

Incitec Pivot Limited

MEDIA STATEMENT

IPL RELEASES RESULTS FOR THE HALF YEAR TO 31 MARCH 2016

Taking Action to Meet Challenges

10 May 2016

2016 Half Year Summary:

- NPAT of \$31.5 million, including a \$105.6 million non-cash impairment to the asset value of the Gibson Island fertiliser manufacturing plant
- NPAT before impairment of \$137.1 million, down 6.4% as compared to the previous corresponding period
- Zero Harm: Total Recordable Injury Frequency Rate improved from 0.81 to 0.66
- BEx (Business Excellence) productivity benefits of \$22.5 million delivered
- 501,000 tonnes of ammonium phosphates produced at Phosphate Hill including three record production months
- Record Moranbah production of 174,288 tonnes of ammonium nitrate equivalent along with the plant's one-millionth tonne manufactured in this half
- Strong balance sheet maintained
- World-scale Louisiana ammonia project 97% complete
- Efficiency program accelerated to deliver \$100 million in sustainable cash savings by 2017

Incitec Pivot Limited today reported Net Profit After Tax (NPAT) of \$31.5 million for the half year ended 31 March 2016, including a \$105.6 million non-cash impairment to the asset value of Gibson Island. NPAT excluding the impairment was \$137.1 million, a decrease of 6.4% period on period. IPL also announced an interim fully franked dividend of 4.1 cents per share maintaining a payout ratio of 50% of NPAT before the impairment.

IPL Managing Director & CEO, James Fazzino commented that this was a sound result in an extremely challenging environment, with underlying EBIT¹ flat period on period but for the impact of the previously disclosed derailment of a train on the Townsville to Phosphate Hill line in December 2015.

"Our first half results underscore the resilience of the business, particularly given the pronounced resources sector downturn and decline in global fertiliser prices. Our performance validates decisions taken over the past several years to position the Company to respond to market conditions.

"In 2011, we identified the productivity challenge confronting Australia and our solution was to implement BEx, our continuous improvement program, which has delivered significant benefits in maintaining the competitiveness of our Australian plants.

"At the same time, we foresaw the future economic impact of the shale gas revolution in the US and seized a classic first mover advantage with the decision to develop a world-scale ammonia plant in Louisiana. Today, US gas prices sit at around US\$2.00/MMBTU and our investment thesis remains intact.

"I'm pleased to report that the Louisiana project is on budget and on track to commence beneficial production in the third quarter of the calendar year. Reaching this milestone will be a transformative step in IPL's evolution from an Australian fertiliser cooperative to a global diversified industrial chemicals business, a journey I am proud to be leading.

"Notwithstanding these accomplishments, our continued focus is on aligning our business to market conditions. The industries we serve face significant medium to long-term structural and cyclical challenges, and we must effectively manage those factors which are in our control to meet our customers' expectations.

"To do this, we have accelerated our BEx program to deliver \$100 million in sustainable operating cost and cash savings by 2017. Through this program, we have already reduced Phosphate Hill gas costs by approximately \$20 million a year from 2017, and a further \$35 million per year from 2019.² What's more, we have completed or are progressing procurement contracts that are expected to further reduce Phosphate Hill costs by approximately \$10 million per annum from 2017."

Mr Fazzino said the decision to impair the asset value of the Gibson Island plant reflects the ongoing challenges facing energy-intensive trade-exposed manufacturing in Australia.

"We need to lower Gibson Island's non-gas costs so we are globally competitive by the end of 2016. This will ensure we are in a position to assess a long term commitment to gas as a feedstock for the manufacturing plant and plan for the next maintenance turnaround with its potential substantial investment.

"I'm passionate about the future of our 200 employees who run the plant, the hundreds of contractors and small businesses who support the plant, and the Queensland farmers who rely on the unique fertilisers produced by the plant.

"We need broad support comprising our people, our customers, our farmers, our contractors and suppliers - including the gas companies - and Governments, to pull together on what we call the Mission to Save Gibson Island."

Mr Fazzino praised IPL employees whom he said continue to produce results in difficult circumstances, improving safety and driving sustainable efficiencies and manufacturing reliability.

"I am delighted to announce that Phosphate Hill produced 501,000 tonnes of ammonium phosphates in the first half, which included three record production months. Were it not for the train derailment, the plant would be on track for another record year.

"I am equally delighted to report that the Moranbah plant produced a record 174,288 tonnes of ammonium nitrate in the half and delivered its one-millionth tonne earlier this month.

"The Company's balance sheet remains sound. Net debt is well within our target range despite capital expenditure of US\$712 million to date on the Louisiana project."

Notes

1. Underlying EBIT is EBIT excluding Individually Material Items.
2. As at time of announcement.

For more information

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