

Incitec Pivot Limited

INNOVATION ON THE GROUND

Business Update

11 September 2023

Incitec Pivot Limited (ASX:IPL) today provided an update on its FY23 financial and operating performance. The Company confirmed that its overall Group financial performance remains broadly in line with the outlook that was previously provided in May 2023¹. The global Dyno Nobel explosives business is performing ahead of expectations while the Incitec Pivot Fertilisers business performance is below expectations. Further details are provided below:

Dyno Nobel Explosives

As indicated at the half-year results presentation², underlying earnings from the global explosives businesses are expected to be favourably skewed to the second half³. Dyno Nobel Americas' focus on price and cost discipline in the explosives business has favourably impacted margins in the second half of the year. The re-contracting of Dyno Nobel Asia Pacific customers is progressing well and in line with previous guidance.

Explosives Manufacturing Performance

- Waggaman: Expected to achieve nameplate capacity in FY23 in line with previous guidance⁴.
- Moranbah: Achieved strong production to date. Expected to achieve 360kmt-370kmt in FY23, significantly ahead of previous guidance⁵.

Incitec Pivot Fertilisers

Earnings in the Distribution business are expected to be at the lower end of the usual range of \$40m-\$60m⁶. The second half of the financial year has seen an improvement in demand resulting in forecast full-year sales volumes being substantially in line with the prior year while margins remained depressed as a result of selling products into a negatively trending market and farmers switching to lower margin products.

Fertilisers Manufacturing Performance

- Phosphate Hill: Expected to achieve 870kmt-880kmt in FY23.
- Production: IPL's Phosphate Hill plant is supplied with sulphuric acid from the Company's operations in Mt. Isa, Queensland. A drying tower at the Mt. Isa site, which was due to be refurbished in a planned turnaround in FY24, has degraded faster than previously forecast.

¹ See "Outlook and sensitivities" of IPL's 17 May 2023 Half Year Profit Report at pages 14 and 15 and slide 25 of IPL's 2023 Half Year Financial Results Presentation dated 17 May 2023 (copies of which are available on IPL's website and www.asx.com.au).

² Refer footnote 1.

³ Favourable earnings skew applies to the DNA and DNAP Explosives businesses only, noting that WALA and Ag&IC results are exposed to the prevailing commodity prices during the period.

⁴ Refer footnote 1.

⁵ Refer footnote 1.

⁶ IPL has reported Distribution earnings as a separate line item since FY19. In that time, earnings have averaged \$51.2m with the lowest earnings being \$39.9m in FY19 and the highest earnings being \$59.6m in FY21.

In line with the Company's number one priority of 'Zero Harm', IPL has decided to prioritise the maintenance work in FY23. This work is expected to take approximately 3 weeks to complete. The maintenance activity will reduce the volume of acid being supplied to the Phosphate Hill facility. The decreased acid supply is expected to adversely impact ammonium phosphate (**AP**) production by approximately 30kmt in FY23. As a result, Phosphate Hill's AP production volumes for FY23 are now forecast to be between 870kmt-880kmt. The FY23 EBIT impact from the circa 30kmt reduced production is expected to be in the range of \$13m-\$15m, including the cost of repairs. Bringing the repair work forward is expected to reduce maintenance costs that would have been incurred in FY24 by approximately \$4 million.

- **Gas Supply:** Gas supply volumes under the long-term Gas Supply Agreement (**GSA**) with Power Water Corporation (**PWC**) for IPL's Phosphate Hill plant have been above the forecast provided by PWC in June 2023. IPL now expects the EBIT (earnings before interest and tax) impact from sourcing shortfall gas for FY23 to be at the lower end of the \$75m-\$90m range previously advised⁷.

The financial impact of the ongoing curtailments under the GSA (the agreement is to mid-2028) remain dependent on a number of factors including the actual level of the reductions in supply and the cost of alternative gas sourcing arrangements. IPL is progressing a number of alternative supply arrangement options and at this stage remains confident that it will be able to source the required volume of shortfall gas in the near term. IPL expects to provide further updates with its full year results announcement.

Structural separation of the Fertilisers business

IPL confirms that it is continuing to pursue a potential sale of its fertilisers business⁸. The sale process is progressing in line with normal expectations for a transaction of this size and complexity. Discussions are confidential and incomplete and there is no certainty that any agreement will be reached or that any sale transaction will occur. IPL will keep the market informed of any material developments as, and when, required.

Status of on-market share buyback

While IPL remains committed to commencing the previously announced on-market share buyback⁹ as soon as possible, the buyback will not commence while a potential sale process is in progress.

Waggaman sale

The completion of the sale of the Waggaman facility to CF Industries Holdings, Inc remains conditional on US anti-trust regulatory clearance. IPL remains hopeful that the US Federal Trade Commission's regulatory review process will conclude by the end of 2023¹⁰.

⁷ See IPL's ASX release "Gas supply update for Phosphate Hill plant" dated 6 June 2023.

⁸ For further details of the proposed structural separation of Incitec Pivot Fertilisers and Dyno Nobel, refer to IPL's 12 July 2023 ASX release.

⁹ Although it is IPL's current intention to complete the announced buyback, any purchases under the program remain at the discretion of the Company. IPL will continue to assess market conditions, its prevailing share price, and all other relevant considerations in respect of its previously announced buyback. IPL reserves the right to vary, suspend without notice, or terminate the buyback program at any time.

¹⁰ For further details of the Waggaman sale see IPL's ASX release dated 20 March 2023.

Commodity prices and exchange rate update

		FY23 forecast ¹¹
Fertilisers (Asia Pacific)		
Realised Ammonium Phosphate Price	US\$/mt	561
Realised A\$/US\$ Exchange Rate ¹²	A\$/US\$	0.72
Dyno Nobel Americas		
Ammonia Index Price	US\$/mt	653
Ammonia Realised Price	US\$/mt	554
Index Gas Cost	US\$/mmbtu	3.58
Realised Gas Cost (delivered)	US\$/mmbtu	3.67
Urea (FOB NOLA) Index Price	US\$/mt	437
Realised A\$/US\$ exchange rate (translational)	A\$/US\$	0.67

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This document has been authorised for release by Richa Puri, Company Secretary.

This announcement contains certain forward-looking statements, including statements in relation to expectations, intentions, estimates, targets, and indications of, and guidance on, future outcomes, earnings, future financial position and performance and the implementation of IPL's strategy. The words "expect", "potential", "may" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, IPL's results for the financial year ending 30 September 2023 and other matters are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of IPL, its officers and employees. There can be no assurance that actual outcomes will not differ materially from these statements. There can be differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Undue reliance should not be placed on forward-looking statements. IPL disclaims any responsibility to update or revise any forward-looking statement to reflect any change in IPL's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except to the extent required by law. Additionally, to the maximum extent permitted by law, IPL and its affiliates, directors, officers, partners, employees, agents and advisers disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

¹¹ The FY23 realised commodity prices and exchange rates are based on the actual achieved pricing up to the end of August 2023 and includes a forecast for the month of September 2023. Commodity prices and exchange rates are subject to market volatility and can vary and may be different to the pricing assumed in the September forecast.

¹² Including the impact of hedging.