

Incitec Pivot Limited

MEDIA STATEMENT

IPL RELEASES 2016 FULL YEAR RESULTS

Controlling the controllables in tough markets

8 November 2016

Incitec Pivot Limited (ASX: **IPL**) today reported Net Profit After Tax (NPAT) of \$128m for the year ended 30 September 2016. This was a decrease of \$271m against 2015.

Earnings Before Interest and Tax (EBIT) and before Individually Material Items¹ (IMIs) decreased by \$148m in 2016 to \$428m.

IPL Managing Director & CEO, James Fazzino, said that in a year of cyclical and structural change in its primary markets, IPL focused on controlling the controllables: Zero Harm, Business Excellence (BEx) efficiencies and productivity benefits; manufacturing performance and financial discipline.

"Cyclical and structural factors, including declines in international commodity prices, impacted EBIT by \$231m. This was partially offset by a \$71m² positive contribution from productivity improvements across the business driven by BEx," Mr Fazzino said.

Mr Fazzino said that IPL had deep experience in managing "through the cycle" to achieve acceptable returns in challenging markets and superior returns when the cycle turned.

"The challenges in the global resources industry and cyclical lows in international fertiliser prices are storms that IPL has weathered in the past and is positioned to do so again.

"In response to the current market outlook, we accelerated BEx; delivered outstanding manufacturing performance, highlighted by Phosphate Hill, Moranbah and Cheyenne; maintained financial discipline and most importantly, continued our progress towards Zero Harm."

BEx delivers savings and manufacturing performance

Mr Fazzino said that the 2016 BEx productivity benefits of \$71m took total savings since the inception of BEx to over \$160m (net). "In 2017, BEx is targeted to provide a further \$64m in sustainable productivity benefits.

"BEx principles underpinned outstanding manufacturing performance. For example, Phosphate Hill, achieved four record production months and produced more than one million tonnes of fertiliser in a year disrupted by a train derailment.

"Another excellent example is the Moranbah ammonium nitrate plant in Queensland's Bowen Basin, the world's premier metallurgical coal region, which manufactured a record 345,000 tonnes in 2016 notwithstanding being in the final year of a four-year maintenance cycle.

¹ Individually Material Items (IMIs) of \$167m after tax comprised previously-announced impairment of Gibson Island plus one-off business restructuring costs.

² Comprising \$55m from Continuous Improvement and \$16m from Organisation Focused Improvement.

Louisiana plant is in top 2% of projects globally³

“There is no better example of BEx delivery than the Louisiana ammonia project where construction was completed safely, on time, under-budget with a demonstrated capacity to perform at nameplate output and efficiency.

“Our Louisiana facility has been benchmarked against major construction projects throughout the world by a global management consultancy and found to be in the top 2%, in terms of on-time delivery and completion within budget. This reflects the team's exceptional management and focus on quality project delivery.

Mr Fazzino said that with the completion of the Louisiana plant, IPL had been transformed from an Eastern Australian fertiliser co-op in 2003 to a global diversified industrial chemicals company in 2017.

IPL's financial discipline during the period of construction was a highlight. Leverage at year end was 2.1 times against a forecast at Louisiana project sanction of 2.5 times after having spent \$US778m on the project until 30 September 2016.

Confidence in strategic direction and future returns to shareholders

“I have confidence in our strategic direction based upon our exposure to the world's two largest economies, China and the US, and balanced end-market product exposure of explosives, industrial chemicals and fertilisers.

“Notwithstanding the structural change in the US coal industry, the resources industry is seeing some recovery in coal and iron ore markets. Also, recent rainfall in Australia will provide farmers with the well-deserved outlook for some good seasons in the future.

“Following a five-year investment phase involving \$A1bn developments in both Australia and the US, our primary focus now is on driving increased returns to shareholders.”

2016 Financial Data:

-) **NPAT: \$128.1m down \$270.5m on 2015**
-) **Earnings per share: 7.6 cents per share**
-) **NPAT ex IMIs: \$295.2m down \$103.4m on 2015**
-) **Net Debt: Increased \$104.5m to \$1.4Bn**
-) **Leverage: Net Debt/EBITDA ex IMIs of 2.1x**
-) **Full Year dividend: 8.7 cents per share**
-) **Final dividend: 4.6 cents per share**

For more information

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³ Benchmark of major construction projects in oil & gas, mining and chemical industries >\$1Bn based on schedule and cost of delivery.