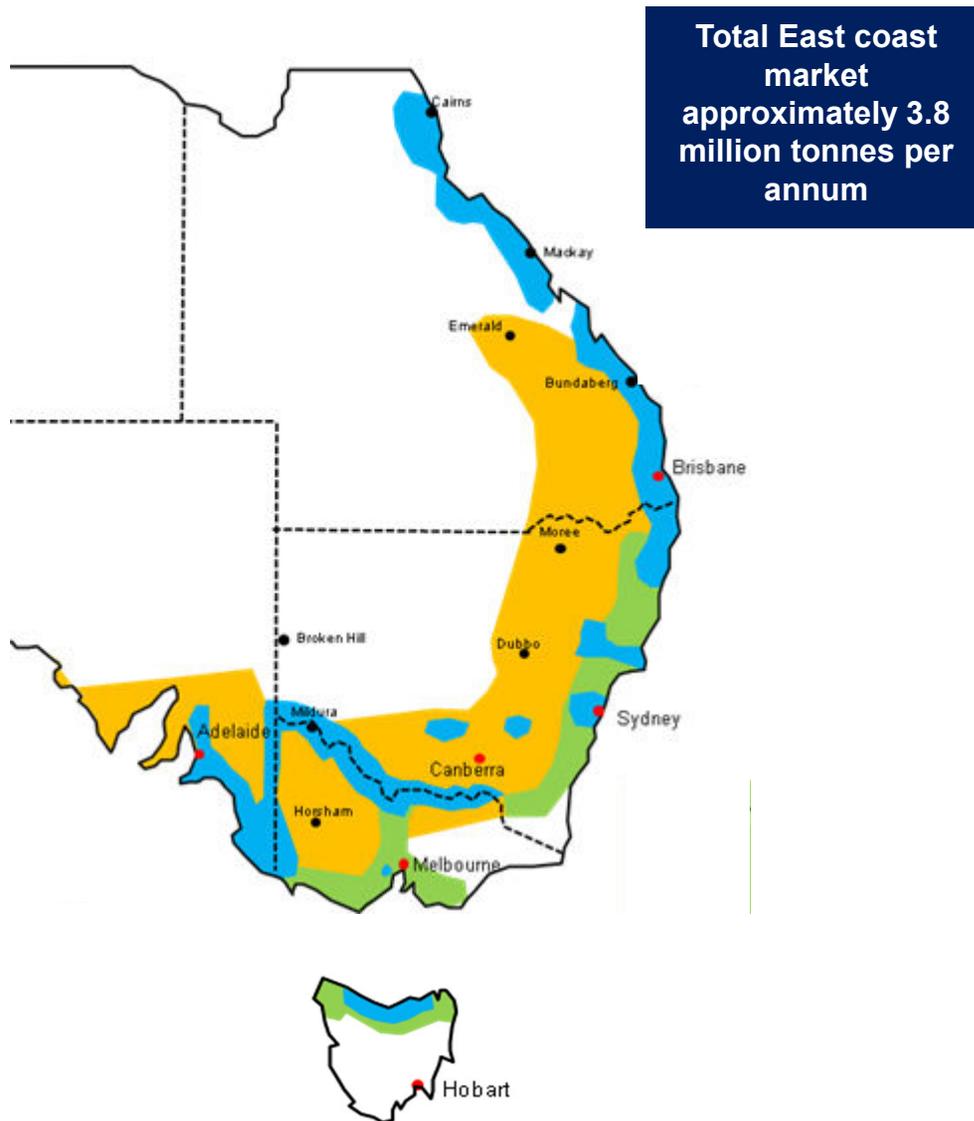
**James Whiteside**  
Chief Operating Officer, Incitec Pivot Fertilisers



# IPF: a strong business in a growth market

- Growing market segment: Soft commodities
  - Strong Asian demand
  - Crop productivity & fertiliser use
  - Australian agriculture is intrinsically competitive
- No.1 Distribution business in Australia
  - Privileged asset position
  - Stable market share
  - Profitable and solid return on capital employed
- Customer focus – innovation and technology
- Core Nitrogen skills, key to the group

# East coast Australian fertiliser market overview



## Horticulture (including sugar)

### Crops

- Citrus, bananas, tomatoes, potatoes, vines, nuts, fruits and vegetables, sugar cane.
- Fertilised to optimum levels, mostly irrigated.

### Volumes

- Approximately 17% of the East Coast fertiliser market.

## Broadacre

### Crops

- Winter crops (wheat, oats, barley, canola, lupins).
- Summer crops (sorghum, sunflower, soybean, rice and cotton).

### Volumes

- Approximately 52% of the east Coast fertiliser market.

## Extensive pasture (including dairy)

- Includes beef, wool, sheep meat.

### Volumes

- Approximately 31% of the east Coast fertiliser market.

# Seasonality of East coast Australian fertiliser market

Seasonality of dispatch



Market Segment	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Winter Crop Grains	Pre-Plant & Plant Ammonium Phosphates & Nitrogen Application (Wheat, Barley, Canola & Grain, Legumes)											
Sugar Cane	Sugar - Ratoon Application Blends, Nitrogen & MOP Application				Early Plant - Sugar Blends & Nitrogen Application				Sugar - Ratoon Application Blends, Nitrogen & MOP Application			
Pasture - Dairy - Beef - Sheep	Spring Pasture			Autumn Pasture Single Superphosphate, Blends & MOP						Spring Pasture NPK & Nitrogen Blends Application		
Summer Crop - Grains - Cotton	Plant Ammonium Phosphate Application		Top Dress Nitrogen Application		Pre-Plant Nitrogen Application (Cotton, Rice, Sorgum, Maize)				Plant			
Horticulture	Major Plant NPK & Liquid Blends Application (Citrus, Bananas, Tomatoes, Potatoes, Vines, Nuts)			Major Plant NPK & Liquid Blends Application								

# Incitec Pivot Fertilisers products

## Bulk manufactured, imported & exported fertiliser



Commodities (MAP, DAP, Urea, SSP, Gran-Am, Muriate of Potash, Sulfate of Potash, Triple Super)

## Gas



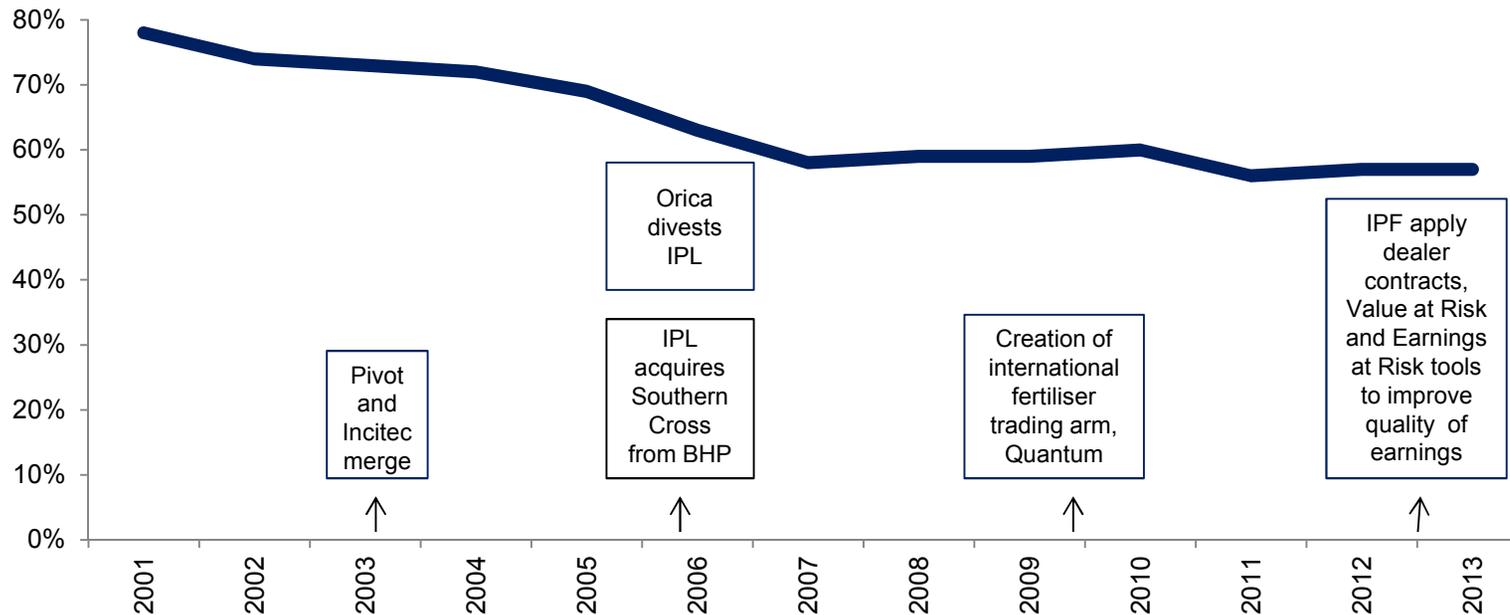
Big N and associated services, ideal for trapping nitrogen in the ground so it is there when needed

## Liquids



EASY Liquids range provides farmers the flexibility to store on farm and use through their own equipment as required

# IPF market share trend in East coast Australian marketplace

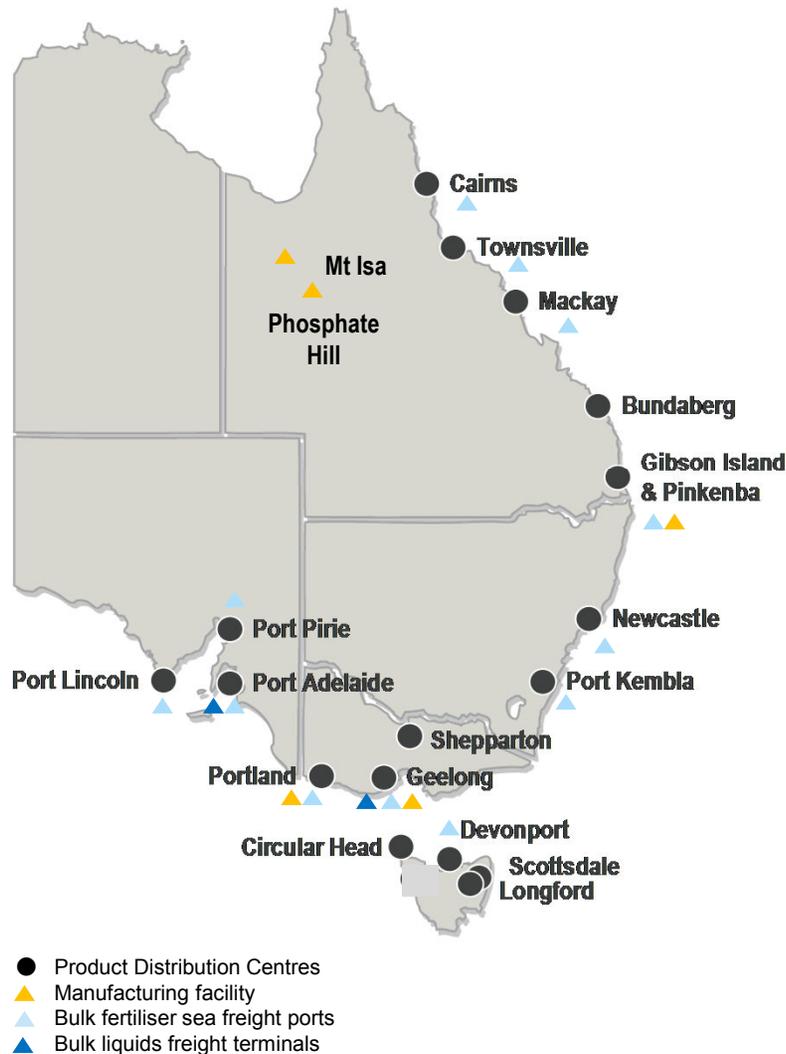


The domestic market has experienced a number of changes, with high levels of activity in the competitor space over the trend period. Recent trends in:

- Acquisition of domestic distribution assets by international players
- Several ownership changes and rationalisation
- Suppliers and distributors exploring opportunities for vertical integration

Despite this constant change, IPF has been able to hold market share over the past few years, and so retain scale to ensure sustainability and profitability

# IPF East coast Australia distribution network



- IPF is the largest supplier of inputs into agriculture in East coast Australia.
- Largest network of distribution facilities that store, bag, blend and dispatch bulk fertiliser, liquids and Anhydrous Ammonia.
- The BIG N infrastructure of depots, linehaul and depot to farm ensures safe and efficient delivery of an exclusive product.
- IPF sells through a comprehensive network comprising more than 300 dealers.
- This is supported by an on the ground sales force, customer service team, and agronomy specialists with a strong focus on key account management.

# IPF has multiple buy and sell channels to market to create optionality and to reduce demand risk



**Import**

**Manufacture**

**Seaboard distribution assets**

**Export**

IPF	Industrial	SCI	Quantum
-----	------------	-----	---------

Upcountry distribution to farmers via extensive network of agents and dealers, supported by key IPF initiatives such as:



Online portal to simplify transactional activity. Unique in East coast Australian agriculture.



Major provider of soil, plant and water analytical services in East coast Australia.

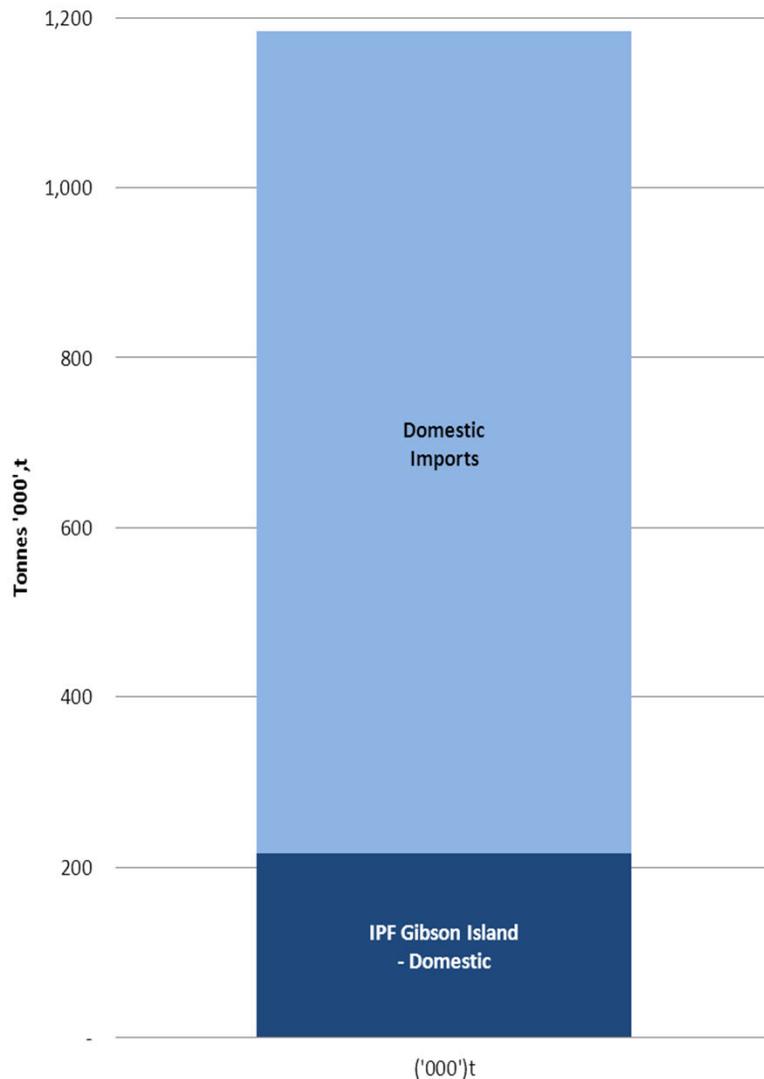
Secures demand to maximise value of production and drives utilisation efficiencies of manufacture and infrastructure, such as terminals and line haul.

A wholesale capability to maximise domestic sales of manufactured product and optimise import shipment sizes.

International trading operation that places export tonnage and sources alternate supply.



# IPF operates the only granular urea plant in Australia (Brisbane Queensland)



\*ABS Imports / IPF Sales Tonnes

## Strategic value

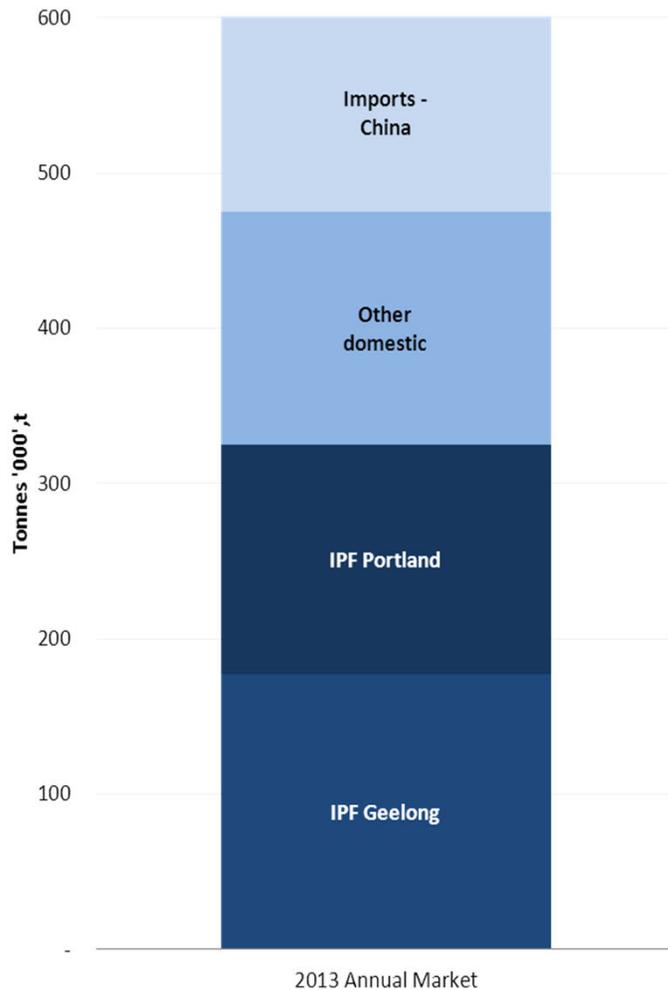
- Only supplier of Big N (anhydrous ammonia) to East coast Australian market.
- Gibson Island provides IPF with a direct presence in the key agriculture hub of Southern QLD/Northern NSW.
- Provides an ability to move into multiple downstream applications (Big N, Urea, Gran Am, industrial ammonia).

## Challenge

- Access to affordable gas from circa 2019.



# IPF operates 2 Single Super Phosphate plants (Portland & Geelong, Victoria)



## Strategic value

- Location of facilities gives them direct access to key dairy and pasture markets.

## Challenge

- Product facing overcapacity and threat of imports.
- Project underway to drive efficiencies and lower costs.
- Strategic review to optimise asset configuration.

IPF Portland plant



IPF Geelong plant



\*ABS Imports / IPF Sales Tonnes

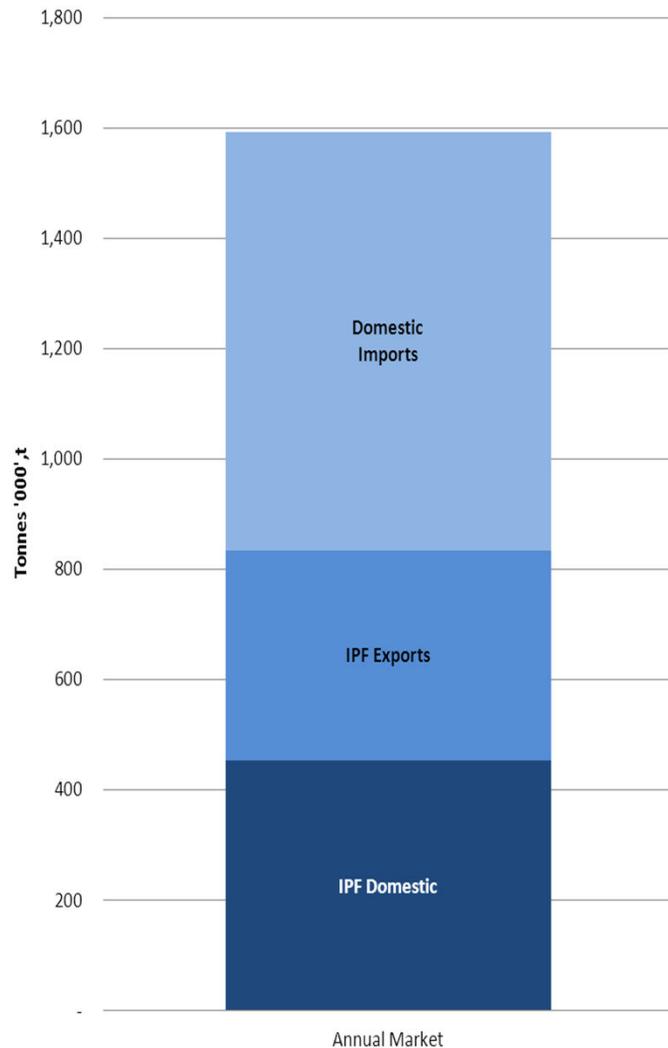
# IPF operates Australia's only Ammonium Phosphate plant (Phosphate Hill, Queensland)

## Strategic value

- Significant and quality Phosphate rock reserve
- Fully integrated facility well placed to service Australian, Asian and Latin American markets.
- Purchased in 2006 and has delivered approximately A\$1.5b EBIT to the IPL Group to date.

## Challenge

- Impact of gas cost increase from February 2015.
- Sulphuric acid supply post Glencore/Xstrata's announced copper smelter closure in 2016



\*ABS Imports / IPF Sales Tonnes



# Phosphate Hill – pathway to the 3<sup>rd</sup> quartile



- Goal is to reach 3<sup>rd</sup> quartile
- At \$400/t target with increased gas costs, Phosphate Hill can be competitive on the global cost curve.
- We have work to do, but there is a pathway - a project is underway to optimise efficiencies and reduce costs and to align the output of the plant with the needs of the global market.
- We are using the BEx tools to drive process improvement and efficiencies across the value chain.

# BEx is how we drive business improvement in IPF

## Opportunity

Transactional excellence as a source of competitive advantage

Elimination of waste generates value for our customers and reduces the cost base.

Risk management is essential to deliver stable earnings

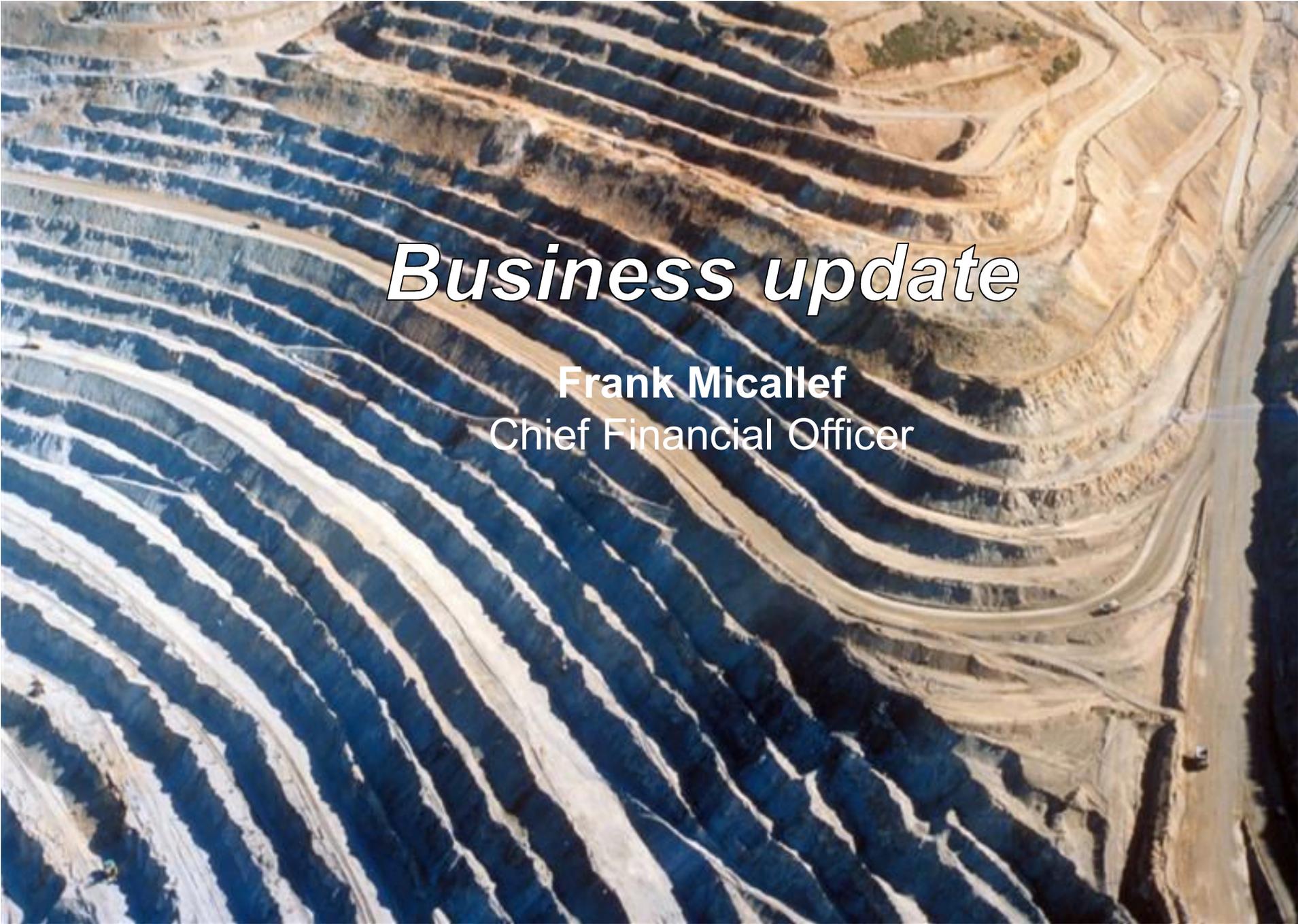
Change is sustained when it becomes embedded in “how we do things”

## IPF's response

- Understanding “value” as defined by our customer and turning this knowledge to a competitive advantage.
- Developing Standard work, a tiered management system, problem solving skills and measuring performance metrics our customers tell us are important
- Integrated systems to reduce waste and provide a holistic view
- Building the structures and capabilities in the business to ensure change is sustained and we develop a learning culture



*Questions ?*



# ***Business update***

**Frank Micallef**  
Chief Financial Officer

# Strategic reviews underway

- **Turkey business (Nitromak)**
  - deteriorating market conditions
  - book value \$83m\*
- **Investment in Fabchem China Ltd**
  - AN supply/demand balance in China
  - book value \$28m\*
- **Single Super Phosphate manufacturing**
  - gradual decline in use
  - high \$A and manufacturing in Australia
  - book value \$54m\*

No decisions have been made

*\*Book values as at 31 July 2014*

# Fertilisers outlook

- Weather conditions have been tough in Northern NSW and Qld
  - NSW & Southern Qld – Drought impacted cotton and grain
  - Qld cane market – Wet weather in August delayed the start of the market
  - Southern NSW, Vic & SA – 10 day frost impact on winter top dress
- Economic drivers, being soft commodity prices and the AUD are also dampening demand for fertilisers in Eastern Australia
- Global fertiliser prices have lifted recently. However, the domestic market is long which has restricted price movements.
- Cotton and winter crop top dress are both down. This will impact:
  - Distribution volumes - down to circa 1.8mt
  - Distribution margins - flat
- Phosphate Hill
  - 2014 tonnes outlook is approximately 770kt
  - Turnaround emergent work at top end of range
  - Running well post ramp up – July 81kt, August 92kt

# DNA outlook

- Explosives 2014 second half volume outlook

**Coal:** 1- 2% growth as compared to second half of 2013

- recovering and restocking slowly in the second half
- Appalachia is very tough

**Quarry & Construction:** 4% growth as compared to second half of 2013

- growth is becoming more consistent
- outlook improving

**Metals & Mining:** flat as compared to second half of 2013

- Segment is impacted by depressed commodity prices

- Lower global IS volumes experienced in first half has continued into second half

- St Helens will be impacted by the lower Urea prices in the second half as compared to second half of 2013

- Weaker CAD to USD, has approximately \$4m adverse USD EBIT impact in FY2014

# DNAP outlook

## ■ DNAP

Moranbah to deliver its 300kt of AN and full year EBIT of \$100m to \$110m

All mining markets are tough:

- Volumes continue to be down in Hard Rock, Underground, PNG & Indonesia
- Some block cave expansions are drawing to a close
- Prices are under pressure in Western Australia
- Service revenue is under pressure as customers insource

# Overhead reduction program

- **Overhead Reduction Program**

- The \$20m overhead reduction program is complete
- Savings are on track, the majority will be delivered in 2014
- Approximately \$10m implementation cost in 2014

*Questions ?*



*Thank you for your  
attendance*

*Please join us for lunch*

