

## Strong operating performance delivered solid full year result

10 November 2020

Incitec Pivot Limited (ASX: IPL) today reported a statutory Net Profit After Tax (NPAT) of \$123m, after \$65m of Individually Material Items (IMIs)<sup>1</sup>, for the year ended 30 September 2020. FY20 NPAT excluding IMIs was A\$188m, an increase of 23% from FY19.

### Safety and financial metrics

- Zero Harm: Total Recordable Injury Frequency Rate (TRIFR) of 0.57, 29% improvement on last year, step change improvement target of 0.7 achieved a year early.
- NPAT: A\$188.2m, excluding IMIs of A\$64.8m, up 23% from A\$152.4m in FY19.
- Earnings Before Interest and Tax (EBIT) ex IMIs: A\$374.5m, up 23% from A\$303.7m in FY19.
- Earnings Per Share ex IMIs: 10.9 cents per share, up 15% from 9.5 cents per share in FY19.
- Net debt is down to \$1.03bn (FY19: \$1.69bn), reflecting net proceeds of A\$646m equity raising and strong cash generation.
- The Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% - 60% of NPAT, remains unchanged.

### Dyno Nobel Americas

- Dyno Nobel Americas reported EBIT of A\$230.8m, down 1% on last year.
- Volumes in the explosives business were impacted by structural declines in the Coal market as well as temporary COVID-19 restrictions at some customer mining operations.
- Margins in the explosives business continue to be strong, reflecting the value of our premium technology particularly in the Quarry and Construction, and Base and Precious Metals sectors.
- Waggaman performed well with production at 91% of nameplate capacity, up 15% on FY19.

### Dyno Nobel Asia Pacific

- Dyno Nobel Asia Pacific delivered EBIT of A\$149.3 million, down 17% on last year.
- While volumes in the Australian business held up well, earnings were impacted by the previously announced re-contracting of Moranbah foundation customers, as well as lower earnings from Indonesia.
- Strong momentum in technology built during the year, with increased adoption from mining customers.

### Fertilisers Asia Pacific

- Fertilisers EBIT increased to A\$26.2m, up from a loss of A\$79.7m in FY19, a positive outcome given very low commodity prices during the first half of FY20.
- Performance in the first four months of the year was impacted by severe drought, with improved conditions creating a good uplift in demand for the remainder of the year, underpinning a 37% increase in earnings from the distribution business.
- The business is well placed to benefit from the growth of new value-add products and services for precision agriculture, as well as any future improvements in commodity prices.

<sup>1</sup> NPAT for FY20 includes \$65m (FY19: \$nil) of after-tax IMIs relating to the write down of obsolete technology and software; and implementation costs of IPL's Response Plan.

Incitec Pivot Limited Managing Director and CEO, Jeanne Johns commented on the Company's performance:

"While 2020 has been a challenging year on many fronts, our businesses have delivered a strong operating performance and we have made good progress on our strategic agenda. We acted quickly to implement new control measures to keep our people and customers safe throughout the pandemic, which enabled us to provide uninterrupted supply to customers in the essential resources and agricultural sectors."

"We also put in place a company-wide COVID-19 Response Plan to deliver approximately A\$60m cash savings over 3 years, with A\$20m delivered this financial year."

"Operating in two of the most attractive mining markets in the world, our explosives business has performed well. Our premium technology offering continues to underpin our strong margins in the US business and demand held up well in Australia where we serve some of the most sophisticated mining companies in the world."

"We are continuing to see conversion and upgrades to our technology which is delivering safe and efficient operations on the ground for our customers in the key markets of Quarry and Construction and Base and Precious Metals."

"Our Manufacturing Excellence strategy is progressing well with our key plants operating at 86% reliability during the year. Phosphate Hill also delivered a strong second half performance at an equivalent production of 1mtpa. We have completed two of four turnarounds scheduled for FY21 and are on track to deliver our reliability target of 95% by FY22."

"During the year we took the decision to retain and invest in our Fertilisers business following a strategic review. The business returned to profitability in the second half as improved demand in the last eight months supported a strong performance in our distribution business, helping offset the impact of very low commodity prices in the first half. Offering world-class agronomy expertise, the business is focusing on new value-add products and services including efficiency-enhanced coated fertilisers and new soil-testing services for precision agriculture."

"Our businesses are well placed in the current COVID-19 environment. Our premium technology will continue to underpin the growth of our Explosives business and there is significant upside in our Fertilisers business when commodity prices recover. Our balance sheet has been significantly strengthened following the equity raising in the second half, increasing our financial resilience and providing financial flexibility to continue to deliver our strategic agenda."

\* \* \*

IPL will host an investor webcast at 10.30am (AEDT) on 10 November 2020. The link to register for the investor webcast is: <https://edge.media-server.com/mmc/p/j4h3gguz>

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

# PROFIT REPORT

## Group Summary

IPL GROUP	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
<b>Reported Revenue and Earnings</b>			
Revenue	3,942.2	3,918.2	24.0
EBITDA ex IMIs	730.5	605.3	125.2
<b>EBIT ex IMIs</b>	<b>374.5</b>	<b>303.7</b>	<b>70.8</b>
<b>NPAT ex IMIs</b>	<b>188.2</b>	<b>152.4</b>	<b>35.8</b>
IMIs after tax	(64.8)	-	(64.8)
<b>NPAT</b>	<b>123.4</b>	<b>152.4</b>	<b>(29.0)</b>
<b>Shareholder Returns</b>			
<b>Cents Per Share</b>			
Earnings per share ex IMIs	10.9	9.5	
Total Dividend	nil	4.7	
<b>Credit Metrics</b>			
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	
Net debt <sup>(1)</sup>	(1,028.7)	(1,691.4)	
Net debt / EBITDA (ex IMIs) <sup>(2)</sup>	1.4x	2.8x	
Interest Cover <sup>(3)</sup>	6.1x	4.6x	

## Net Profit After Tax (NPAT) excluding Individually Material Items (ex IMIs)

IPL reported NPAT ex IMIs of \$188m, an increase of 23% compared to \$152m in the prior corresponding period (pcp).

## Individually Material Items (IMIs)

NPAT for FY20 includes \$65m (FY19: \$nil) of after-tax IMIs relating to the write down of obsolete technology and software; and implementation costs of IPL's 'Response Plan', a program designed to reduce costs to mitigate the earnings impacts of softer commodity prices and COVID-19.

## Shareholder Returns and Capital Management

Earnings per share (EPS) ex IMIs of 10.9 cents per share increased by 1.4 cents per share compared to FY19 of 9.5 cents.

The Company raised \$646m of equity during 2H FY20 through its institutional placement and share purchase plan.

The Board has determined, as an exception to its dividend policy, not to pay a final dividend for FY20 in light of the ongoing uncertainty due to COVID-19 and IPL's equity raising in May 2020. IPL's dividend policy, which is to pay between 30% – 60% NPAT, remains unchanged.

## Net Debt

Net debt decreased by \$663m to \$1.03bn at 30 September 2020 (pcp: \$1.69bn) and Net debt/EBITDA ex IMIs decreased to 1.4x (pcp: 2.8x). The Group's investment grade credit ratings were maintained.

## Zero Harm

Sadly, a tragic double fatality, which includes a Dyno Nobel employee, occurred in the US in April 2020. The incident involved a Dyno Nobel vehicle on a US public road.

IPL's Total Recordable Injury Frequency Rate <sup>(4)</sup> (TRIFR) for the rolling twelve-month period ended 30 September 2020 was 0.57, a 29% improvement from 0.80 at 30 September 2019, and well ahead of the Group's FY21 target of 0.70. IPL reported an improvement in Process Safety Incidents <sup>(5)</sup> of 24 (pcp: 33) and Significant Environmental Incidents <sup>(6)</sup> down to 1 (pcp: 3). Potential High Severity Incidents <sup>(7)</sup> increased marginally to 34 (pcp: 33).

## Financial Performance

INCOME STATEMENT	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change %
<b>Revenue</b>			
<b>Business Revenue</b>			
DNA	1,506.5	1,569.0	(4)%
DNAP	999.2	990.7	1%
Fertilisers	1,502.0	1,419.4	6%
Eliminations	(65.5)	(60.9)	(8)%
<b>Group Revenue</b>	<b>3,942.2</b>	<b>3,918.2</b>	<b>1%</b>
<b>EBIT</b>			
<b>Business EBIT ex IMIs</b>			
DNA	230.8	234.0	(1)%
DNAP	149.3	179.2	(17)%
Fertilisers	26.2	(79.7)	133%
Eliminations	(0.1)	(1.7)	nm*
Corporate	(31.7)	(28.1)	(13)%
<b>Group EBIT ex IMIs</b>	<b>374.5</b>	<b>303.7</b>	<b>23%</b>
<i>EBIT margin</i>	<i>9.5%</i>	<i>7.8%</i>	
<b>NPAT</b>			
Underlying interest expense <sup>(8)</sup>	(130.0)	(139.7)	7%
Non-cash unwinding liabilities	(5.7)	(4.4)	nm
<b>Net borrowing costs</b>	<b>(135.7)</b>	<b>(144.1)</b>	<b>6%</b>
Tax expense ex IMIs	(50.6)	(7.5)	nm
Minority interest	-	0.3	nm
<b>NPAT excluding IMIs</b>	<b>188.2</b>	<b>152.4</b>	<b>23%</b>
IMIs after tax	(64.8)	-	nm
<b>Group NPAT</b>	<b>123.4</b>	<b>152.4</b>	<b>(19)%</b>

\* not meaningful

## FY20 Business Review

The Group reported FY20 Earnings Before Interest and Tax (EBIT) ex IMIs of \$375m, an increase of \$71m compared to pcp. Major movements for the year were as follows:

**Manufacturing Recovery:** \$186m increase, driven by improved production performance at Phosphate Hill and Waggaman; and lower gas cost from improved supply reliability at St Helens.

**Commodity Prices & Foreign Exchange:** \$100m net decrease. The impact of \$123m from lower commodity prices was partially offset by \$23m of benefits from the lower A\$:US\$ exchange rate.

**COVID-19 Response Plan Savings:** \$20m increase driven by operational productivity measures, cost efficiency gains and non-essential spend savings.

**Americas Explosives – Markets:** \$17m (US\$12m) net decrease, mainly due to structural declines in US Coal demand and market volume declines impacted by the COVID-19 disruption.

**Asia Pacific Explosives – Contract Re-basing & Technology Growth:** \$25m net decrease, due to the impact of contract re-basing of \$38m; partially offset by \$13m of benefits from technology growth in Australia.

**Explosives Market Volumes:** \$24m decrease as international customer operations were temporarily closed due to COVID-19 restrictions.

**Australian Drought Recovery:** \$20m increase driven by strong domestic fertilisers sales volumes and product mix as a result of favourable weather conditions.

**Fertilisers Lower Gas Cost:** \$22m EBIT increase from lower contracted gas cost at Phosphate Hill and Gibson Island; and cost savings from improved supply reliability and operating efficiencies.

### Interest

Underlying interest expense of \$130m decreased 7%, compared to pcp. The decrease was mainly due to \$16m of benefits from lower interest rates, as the higher cost US\$800m 144A bonds matured in December 2019. This was partially offset by the \$6m impact from the changes in the accounting for Leases (AASB 16: *Leases*). A detailed impact analysis of AASB 16: *Leases* is included in the Appendix.

### Tax

Tax expense ex IMIs of \$51m increased by \$43m due to higher operational earnings in FY20 and the higher effective tax rate. The Group's higher effective tax rate on operating profit of 21.2% (pcp: 4.7%) was mainly due to increased earnings in higher tax rate jurisdictions (largely Australia) and financing structures that unwound in the prior year.

## Individually Material Items

NPAT includes the following items, classified as IMIs:

IMIs	Gross A\$m	Tax A\$m	Net A\$m
Impairment of intangible assets	41.0	(10.7)	30.3
Business restructuring costs			
- Employee redundancies	24.8	(6.8)	18.0
- Impairment of operating assets, site exit and other direct costs	22.1	(5.6)	16.5
<b>Total</b>	<b>87.9</b>	<b>(23.1)</b>	<b>64.8</b>

**Impairment of intangibles:** During the year ended 30 September 2020 intangible assets were impaired by \$41m (FY19: nil) following a detailed review of the Group's technology and software products and offerings given the continued enhancement of the Group's technology portfolio. The review considered factors such as the timing of the commercial launch of certain technologies, software versions and products, items which were superseded as a result of significant enhancements and updated versions, current experience in regard to the commercial acceptance by customers and the future economic benefit attributable to the Group.

**Business Restructuring Costs:** In May 2020, IPL announced a cost reduction program in response to indirect impacts from the COVID-19 pandemic on the global economy, including commodity prices and customer demand.

A detailed response plan was implemented in FY20 and is expected to deliver \$60m\* of sustainable annual cost savings over a three-year period to FY22. Benefits of \$20m were delivered in FY20, with an additional \$30m of benefits expected in FY21 and \$10m in FY22.

The total cost of the plan is \$47m of which \$30m is cash costs relating to employee redundancies and minor site closure & relocation costs. The remaining \$17m consist of non-cash impairment write downs of several low value assets, including sites that were closed to drive operational efficiencies.

## Financial Position

BALANCE SHEET	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
<b>Assets</b>			
TWC - Fertilisers	(151.1)	(137.8)	(13.3)
TWC - Explosives	165.9	141.9	24.0
<b>Group TWC</b>	<b>14.8</b>	<b>4.1</b>	<b>10.7</b>
Net PP&E	4,071.7	4,190.0	(118.3)
Lease assets	221.1	-	221.1
Intangible assets	3,019.7	3,179.5	(159.8)
<b>Total Assets</b>	<b>7,327.3</b>	<b>7,373.6</b>	<b>(46.3)</b>
<b>Liabilities</b>			
Environmental & restructure liabilities	(161.7)	(134.8)	(26.9)
Tax liabilities	(437.0)	(495.9)	58.9
Lease liabilities	(247.7)	-	(247.7)
Net other liabilities	(248.9)	(363.7)	114.8
Net debt	(1,028.7)	(1,691.4)	662.7
<b>Total Liabilities</b>	<b>(2,124.0)</b>	<b>(2,685.8)</b>	<b>561.8</b>
<b>Net Assets</b>	<b>5,203.3</b>	<b>4,687.8</b>	<b>515.5</b>
<b>Equity</b>	<b>5,203.3</b>	<b>4,687.8</b>	<b>515.5</b>
<b>Key Performance Indicators</b>			
Net Tangible Assets per Share	1.12	0.94	
Fertilisers - Ave TWC % Rev	(1.6%)	(0.3%)	
Explosives - Ave TWC % Rev	10.1%	9.2%	
Group - Average TWC % Rev <sup>(9)</sup>	5.7%	5.8%	
<b>Credit Metrics</b>			
Net debt	(1,028.7)	(1,691.4)	
Net debt / EBITDA (ex IMIs)	1.4x	2.8x	
Interest Cover	6.1x	4.6x	

\* Sustained incremental earnings uplift by FY22 of \$60M per annum, based on expected cost savings when compared to FY19 cost base.

Major movements in the Group's Balance Sheet during the year include:

## Assets

**Trade working capital (TWC):** Net increase of \$11m. The movement was mainly due to lower utilisation of working capital facilities of \$135m; and strong TWC management that reduced underlying TWC by \$124m compared to pcp.

**Property, Plant & Equipment (PP&E):** Decrease of \$118m was mainly driven by the depreciation charge for the year of \$291m; the impact of foreign currency translation of non-A\$ denominated assets of \$110m; and asset impairments of \$17m. This was partially offset by sustenance and turnaround capital expenditure of \$226m; and minor growth capital spend of \$67m.

**Lease assets:** Increase of \$221m due to the adoption of AASB16: *Leases*, which resulted in lease assets being brought onto the Balance Sheet in FY20, offset by a \$248m lease liability.

**Intangible assets:** Decrease of \$160m mainly as a result of the impact of foreign currency translation of non-A\$ denominated assets of \$109m; the \$41m impairment write-off of obsolete technology and software; and the amortisation charge of \$25m for the year. This was partially offset by asset additions of \$12m during the year.

## Liabilities

**Environmental & restructure liabilities:** Increased \$27m largely due to business restructuring costs incurred during the year.

**Tax liabilities:** Decreased by \$59m mainly due the tax effect on movements in the market values of financial instruments of \$56m; tax payments of \$14m; the impact of foreign currency translation non-A\$ denominated tax balances of \$11m; and the recognition of deferred tax balances on the adoption of AASB 16: *Leases* of \$6m. This was offset in part by \$28m of tax on FY20 earnings.

**Net other liabilities:** Decreased by \$115m mainly due to market value movements and maturities of derivative hedging instruments (excluding debt hedges) of \$140m; partially offset by movements in capital and other accruals.

**Net debt:** Decreased by \$663m to \$1.03bn at 30 September 2020. Analysis of year-on-year movements in Net debt is covered in the Cash flow section.

## Net Debt & Debt Hedges

NET DEBT A\$m	Maturity	Facility Amount	Drawn Amount	Undrawn Amount
	Month /Year			
Syndicated Term Loan	10/21	274.5	-	274.5
Syndicated Revolver	10/21	699.5	-	699.5
EMTN / Regulation S notes	02/26	101.1	101.1	-
Medium Term Notes	03/26	450.0	450.0	-
EMTN / Regulation S Notes	08/27	559.6	559.6	-
US Private Placement Notes	10/28	349.8	349.8	-
US Private Placement Notes	10/30	349.8	349.8	-
<b>Total debt</b>		<b>2,784.3</b>	<b>1,810.3</b>	<b>974.0</b>
Fair value and other adjustments			33.6	
Loans to JVs, associates/other short term facilities			26.4	
Cash and cash equivalents			(554.6)	
Fair value of hedges			(287.0)	
<b>Net debt</b>			<b>1,028.7</b>	
<b>Net debt/EBITDA</b>			<b>1.4x</b>	

The fair value of Net debt hedges at 30 September 2020 was an asset of \$287m, a decrease of \$102m compared to the balance at 30 September 2019 of \$389m. The decrease was mainly due to the higher closing A\$:US\$ exchange rate. The fair value hedge includes derivatives that hedge the foreign exchange rate exposure of the Group's USD borrowings. There are also offsetting net investment hedges for the same amount. These hedges mature in December 2022.

## Credit Metrics

**Net debt/EBITDA ex IMIs:** The ratio of 1.4x improved substantially compared to pcp mainly due to \$125m of improved EBITDA ex IMIs in FY20 and \$646m of net proceeds from the equity raising in 2H FY20.

**Interest Cover:** Improved to 6.1x (pcp: 4.6x).

**Credit Ratings:** Investment grade credit ratings:

**S&P:** BBB (Stable outlook)

**Moody's:** Baa2 (Stable outlook)

## Debt Facilities

**Maturing facilities:** IPL cancelled \$138m and US\$111m of Syndicated facilities following the equity raising during 2H FY20. The Group has sufficient liquidity and headroom, with the next debt maturity in October 2021 and available undrawn debt facilities of \$974m at 30 September 2020. The Company expects to refinance the Syndicated facilities during the first half of FY21.

As announced on 10 November 2020, subject to market conditions, IPL is intending to invite the holders of its outstanding notes under the AMTN and EMTN Programmes to tender their notes for repurchase by IPL for up to an aggregate amount of approximately \$200m. The repurchase of the notes forms part of the Group's strategy to optimise its debt portfolio between fixed rate capital debt markets and floating rate bank debt markets.

The Group's average tenor of its debt facilities at 30 September 2020 is 5.1 years.

## Trade Working Capital Facilities

IPL uses TWC facilities to effectively manage the Group's cash flows, which are impacted by seasonality and demand and supply variability.

The Group has a non-recourse receivable purchasing agreement to sell certain domestic and international receivables to an unrelated entity in exchange for cash. As at 30 September 2020, receivables totalling \$116m (pcp: \$216m) had been sold under the receivable purchasing agreement.

IPL also offers suppliers the opportunity to use supply chain financing. The Group evaluates supplier arrangements against several indicators to assess whether to classify outstanding amounts as payables or borrowings. The balance of the supply chain finance program, classified as payables, at 30 September 2020 was \$296m (pcp: \$331m).

## Cash Flow

CASH FLOW	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
<b>Operating Cash Flow</b>			
EBITDA ex IMIs	730.5	605.3	125.2
Net Interest paid	(135.5)	(131.1)	(4.4)
Net income tax paid	(13.7)	(20.8)	7.1
TWC movement (excl FX movements)	(8.4)	(12.2)	3.8
Profit from JVs and associates	(32.3)	(44.9)	12.6
Dividends received from JVs	30.9	27.5	3.4
Environmental and site clean-up	(8.0)	(8.8)	0.8
Restructuring costs	(8.0)	(6.7)	(1.3)
Other Non-TWC	(10.4)	6.5	(16.9)
<b>Operating Cash Flow</b>	<b>545.1</b>	<b>414.8</b>	<b>130.3</b>
<b>Investing Cash Flow</b>			
Minor growth capital	(60.2)	(55.2)	(5.0)
Sustenance	(218.2)	(246.3)	28.1
Lease buy-out	-	(46.6)	46.6
Payments - Central Petroleum Joint operation	(9.8)	-	(9.8)
Proceeds from asset sales	7.4	10.8	(3.4)
Loans to JV	-	(6.8)	6.8
Proceeds from sale of equity securities	-	2.3	(2.3)
Acquisition of subsidiaries & non-controlling interests	(23.4)	(5.3)	(18.1)
(Payments) / proceeds from derivatives	(75.2)	5.5	(80.7)
<b>Investing Cash Flow</b>	<b>(379.4)</b>	<b>(341.6)</b>	<b>(37.8)</b>
<b>Financing Cash Flow</b>			
Dividends paid to members of IPL	(30.7)	(121.7)	91.0
Dividends paid to non-controlling interest holders	-	(5.9)	5.9
Lease liability payments	(41.9)	-	(41.9)
Payment for buy-back of shares	-	(89.7)	89.7
Purchase of IPL shares for employees	(1.3)	(0.6)	(0.7)
Proceeds on issue of shares	645.5	-	645.5
Realised market value gain on derivatives	10.3	-	10.3
Net loss on translation of US\$ Net Debt	(78.2)	(159.0)	80.8
Non-cash movement in Net Debt	(6.7)	(16.1)	9.4
<b>Financing Cash Flow</b>	<b>497.0</b>	<b>(393.0)</b>	<b>890.0</b>
<b>Change to Net debt</b>	<b>662.7</b>	<b>(319.8)</b>	<b>982.5</b>
Opening balance Net debt	(1,691.4)	(1,371.6)	(319.8)
<b>Closing balance Net debt</b>	<b>(1,028.7)</b>	<b>(1,691.4)</b>	<b>662.7</b>

### Operating Cash Flow

Operating cash inflow of \$545m increased by \$130m compared to FY19. Significant movements included:

**EBITDA ex IMIs:** Increased by \$125m, or 21% when compared to the pcg.

### Investing Cash Flow

Net investing cash outflow of \$379m increased \$38m as compared to FY19. Significant movements included:

**Sustenance:** Decrease of \$28m in line with the COVID-19 Response Plan targets and impact of a low turnaround year.

**Lease Buy-out:** Decrease of \$47m in relation to end-of-term asset buy-outs in FY19.

**Payments/Proceeds from derivatives:** Increase of \$81m mainly due to maturity of derivatives that were hedging part of the Group's USD assets. Most of these hedges matured or were exited in FY20.

### Financing Cash Flow

Net financing cash inflow of \$497m increased \$890m as compared to FY19. Significant movements included:

**Dividends:** \$91m increase due to the lower FY19 final dividend payment of \$31m and IPL not paying an interim dividend in FY20.

**Lease liability payments:** \$42m decrease due to changes in accounting for leases (AASB 16: *Leases*). These cash flows were historically classified under Operating Cash Flows.

**Share buy-back:** \$90m increase following completion of the Group's share buy-back program in FY19.

**Proceeds on issue of shares:** \$646m increase from net proceeds received from IPL's equity raising during 2H FY20.

**Translation of US\$ Net debt:** Increase of \$81m primarily due to the non-cash impact from movements in foreign exchange rates and interest rates on the Group's debt balances.

### Capital Allocation

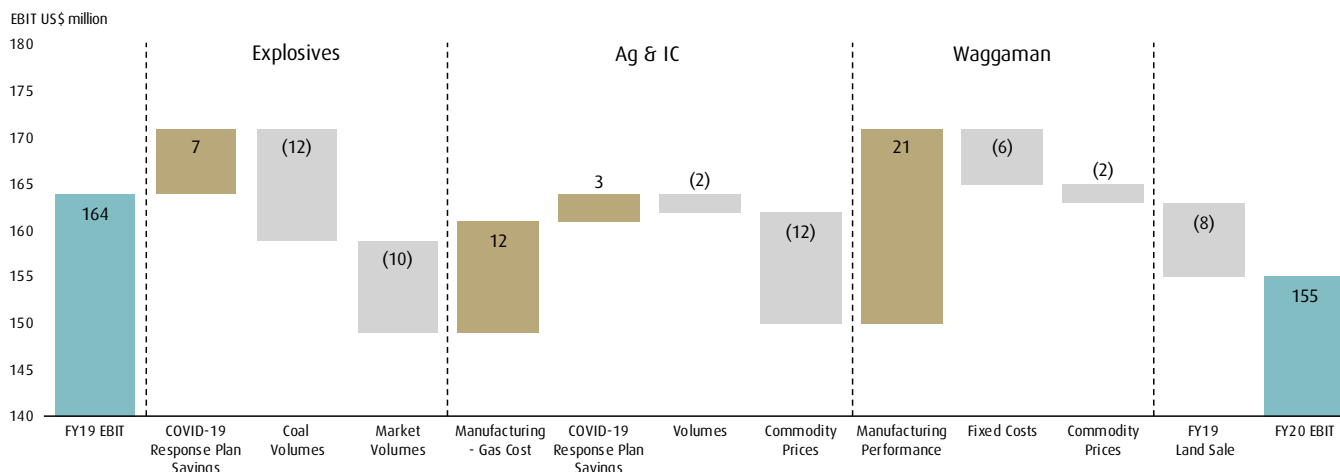
IPL's capital allocation process is centralised and overseen by the Group's Corporate Finance function. Capital is invested on a prioritised basis and all submissions are assessed against risk factors including HSE, operational, financial and strategic risks. Capital is broadly categorised into major growth capital, minor growth capital and sustenance capital. The table below includes a summary of cash spend per business on growth, sustenance and lease buy-out of Property, Plant & Equipment and Intangible assets:

IPL GROUP	Year ended 30 September		
	FY20 A\$m	FY19 A\$m	Change A\$m
<b>Capital Expenditure</b>			
DNA	18.6	30.7	(12.1)
DNAP	34.7	21.9	12.8
Fertilisers	6.9	2.6	4.3
<b>Minor growth capital</b>	<b>60.2</b>	<b>55.2</b>	<b>5.0</b>
DNA	50.8	73.0	(22.2)
DNAP	25.5	27.5	(2.0)
Fertilisers	141.9	145.8	(3.9)
<b>Sustenance</b>	<b>218.2</b>	<b>246.3</b>	<b>(28.1)</b>
Fertilisers	-	46.6	(46.6)
<b>Lease buy-out</b>	<b>-</b>	<b>46.6</b>	<b>(46.6)</b>
<b>Total</b>	<b>278.4</b>	<b>348.1</b>	<b>(69.7)</b>

There was no major growth capital spend items in FY20. Minor growth spend of \$60m in FY20 included plant efficiency projects; expansion of the Delta E truck fleet; and other projects supporting Explosives volume growth and technology investment.

Sustenance capital spend in FY20 of \$218m was 11% lower than pcg in line with the Group's COVID-19 Response plan targets and low turnaround year. Significant spend items in FY20 included: Gibson Island turnaround of \$60m, planning spend on the FY21 scheduled turnarounds at Waggaman, St Helens, Mt Isa and Moranbah of \$26m; and Explosives truck fleet sustenance of \$9m. The remaining sustenance spend was made up of various sustenance projects with project values of less than \$5m each.

# Dyno Nobel Americas



	Year ended 30 September		
	FY20 US\$m	FY19 US\$m	Change %
<b>Dyno Nobel Americas</b>			
Explosives	768.4	824.5	(7)%
Waggaman	124.5	147.4	(16)%
Ag & IC	126.0	130.9	(4)%
<b>Total Revenue</b>	<b>1,018.9</b>	<b>1,102.8</b>	<b>(8)%</b>
Explosives	121.1	136.1	(11)%
Waggaman	32.4	19.2	69%
Ag & IC	1.3	0.2	nm
Other	-	8.0	nm
<b>EBIT</b>	<b>154.8</b>	<b>163.5</b>	<b>(5)%</b>
<b>EBIT margin</b>			
Explosives	15.8%	16.5%	
Waggaman	26.0%	13.0%	
Ag & IC	1.0%	0.2%	
<b>A\$m</b>			
<b>Revenue</b>	<b>1,506.5</b>	<b>1,569.0</b>	<b>(4)%</b>
<b>EBIT</b>	<b>230.8</b>	<b>234.0</b>	<b>(1)%</b>

Notes		
Average realised A\$/US\$ exchange rate	0.67	0.70

Dyno Nobel Americas earnings for FY20 of US\$155m decreased 5% compared to the pcp. FY19 earnings included US\$8m of one-off profit on sale of excess land. Outlined below are the major earnings movements during FY20 for each business.

## Explosives

### Business Performance

Explosives earnings for FY20 of US\$121m decreased \$15m compared to the pcp due to the following:

**COVID-19 Response Plan:** US\$7m increase driven by operational productivity measures, including cost efficiency gains and discretionary spend savings.

**Coal Volumes:** US\$12m decrease due to structural demand declines, exacerbated by low US natural gas prices; and lower industrial demand (COVID-19).

**Market Volumes:** US\$10m decrease mainly due to lower volumes to US iron ore, Arctic and Mexico customers. In addition, the South African JV's that are consolidated into DNA's result experienced a US\$5m decline in earnings, associated with a significant reduction in mining activity due to COVID-19 related mine closures.

## Market Summary

Explosives business performance in FY20 was impacted by structural demand changes in the Coal sector; and COVID-19 related demand softness across all sectors primarily in the second half of the year.

### Quarry & Construction

43% of Explosives revenue was generated from the Quarry & Construction sector in FY20.

Volumes were up 1% vs the pcp. Following a strong 1H FY20, volumes were slightly down in Q3 FY20 due to softer non-residential construction sector demand that was impacted by COVID-19 related project deferrals. Demand recovery in Q4 FY20 was driven by stronger residential construction activity.

### Base & Precious Metals

35% of Explosives revenue was generated from the Base & Precious Metals sector in FY20.

Volumes were down 9% vs pcp as COVID-19 related lower industrial demand and temporary mine closures in Q3 and Q4 impacted volumes to US iron ore, Arctic and Mexico customers.

### Coal

22% of Explosives revenue was generated from the Coal sector in FY20.

Volumes were down 24% compared to pcp, but largely in line with industry volume declines. The lower volumes were driven by the underlying structural decline of the US Coal industry, exacerbated by lower US natural gas prices during the first half of the year (increasing substitution from thermal coal for electricity generation) and lower industrial demand (COVID-19).

## Agriculture & Industrial Chemicals (Ag & IC)

	Year ended 30 September		
	FY20 US\$m	FY19 US\$m	Change %
<b>Ag &amp; IC</b>			
<b>Total Revenue</b>	<b>126.0</b>	<b>130.9</b>	<b>(4)%</b>
<b>EBIT</b>	<b>1.3</b>	<b>0.2</b>	<b>nm</b>
<i>EBIT margin</i>	<i>1.0%</i>	<i>0.2%</i>	
<b>Notes</b>			
Urea (FOB NOLA) Index Price (US\$/mt)	247	288	

## Business Performance

Ag & IC earnings for FY20 of US\$1m increased from \$0.2m in the pcp, due to the following:

**Manufacturing – Gas Cost:** US\$12m net benefits from lower gas cost and improved plant efficiencies, absent third-party gas supply interruptions that occurred in FY19.

**COVID-19 Response Plan:** US\$3m increase driven by operational productivity and efficiency gains.

**Commodity Prices:** US\$12m decrease mainly due to the US\$7m impact from lower Urea prices. Lower nitrogen prices also had a US\$5m impact on the pricing of products produced at Cheyenne and St Helens.

**Sales Volumes:** US\$2m decrease as softer industrial demand from COVID-19 impacted sales volumes.

## Waggaman Operations

WAGGAMAN	Year ended 30 September		
	FY20	FY19	Change %
<b>Thousand metric tonne</b>			
Ammonia manufactured at Waggaman	729.0	634.4	15%
Ammonia sold	730.0	729.6	-
<b>US\$m</b>			
External Revenue	124.5	147.4	(16)%
Internal Revenue	40.0	45.6	(12)%
<b>Total Revenue</b>	<b>164.5</b>	<b>193.0</b>	<b>(15)%</b>
<b>EBIT</b>	<b>32.4</b>	<b>19.2</b>	<b>69%</b>
EBIT margin	26.0%	13.0%	

### Notes

Ammonia Realised Price (US\$/mt) <sup>(10)</sup>	225	265
Realised Gas Cost (US\$/mmbtu) (delivered)	2.15	3.19
Ammonia Tampa Index Price (US\$/mt) <sup>(10)</sup>	237	274
Index Gas Cost (US\$/mmbtu) <sup>(11)</sup>	2.03	2.92
Gas efficiency (mmbtu/mt)	35	36

## Business Performance

Waggaman earnings for FY20 of US\$32m, increased US\$13m compared to the pcp due to the following:

**Manufacturing Performance:** US\$21m increase from improved production and higher plant efficiencies compared to the pcp.

**Fixed Costs:** US\$6m earnings decrease, with US\$3m due to temporary cost increases until after the FY21 plant turnaround to drive plant reliability improvement; and US\$3m of additional operating costs, including higher insurance cost.

**Commodity Price:** US\$2m net decrease from lower ammonia prices of US\$23m, mostly offset by the positive impact from lower gas pricing of US\$21m.

## Manufacturing

Manufacturing performance in the Explosives and Ag & IC businesses during FY20 was as follows:

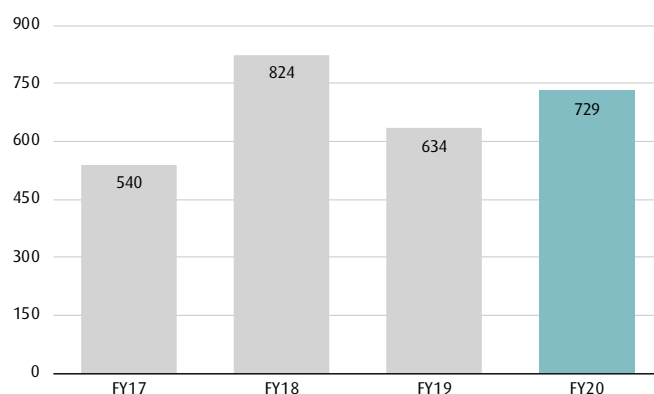
**Cheyenne, Wyoming:** Cheyenne Nitric Acid production was down 3% compared to pcp. Ammonia production was down 7% compared to pcp due to a planned maintenance outage and unplanned downtime caused by a third-party power supply interruption in 1H FY20.

**St Helens, Oregon:** Urea production from the St Helens plant increased 20% compared to pcp mainly due to improved uptime and efficiencies at the plant absent FY19 gas supply interruptions. The plant's major 6-week turnaround campaign commenced at the end of September 2020.

**Waggaman, Louisiana:** The plant operated in line with expectation at 91% of nameplate capacity <sup>(12)</sup> (pcp: 79%), producing 729k mt of ammonia in FY20, up 15% on pcp. The higher production was driven by improved plant reliability and efficiencies. The plant recorded its second longest uninterrupted production run of 210 days through August 2020.

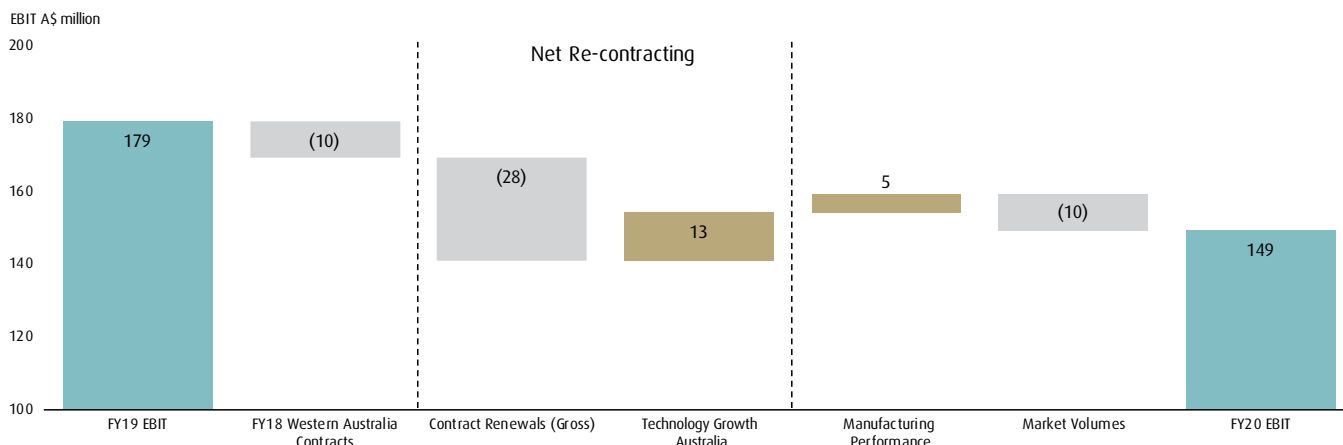
## Waggaman Ammonia Production

Thousand metric tonnes





## Dyno Nobel Asia Pacific



DYNO NOBEL ASIA PACIFIC	Year ended 30 September		
	FY20	FY19	Change %
<b>Thousand metric tonne</b>			
Ammonium Nitrate – manufactured at Moranbah	371.3	365.0	2%
Ammonium Nitrate sold	762.6	785.7	(3)%
<b>A\$m</b>			
Australian Coal	472.4	477.7	(1)%
Base & Precious Metals	415.5	381.9	9%
International	111.3	131.1	(15)%
<b>Total Revenue</b>	<b>999.2</b>	<b>990.7</b>	<b>1%</b>
<b>EBIT</b>	<b>149.3</b>	<b>179.2</b>	<b>(17)%</b>
<i>EBIT margin</i>	<i>14.9%</i>	<i>18.1%</i>	

### Business Performance

Dyno Nobel Asia Pacific earnings for FY20 of \$149m, decreased \$30m compared to the pcp due to the following:

**Contract Losses:** \$10m decrease, from contracts lost in FY18 in Western Australia, in line with previous guidance.

**Contract Renewals:** \$15m net decrease. This comprised of \$28m from lower pricing on contract renewals; partially offset by \$13m of earnings growth from technology related cost efficiencies, increased technology conversion (electronic detonator systems) and market share gains in Australia.

**Manufacturing Performance:** \$5m increase from higher production and improved plant efficiencies at Moranbah during FY20.

**Market Volumes:** \$10m decrease, largely due to lower demand from Indonesian customers that were impacted by COVID-19 restrictions at their operations.

### Market Summary

#### Australian Coal

47% of Dyno Nobel Asia Pacific revenue for FY20 was generated from the Australian Coal sector, most of which was from supply to Metallurgical Coal mines in the Bowen Basin.

Volumes from the sector decreased 5% compared to pcp mainly due to planned lower contracted volumes and impacts from weather events in Queensland through the Australian summer. Ammonium nitrate production capacity at the Moranbah plant remains fully contracted to customers.

### Base & Precious Metals

42% of Dyno Nobel Asia Pacific revenue was generated from the Base & Precious Metals sector, which comprises iron ore mines in Western Australia and hard rock and underground mines throughout Australia.

Volumes from the sector increased 7% compared to pcp, driven by strong customer demand and new business.

### International

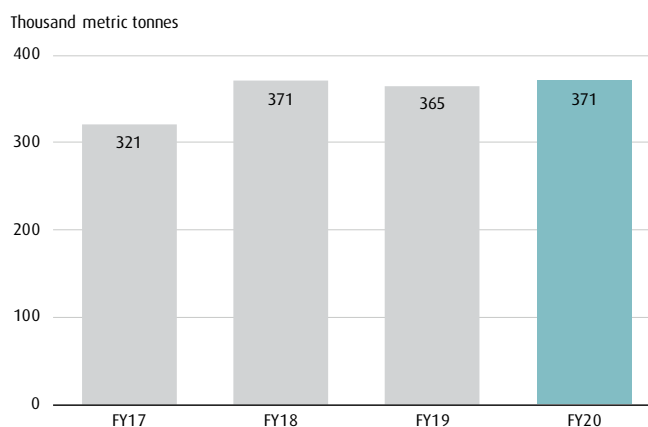
11% of Dyno Nobel Asia Pacific revenue was generated internationally in Indonesia, Turkey and Papua New Guinea.

Volumes decreased 21% as compared to pcp, due to lower demand from Indonesian Thermal Coal customers which had their operations substantially impacted by COVID-19 during the year.

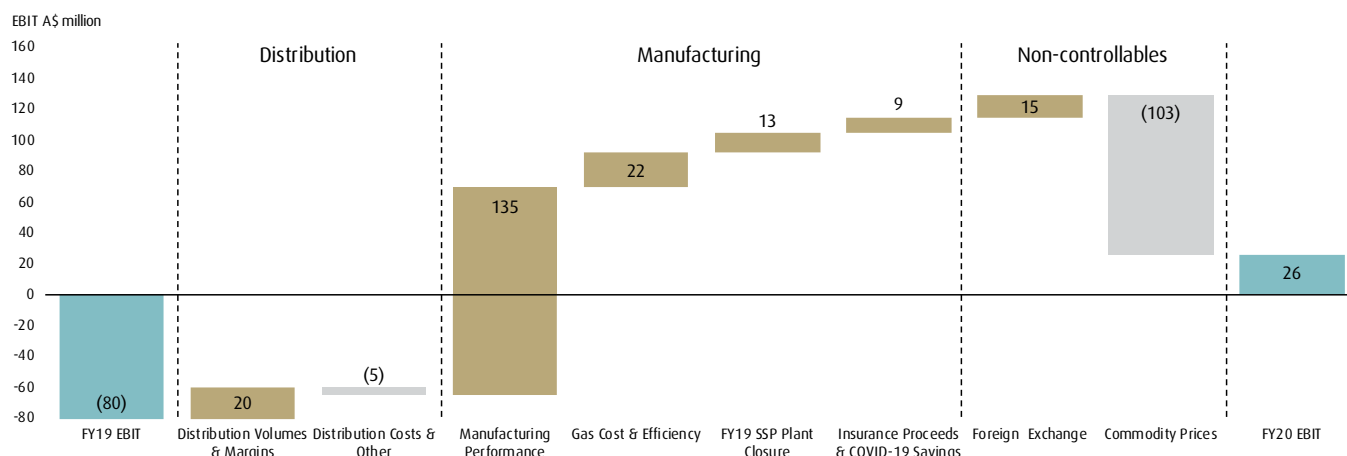
### Manufacturing

Moranbah produced 371k mt of ammonium nitrate during FY20, up 2% on the pcp and equalling FY18 record production. Strong plant reliability continued to deliver plant efficiencies in FY20, the final year of its four-year turnaround campaign.

### Moranbah Ammonium Nitrate Production



## Fertilisers



### Year ended 30 September

FERTILISERS ASIA PACIFIC	FY20	FY19	Change %
<b>Thousand metric tonne</b>			
Phosphate Hill production (ammonium phosphates)	979.3	674.7	45%
Gibson Island production (urea equivalent)	400.5	369.7	8%
<b>A\$m</b>			
Manufacturing	766.1	653.8	17%
Distribution	947.6	908.9	4%
Fertilisers Elimination	(211.7)	(143.3)	nm
<b>Fertilisers Revenue</b>	<b>1,502.0</b>	<b>1,419.4</b>	<b>6%</b>
Manufacturing	(26.1)	(121.6)	79%
Distribution	54.6	39.9	37%
Profit-in-stock elimination	(2.3)	2.0	nm
<b>Fertilisers EBIT</b>	<b>26.2</b>	<b>(79.7)</b>	<b>133%</b>
<i>EBIT margin</i>	<i>1.7 %</i>	<i>(5.6)%</i>	

### Notes

#### Fertilisers

Realised A\$/US\$ Exchange Rate	0.68	0.70
Total Fertilisers volumes sold (k mt)	3,135.9	2,752.4
Domestic Fertilisers volumes sold (k mt)	2,212.2	1,944.7

#### Phosphate Hill

Realised DAP Price (US\$/mt)	304	367
Realised DAP Freight Margin (US\$/mt)	4.3	6.2
Realised Cost per Tonne of DAP (A\$/mt)	438	594

#### Gibson Island

Realised Urea Price (US\$/mt)	242	271
Gibson Island production sold subject to urea price movement (k mt)	280	248

### Business Performance

Fertilisers Asia Pacific earnings for FY20 of \$26m, increased \$106m compared to the pcp due to the following:

**Distribution Volumes:** \$20m increase driven by strong fertilisers sales volumes and favourable product mix following much improved weather conditions across Eastern Australia.

**Distribution Costs/Other:** \$5m decrease including investment in distribution network and higher insurance cost.

**Manufacturing Recovery:** \$135m increase from higher production and improved plant performance at Phosphate Hill, delivering positive Manufacturing cash earnings (EBITDA) in FY20.

**Lower Gas Cost:** \$22m increase from lower contracted gas cost at Phosphate Hill and Gibson Island of \$13m; and \$9m from lower 3rd party charges due to improved gas supply reliability and operating efficiencies.

**FY19 Portland SSP Closure Cost:** \$13m increase relating to the permanent closure of the Portland SSP plant in FY19.

**Insurance Proceeds & COVID-19 Response Plan:** \$9m increase. Insurance payments of \$7m received in relation to the FY19 Queensland rail outage; and \$2m benefits from COVID-19 Response plan efficiency gains and non-essential spend savings.

**Foreign Exchange and Commodity Prices:** \$88m net decrease, due to lower global fertilisers prices of \$103m, partially offset by \$15m of benefits from the lower A\$:US\$ exchange rate compared to pcp.

### Market Summary

Domestic fertilisers sales volumes were 14% up in FY20 at 2,212k mt (pcp: 1,945k mt). The year started slower as 2019-20 summer crop sales volumes, in particular irrigated cotton, were adversely impacted by lasting drought conditions at the time. Above average rainfall through autumn in many key farming areas supported good winter crop plantings and fertilisers (phosphates) application. Built up soil moisture reserves and substantial rainfall in late winter drove strong winter crop top dress fertilisers (nitrogen) application. Above average rainfall through spring across most cropping regions supplemented water availability, driving early summer crop planting (phosphates application).

### Manufacturing

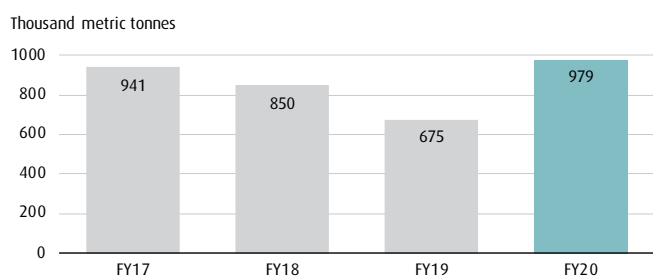
Manufacturing performance in the Fertilisers Asia Pacific business in FY20 was as follows:

#### Phosphate Hill

Ammonium phosphates production increased to 979k mt, up 45% on pcp mainly due to improved plant performance and efficiencies absent extended production outages in FY19 associated with the Queensland rail outage and the phosphoric acid reactor failure. The plant operated reliably at 93% (pcp: 75%) during FY20, with > 1 million tonnes annual equivalent Ammonium Phosphates production during the second half of the year.

The Phosphate Hill plant received \$8m of benefits from a full twelve months of lower cost gas under the Northern Territory gas supply agreement<sup>(13)</sup> that commenced in January 2019.

## Phosphate Hill Phosphates Production



## Gibson Island

The plant produced 401k mt of urea equivalent product, up 8% on pcp. The planned major turnaround was successfully completed in March 2020. The new gas supply from Australia Pacific LNG, which commenced in April 2020 and continues through to the end of December 2022, delivered a reduction in gas cost of \$5m in FY20.

## Outlook and Sensitivities

IPL generally does not provide profit guidance, primarily due to the variability of commodity prices and foreign exchange movements. Instead, IPL provides an outlook for business performance expectations and sensitivities to key earnings drivers based on management's current view at the time of this report.

### Outlook

#### COVID-19 & Response Plan

The extent of the future impact of COVID-19 on the Group's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response, and the impact of the pandemic on the global economy, including commodity prices and customer demand.

The Group continues to actively manage the risks arising from COVID-19 on its people and operations, which includes a financial response plan that is expected to deliver cost savings of \$60m\* per annum by FY22 of which \$30m will be delivered in FY21, heavily weighted to Australian Fertiliser manufacturing.

#### Dyno Nobel Americas

- » The operational earnings of Waggaman remain subject to movements in ammonia and natural gas prices.
- » Lower 1H FY21 production expected at Waggaman, following a two-week outage in November 2020 as site operations were interrupted by hurricane activity that resulted in widespread power outages; and the seven-week major turnaround of the Waggaman plant which is scheduled to commence in January 2021. The FY21 earnings impact of the turnaround is expected to be approximately US\$25m† (including depreciation). Plant reliability is expected to improve following the completion of the turnaround.
- » Agriculture & Industrial Chemicals earnings remain subject to movements in global fertilisers prices, particularly Urea and by-product Urea Ammonium Nitrate.
- » A six-week turnaround of the St Helens plant was successfully completed in early November 2020. The FY21 earnings impact of the turnaround is approximately US\$5m† (including depreciation).

#### Dyno Nobel Asia Pacific

- » As part of a four-year campaign, a major turnaround of the Moranbah plant is scheduled to commence in May 2021. The FY21 earnings impact of the turnaround is expected to be approximately \$15m.†
- » The FY21 impact from the FY18 contract losses in Western Australia remain unchanged at \$3m. This is expected to be more than offset by cost savings and operating efficiencies in the business as part of the Group's Response plan.
- » Technology growth is expected to offset the \$12m re-contracting impact from foundation customers in FY21.

#### Fertilisers Asia Pacific

- » Fertilisers earnings will continue to be dependent on global fertilisers prices, the A\$:US\$ exchange rate and weather conditions.
- » Increased soil moisture levels in many districts across the East Coast of Australia, coupled with an outlook from the Australian Bureau of Meteorology for La Nina conditions (higher summer rainfall compared to recent years) is expected to drive strong demand for fertilisers in FY21.
- » Distribution margins for FY21 are expected to be largely in line with FY20, subject to global fertilisers prices and favourable weather conditions.
- » Phosphate Hill production for FY21 is expected to be lower due to the three-week planned maintenance shut down at Mt Isa that reduced sulphuric acid availability to Phosphate Hill. The shut down was successfully completed in October 2020.
- » Expecting additional benefits of approximately \$5m in FY21 from the full year impact of lower gas supply cost to Gibson Island under the Australia Pacific LNG contract that commenced in April 2020.

#### Group

**Corporate:** Corporate costs are expected to be approximately \$30m in FY21.

**Borrowing Costs:** Net borrowing costs for FY21 are expected to be approximately \$125m, due to lower debt levels, and excludes the impact from the planned bond repurchase which would be determined once finalised.

**Taxation:** IPL's effective tax rate for FY21 is expected to be between 21% and 23%.

\* Sustained incremental earnings uplift by FY22 of \$60M per annum, based on expected cost savings when compared to FY19 cost base.

† Estimated FY21 EBIT impact based on FY20 realised commodity prices.

**Foreign Exchange Hedging Program:** 90% of estimated FY21 US\$ linked fertilisers sales are capped at a rate of \$0.74, with full participation down to an average rate of \$0.71 and 40% participation below \$0.71.

**Gas Hedging Program:** 50% of the November 2020 – March 2021 gas price risk associated with ammonia manufacturing at Waggaman and St Helens is hedged, with protection at US\$3.45 and participation down to US\$2.55. The remaining 50% is exposed to fluctuating gas prices.

**Group capital expenditure:** Sustainance capital expenditure for FY21 is expected to range between \$280m and \$300m, including turnarounds spend of approximately \$150m.

#### Sensitivities

The table provides sensitivities to key earnings drivers excluding the impact of hedging and should be read in conjunction with the footnotes found on page 13 of this report.

Commodity	Proxy Index	EBIT Sensitivities
<b>Americas</b>		
Ammonia <sup>(14)</sup>	CFR Tampa	+ / - US\$10/mt = +/-US\$6.1m
Natural Gas <sup>(15)</sup>	Henry Hub	+ / - US\$0.10/mmbtu = +/- US\$2.1m
Urea <sup>(16)</sup>	FOB NOLA	+ / - US\$10/mt = +/-US\$1.8m
FX EBIT Translation <sup>(17)</sup>		+ / - A\$/US\$0.01 = +/- A\$3.3m
<b>Asia Pacific</b>		
DAP <sup>(18)</sup>	FOB Tampa	+ / - US\$10/mt = +/-A\$14.4m
Urea <sup>(19)</sup>	FOB Middle East	+ / - US\$10/mt = +/-A\$4.1m
FX EBIT Transactional <sup>(18,19)</sup>		+ / - A\$/US\$0.01 = +/-A\$7.8m

Note: Proxy Index prices are available on Bloomberg.

## Sustainability

IPL's commitment to operating sustainably is driven by the Company's values which are core to the way it does business. IPL's strategy is to deliver sustainable growth and shareholder returns while caring for our people, our communities and our environment.

Issues considered material to the sustainability of the Company are included in its FY20 Annual Report, FY20 Corporate Governance Statement, and online FY20 Sustainability Report, which will be released in March 2021.

### Zero Harm (Safety and Environment)

IPL's Zero Harm performance is pivotal to its success and is one of six Strategic Drivers which support the Company's global strategy. The Company's ambition is to achieve industry leading performance in occupational health, safety, process safety and the environment. IPL's integrated Health, Safety, Environment and Community Management System (HSECMS) provides the foundation for effective identification and management of Health, Safety and Environmental (HSE) risks.

During 2020, IPL implemented its refreshed Zero Harm strategy, designed in 2019, to deliver its Zero Harm ambition. The refreshed strategy creates a stronger connection to the Zero Harm Strategic Driver and integrates all HSEC elements under one framework. Our strategic themes of Simplify, Get the Fundamentals Right, Lead and Engage and Strengthen our Learning Culture, provide a common language and basic principles which will guide IPL's effort, reflect the voice of internal customers and improve performance.

The following Zero Harm targets were set in 2018 and remain a focus for the Group:

- » 30% improvement in TRIFR by 2021 (against the mid-2018 TRIFR of 1.02);
- » Year-on-year reduction in Tier 1 and Tier 2 Process Safety Incidents;
- » Year-on-year reduction in Potential High Severity Incidents; and
- » Zero Significant Environmental Incidents.

TRIFR for 2020 of 0.57 was down from 0.80 in 2019, representing a 29% improvement and achieving target a year early. Process safety Tier 1 and Tier 2 events were also down by 27% vs pcp.

While IPL is proud of the improvement in its safety performance since 2018, it remains committed to continuous improvement in the broad set of HSE metrics across the Group.

Regrettably, one of IPL's employees and a third party sadly lost their lives in a multiple motor vehicle incident in Olin, NC, USA. This tragedy reinforces the importance of the Company's Zero Harm strategy and the implementation of new enhanced global Transportation Standards.

The Group's FY20 performance against key HSE metrics is included in the table below:

ZERO HARM	FY20	FY19
<b>Key Metrics</b>		
TRIFR	0.57	0.80
Potential High Severity Incidents	34	33
Process Safety Incidents	24	33
Significant Environmental Incidents	1	3

One Significant Environmental Incident was reported in 2020, which relates to a contained acid spill at the rail unloading area at Phosphate Hill, Queensland in 2018.

### Gender Diversity

The Company remains committed to expanding the diversity of its workforce and has a stretch target to increase gender diversity by 10% year-on-year to reach 25% by FY22.

IPL's representation of women across the organisation at 30 September 2020 is reflected in the table below:

GENDER DIVERSITY	FY20	FY19	FY18
	%	%	%
Board <sup>(20)</sup>	50	50	43
Executive Team <sup>(20)</sup>	20	30	22
Senior Management	20	22	17
Management and Professional Roles	20	19	19
Global Workforce	18	17	16

The Company was selected for inclusion in the 2019 and 2020 Bloomberg Gender-Equality Index (GEI).

The GEI standardised reporting framework offers public companies the opportunity to disclose information on how they promote gender equality. Reporting companies that score above a globally established threshold, based on the extent of disclosures and the achievement of best-in-class statistics and policies, are included in the GEI.

## Managing Climate Change

IPL's Climate Change Policy outlines our commitment to managing the impacts of climate change and describes how the management of the risks, opportunities and impacts associated with climate change is integrated into our six strategic drivers, on which the success of the Company is built. IPL reports in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) regarding governance, strategy, risk management and metrics.

IPL's risk management processes include a requirement for high consequence and strategically important risks to be regularly reviewed, assessed and managed. Climate change-related financial risks are included amongst this select group of risks.

The Executive Team review the assessment and management of these risks on a regular basis, with reports being provided to the Board's Audit and Risk Management Committee at least annually. Due to the longer-term nature of some climate change-related financial risks and opportunities, consideration of these are routinely factored into the Group's longer-term strategic planning.

In 2020, IPL set an absolute greenhouse gas (GHG) reduction target of 5% by 2026 against a 2020 baseline <sup>(21)</sup>. This is supported by a commitment to the investigation, identification and implementation of one or more projects to reduce IPL's global emissions by 200,000 tCO<sub>2</sub>e which is equal to ~5% of IPL's global 2020 <sup>(21)</sup> emissions.

## Performance Benchmarking

IPL has been a member of the Dow Jones Sustainability Index (DJSI) for the last decade. Selection for the index is made after RobecoSAM, publisher of the DJSI, reviews IPL's sustainability reporting as well as a comprehensive questionnaire as part of the RobecoSAM Corporate Sustainability Assessment. IPL's performance is benchmarked against peers in the global Chemicals sector.

While IPL participated in the assessment process in 2020, the results of the assessment will not be published until November 13, 2020 due to the impact of COVID-19.

### Robecosam Corporate Sustainability Assessment

Calendar Year	2015	2016	2017	2018	2019
<b>Dimension</b>					
Economic	67	74	73	71	72
Environmental	51	60	61	64	73
Social	63	65	68	57	60
<b>IPL</b>	<b>60</b>	<b>67</b>	<b>68</b>	<b>65</b>	<b>69</b>
Chemicals sector average	58	56	53	44	47

The Company is also a member of the FTSE4Good Index and ECPI Indices, completes the CDP Climate Change and Water Security reports each year, and is rated by CAER, EcoVadis, MSCI, Sustainalytics, Vigeo EIRIS and CGI Glass Lewis.

## Definitions and Notes

1. Net Debt comprises the net of interest bearing liabilities, cash and cash equivalents, and the fair value of derivative instruments economically hedging the Group's interest-bearing liabilities.
2. Net debt/EBITDA ratio is calculated using 12 month rolling EBITDA ex IMIs.
3. Interest Cover = 12 month rolling EBITDA ex IMIs/net interest expense before accounting adjustments.
4. TRIFR is calculated as the number of recordable incidents per 200,000 hours worked and includes contractors. TRIFR results are subject to finalisation of the classification of any pending incidents.
5. Tier 1 and Tier 2 Process Safety Incidents as defined by the Centre for Chemical Process Safety.
6. Significant Environmental Incidents as assessed against IPL's internal risk matrix with actual consequences of 5 or higher on a 6-level scale.
7. Potential High Severity Incidents (excluding near misses and hazards) with potential consequences of 5 or higher on a 6-level scale. Prior year number was restated due to finalisation of classification of incidents pending at the time of previous publication date and further review in FY20.
8. Underlying interest expense represents total borrowing costs less non-cash interest unwind, representing the discount unwind on the Group's long-term liabilities.
9. Average TWC as % of revenue = 13-month average trade working capital/12 months rolling revenue.
10. Waggaman's ammonia sales prices are based on a combination of index Ammonia Tampa prices and 1-month lagged index Ammonia Tampa prices.
11. Average closing price of Nymex Henry Hub 1-month futures.
12. 800k mt per annum Waggaman plant capacity.
13. In November 2015, IPL announced that it had entered an agreement providing gas to Phosphate Hill from the commencement of supply from the Northern Gas Pipeline, through to 2028.
14. Based on FY20 Waggaman plant production of 729k mt, less FY20 internal sales volumes of 124k mt.
15. Based on FY20 Waggaman plant production of 729k mt less FY20 internal sales volumes of 124k mt, and FY20 gas efficiency of 35 mmbtu per mt of ammonia.
16. Based on St Helens plant capacity of 175k mt of urea equivalent product.
17. Based on actual FY20 Dyno Nobel Americas EBIT (ex IMI) of US\$155m and FY20 average foreign exchange rate of A\$/US\$0.68.
18. Based on FY20 Phosphate Hill manufactured ammonium phosphate of 979k mt; average realised FY20 DAP price of US\$304; and FY20 average foreign exchange rate of A\$/US\$0.68.
19. Based on actual FY20 Gibson Island production sold subject to urea price movement of 280k mt; average realised FY20 urea price of US\$242; and FY20 average foreign exchange rate of A\$/US\$0.68.
20. The Board and Executive Team each includes the Managing Director & CEO.
21. IPL's total global 2020 emissions were 3,616,740 tCO<sub>2</sub>e. The 2020 GHG baseline is subject to adjustment due to unforeseen future expansions and acquisitions or divestments which may occur before the end of the 2026 IPL financial year.

## Appendix

There were no non-recurring items in FY2020. The table below is a summary of FY2019 non-recurring items.

Non-recurring Items	Business	EBIT	TAX	NPAT
<b>A\$m</b>				
<b>External Events (Associated Impacts)</b>				
Queensland rail outage	Fertilisers	115	(34)	81
Gas market disruption – St Helens (US\$12m)	DNA	16	(4)	12
<b>Sub-total</b>		<b>131</b>	<b>(38)</b>	<b>93</b>
<b>Manufacturing Outages</b>				
Waggaman outages (US\$32m)	DNA	45	(12)	33
Phosphate Hill outage (reactor failure)	Fertilisers	20	(6)	14
<b>Sub-total</b>		<b>65</b>	<b>(18)</b>	<b>47</b>
<b>Other</b>				
Profit on US land sale (US\$8m)	DNA	(12)	3	(9)
SSP plant closure	Fertilisers	13	(4)	9
<b>Sub-total</b>		<b>1</b>	<b>(1)</b>	<b>-</b>
<b>Total Impact</b>		<b>197</b>	<b>(57)</b>	<b>140</b>

Summary of IPL's Income Statement and Balance Sheet as a result of adopting the new accounting standard AASB 16 *Leases*.

### Income Statement for the year ended 30 September 2020

	EBITDA	Depreciation	EBIT
<b>A\$m</b>			
Dyno Nobel Americas	24.5	(22.5)	2.0
Dyno Nobel Asia Pacific	5.0	(4.7)	0.3
Fertilisers Asia Pacific	13.3	(11.4)	1.9
Corporate	1.9	(2.1)	(0.2)
<b>Group</b>	<b>44.7</b>	<b>(40.7)</b>	<b>4.0</b>
Interest			(5.9)
Tax			0.6
<b>NPAT</b>			<b>(1.3)</b>

### Balance Sheet at 30 September 2020

<b>A\$m</b>	
Right-of-Use Asset Increase	221.1
Lease Liability increase	(247.7)
Other Asset/(Liabilities) movement*	15.0
<b>Equity/Net Asset decrease</b>	<b>(11.6)</b>

\* Other asset/liabilities includes reclassification of trade and other liabilities to right-of-use asset, and recognition of deferred taxes on the adoption of AASB 16.



**INCITEC PIVOT LIMITED**  
**FERTILISERS SEGMENT DISCLOSURE CHANGE RECONCILIATION**

	FY20				FY19				FY18				FY17			
	Mfg	Dist	Elim	Total	Mfg	Dist	Elim	Total	Mfg	Dist	Elim	Total	Mfg	Dist	Elim	Total
<b>Volumes sold (k mt)</b>																
IPF	367.8	1,844.4	-	2,212.2	348.1	1,596.6	-	1,944.7	474.2	1,707.0	-	2,181.2	488.6	1,740.3	-	2,228.9
SCI																
Phosphate Hill manufactured AP's	982.7	-	-	982.7	667.4	-	-	667.4	860.7	-	-	860.7	938.1	-	-	938.1
Industrial and Trading	157.2	217.1	-	374.3	134.4	239.7	-	374.1	165.9	191.5	-	357.4	171.4	176.6	-	348.0
Fertilisers Eliminations	-	-	(433.3)	(433.3)	-	-	(233.8)	(233.8)	-	-	(386.9)	(386.9)	-	-	(432.8)	(432.8)
<b>Fertilisers Volumes sold</b>	<b>1,507.7</b>	<b>2,061.5</b>	<b>(433.3)</b>	<b>3,135.9</b>	<b>1,149.9</b>	<b>1,836.3</b>	<b>(233.8)</b>	<b>2,752.4</b>	<b>1,500.8</b>	<b>1,898.5</b>	<b>(386.9)</b>	<b>3,012.4</b>	<b>1,598.1</b>	<b>1,916.9</b>	<b>(432.8)</b>	<b>3,082.2</b>
<b>A\$m</b>																
IPF	233.6	885.7	-	1,119.3	216.1	850.6	-	1,066.7	266.4	822.0	-	1,088.4	267.8	742.5	-	1,010.3
SCI																
Phosphate Hill	467.4	-	-	467.4	366.6	-	-	366.6	480.0	-	-	480.0	445.3	-	-	445.3
Industrial and Trading	65.1	57.5	-	122.6	71.1	54.0	-	125.1	65.4	45.8	-	111.2	56.1	38.3	-	94.4
Quantum Fertilisers	-	4.4	-	4.4	-	4.3	-	4.3	-	13.8	-	13.8	-	13.6	-	13.6
Fertilisers Eliminations	-	-	(211.7)	(211.7)	-	-	(143.3)	(143.3)	-	-	(221.7)	(221.7)	-	-	(213.8)	(213.8)
<b>Fertilisers Revenue</b>	<b>766.1</b>	<b>947.6</b>	<b>(211.7)</b>	<b>1,502.0</b>	<b>653.8</b>	<b>908.9</b>	<b>(143.3)</b>	<b>1,419.4</b>	<b>811.8</b>	<b>881.6</b>	<b>(221.7)</b>	<b>1,471.7</b>	<b>769.2</b>	<b>794.4</b>	<b>(213.8)</b>	<b>1,349.8</b>
IPF	(37.8)	70.7	-	32.9	(73.3)	45.9	-	(27.4)	22.9	44.8	-	67.7	7.6	77.3	-	84.9
SCI																
Industrial and Trading	97.8	0.6	-	98.4	24.7	1.1	-	25.8	108.2	8.5	-	116.7	71.8	13.2	-	85.0
Fertilisers Eliminations	-	-	(2.3)	(2.3)	-	-	2.0	2.0	-	-	(2.2)	(2.2)	-	-	1.2	1.2
<b>Fertilisers EBITDA</b>	<b>60.0</b>	<b>71.3</b>	<b>(2.3)</b>	<b>129.0</b>	<b>(48.6)</b>	<b>47.0</b>	<b>2.0</b>	<b>0.4</b>	<b>131.1</b>	<b>53.3</b>	<b>(2.2)</b>	<b>182.2</b>	<b>79.4</b>	<b>90.5</b>	<b>1.2</b>	<b>171.1</b>
IPF	(64.2)	54.0	-	(10.2)	(90.7)	38.8	-	(51.9)	0.1	37.6	-	37.7	(13.4)	70.2	-	56.8
SCI																
Phosphate Hill	13.3	-	-	13.3	(57.0)	-	-	(57.0)	27.8	-	-	27.8	4.4	-	-	4.4
Industrial and Trading	24.8	(0.3)	-	24.5	26.1	0.3	-	26.4	32.7	(1.1)	-	31.6	28.4	3.1	-	31.5
Quantum Fertilisers	-	0.9	-	0.9	-	0.8	-	0.8	-	9.7	-	9.7	-	10.0	-	10.0
Fertilisers Eliminations	-	-	(2.3)	(2.3)	-	-	2.0	2.0	-	-	(2.2)	(2.2)	-	-	1.2	1.2
<b>Fertilisers EBIT</b>	<b>(26.1)</b>	<b>54.6</b>	<b>(2.3)</b>	<b>26.2</b>	<b>(121.6)</b>	<b>39.9</b>	<b>2.0</b>	<b>(79.7)</b>	<b>60.6</b>	<b>46.2</b>	<b>(2.2)</b>	<b>104.6</b>	<b>19.4</b>	<b>83.3</b>	<b>1.2</b>	<b>103.9</b>





<b>INCITEC PIVOT LIMITED FINANCIAL POSITION</b>	<b>September 2020 FY \$mill</b>	<b>September 2020 HY \$mill</b>	<b>March 2020 HY AU\$ mill</b>	<b>September 2019 FY \$mill</b>	<b>September 2019 HY \$mill</b>	<b>March 2019 HY AU\$ mill</b>	<b>September 2018 FY AU\$ mill</b>	<b>September 2018 HY AU\$ mill</b>	<b>March 2018 HY AU\$ mill</b>	<b>September 2017 FY AU\$ mill</b>	<b>September 2017 HY AU\$ mill</b>	<b>March 2017 HY AU\$ mill</b>
Cash	554.6	554.6	210.9	576.4	576.4	258.1	588.5	588.5	188.1	627.9	627.9	90.1
Inventories	474.4	474.4	633.5	600.9	600.9	701.3	494.9	494.9	577.3	388.6	388.6	496.8
Trade Debtors	338.9	338.9	520.0	286.2	286.2	342.5	289.2	289.2	306.9	310.7	310.7	306.6
Trade Creditors	(798.5)	(798.5)	(953.2)	(883.0)	(883.0)	(781.0)	(835.9)	(835.9)	(628.4)	(749.8)	(749.8)	(532.4)
<i>Trade Working Capital</i>	<i>14.8</i>	<i>14.8</i>	<i>200.3</i>	<i>4.1</i>	<i>4.1</i>	<i>262.8</i>	<i>(51.8)</i>	<i>(51.8)</i>	<i>255.8</i>	<i>(50.5)</i>	<i>(50.5)</i>	<i>271.0</i>
Property, Plant & Equipment	4,071.7	4,071.7	4,379.0	4,190.0	4,190.0	4,068.0	4,004.3	4,004.3	3,878.9	3,854.8	3,854.8	3,889.1
Lease right-of-use assets	221.1	221.1	209.4	-	-	-	-	-	-	-	-	-
<i>Net Property, Plant &amp; Equipment</i>	<i>4,292.8</i>	<i>4,292.8</i>	<i>4,588.4</i>	<i>4,190.0</i>	<i>4,190.0</i>	<i>4,068.0</i>	<i>4,004.3</i>	<i>4,004.3</i>	<i>3,878.9</i>	<i>3,854.8</i>	<i>3,854.8</i>	<i>3,889.1</i>
Intangibles	3,019.7	3,019.7	3,370.5	3,179.5	3,179.5	3,073.0	3,046.6	3,046.6	2,950.8	3,121.0	3,121.0	3,170.3
Lease liabilities	(247.7)	(247.7)	(236.0)	-	-	-	-	-	-	-	-	-
Net Other Liabilities	(560.6)	(560.6)	(709.2)	(605.8)	(605.8)	(604.4)	(468.6)	(468.6)	(358.0)	(570.0)	(570.0)	(444.6)
Net Interest Bearing Liabilities												
Current	(21.2)	(21.2)	(24.7)	(1,213.4)	(1,213.4)	(1,151.1)	(212.9)	(212.9)	(697.3)	(12.1)	(12.1)	(17.7)
Non-Current	(1,849.1)	(1,849.1)	(2,567.8)	(1,443.0)	(1,443.0)	(1,343.5)	(2,161.9)	(2,161.9)	(1,567.4)	(2,212.0)	(2,212.0)	(2,263.2)
<b>Net Assets</b>	<b>5,203.3</b>	<b>5,203.3</b>	<b>4,832.4</b>	<b>4,687.8</b>	<b>4,687.8</b>	<b>4,562.9</b>	<b>4,744.2</b>	<b>4,744.2</b>	<b>4,650.9</b>	<b>4,759.1</b>	<b>4,759.1</b>	<b>4,695.0</b>
<b>Total Equity</b>	<b>5,203.3</b>	<b>5,203.3</b>	<b>4,832.4</b>	<b>4,687.8</b>	<b>4,687.8</b>	<b>4,562.9</b>	<b>4,744.2</b>	<b>4,744.2</b>	<b>4,650.9</b>	<b>4,759.1</b>	<b>4,759.1</b>	<b>4,695.0</b>
<b>Capital Expenditure (Accruals Basis)</b>												
Total Capital Expenditure	304.5	145.0	159.5	380.8	206.3	174.5	296.9	162.0	134.9	300.2	174.3	125.9
Depreciation and amortisation	356.0	177.7	178.3	301.6	156.1	145.5	294.3	150.6	143.7	273.3	142.8	130.5
<b>Ratios</b>												
EPS, cents pre individually material items	10.9	6.9	4.0	9.5	6.9	2.6	20.9	12.1	8.8	18.9	9.9	9.0
EPS, cents post individually material items	7.1	3.1	4.0	9.5	6.9	2.6	12.5	12.0	0.5	18.9	9.9	9.0
DPS, cents	-	-	-	4.7	3.4	1.3	10.7	6.2	4.5	9.4	4.9	4.5
Franking, %	-	-	-	22%	30%	0%	12%	20%	0%	0%	0%	0%
Interest Cover (times)	6.1	6.1	5.0	4.6	4.6	5.8	7.3	7.3	7.5	7.9	7.9	7.9

<b>INCITEC PIVOT LIMITED CASH FLOWS</b>	<b>September 2020 FY \$mill Inflows/ (Outflows)</b>	<b>September 2020 HY \$mill Inflows/ (Outflows)</b>	<b>March 2020 HY AU\$ mill Inflows/ (Outflows)</b>	<b>September 2019 FY \$mill Inflows/ (Outflows)</b>	<b>September 2019 HY \$mill Inflows/ (Outflows)</b>	<b>March 2019 HY AU\$ mill Inflows/ (Outflows)</b>	<b>September 2018 FY AU\$ mill Inflows/ (Outflows)</b>	<b>September 2018 HY AU\$ mill Inflows/ (Outflows)</b>	<b>March 2018 HY AU\$ mill Inflows/ (Outflows)</b>	<b>September 2017 FY AU\$ mill Inflows/ (Outflows)</b>	<b>September 2017 HY AU\$ mill Inflows/ (Outflows)</b>	<b>March 2017 HY AU\$ mill Inflows/ (Outflows)</b>
<b>Net operating cash flows</b>												
Group EBITDA ex IMIs	730.5	393.0	337.5	605.3	341.1	264.2	851.0	467.0	384.0	774.5	401.2	373.3
Net interest paid	(135.5)	(58.7)	(76.8)	(131.1)	(68.0)	(63.1)	(116.4)	(62.0)	(54.4)	(92.0)	(48.2)	(43.8)
Net income tax paid	(13.7)	(2.0)	(11.7)	(20.8)	(6.4)	(14.4)	(11.5)	(6.4)	(5.1)	(12.9)	(1.7)	(11.2)
TWC movement (excluding FX impact)	(8.4)	169.3	(177.7)	(12.2)	301.0	(313.2)	6.6	320.6	(314.0)	(4.3)	320.6	(324.9)
Profit from joint ventures and associates	(32.3)	(18.1)	(14.2)	(44.9)	(27.5)	(17.4)	(44.7)	(29.8)	(14.9)	(39.9)	(20.7)	(19.2)
Dividends received from joint ventures and associates	30.9	15.1	15.8	27.5	14.0	13.5	29.9	16.7	13.2	34.9	15.9	19.0
Environmental and site clean up	(8.0)	(3.1)	(4.9)	(8.8)	(4.6)	(4.2)	(7.2)	(3.2)	(4.0)	(12.8)	(3.4)	(9.4)
Other non-TWC	(18.4)	(102.4)	84.0	(0.2)	(100.0)	99.8	(45.0)	98.2	(143.2)	0.2	85.0	(84.8)
<b>Operating cash flows</b>	<b>545.1</b>	<b>393.1</b>	<b>152.0</b>	<b>414.8</b>	<b>449.6</b>	<b>(34.8)</b>	<b>662.7</b>	<b>801.1</b>	<b>(138.4)</b>	<b>647.7</b>	<b>748.7</b>	<b>(101.0)</b>
<b>Net investing cash flows</b>												
Growth - Louisiana ammonia project	-	-	-	-	-	-	-	-	-	(78.8)	(9.1)	(69.7)
Growth - Louisiana ammonia project capitalised interest	-	-	-	-	-	-	-	-	-	(4.3)	-	(4.3)
Growth - Other	(60.2)	(24.7)	(35.5)	(55.2)	(32.0)	(23.2)	(64.6)	(27.8)	(36.8)	(52.0)	(46.3)	(5.7)
Sustenance and lease buy-outs	(218.2)	(99.6)	(118.6)	(292.9)	(144.3)	(148.6)	(260.7)	(159.5)	(101.2)	(184.6)	(91.3)	(93.3)
Proceeds from asset sales	7.4	5.5	1.9	10.8	7.4	3.4	6.2	2.8	3.4	39.8	37.7	2.1
Other	(108.4)	(39.4)	(69.0)	(4.3)	1.2	(5.5)	(4.9)	(21.3)	16.4	(8.4)	(14.1)	5.7
<b>Investing cash flows</b>	<b>(379.4)</b>	<b>(158.2)</b>	<b>(221.2)</b>	<b>(341.6)</b>	<b>(167.7)</b>	<b>(173.9)</b>	<b>(324.0)</b>	<b>(205.8)</b>	<b>(118.2)</b>	<b>(288.3)</b>	<b>(123.1)</b>	<b>(165.2)</b>
<b>Net financing cash flows</b>												
Dividends paid to members of Incitec Pivot Limited	(30.7)	-	(30.7)	(121.7)	(20.9)	(100.8)	(157.4)	(74.7)	(82.7)	(153.5)	(75.9)	(77.6)
Dividends paid to non-controlling interest holder	-	-	-	(5.9)	-	(5.9)	(2.4)	-	(2.4)	(1.2)	(1.2)	-
Payment for buy-back of shares	-	-	-	(89.7)	-	(89.7)	(210.3)	(114.9)	(95.4)	-	-	-
Proceeds on issue of shares	645.5	645.5	-	-	-	-	-	-	-	-	-	-
Purchase of IPL shares for employees	(1.3)	-	(1.3)	(0.6)	-	(0.6)	(5.1)	-	(5.1)	-	-	-
Lease liability payments	(41.9)	(21.7)	(20.2)	-	-	-	-	-	-	-	-	-
(Loss)/Gain on translation of US\$ Debt (incl fair value adjustments)	(74.6)	(11.2)	(63.4)	(175.1)	(32.5)	(142.6)	(43.2)	(32.6)	(10.6)	(102.8)	(102.8)	-
<b>Financing cash flows</b>	<b>497.0</b>	<b>612.6</b>	<b>(115.6)</b>	<b>(393.0)</b>	<b>(53.4)</b>	<b>(339.6)</b>	<b>(418.4)</b>	<b>(222.2)</b>	<b>(196.2)</b>	<b>(257.5)</b>	<b>(179.9)</b>	<b>(77.6)</b>
<b>(Increase)/decrease in net debt</b>	<b>662.7</b>	<b>847.5</b>	<b>(184.8)</b>	<b>(319.8)</b>	<b>228.5</b>	<b>(548.3)</b>	<b>(79.7)</b>	<b>373.1</b>	<b>(452.8)</b>	<b>101.9</b>	<b>445.7</b>	<b>(343.8)</b>