

Incitec Pivot Limited

GLOBAL DIVERSIFIED INDUSTRIAL CHEMICALS

MEDIA STATEMENT

IPL RELEASES 2017 FULL YEAR RESULTS

Delivering growth despite tough market conditions

14 November 2017

Incitec Pivot Limited (ASX: IPL) reported Net Profit After Tax (NPAT) of \$318.7m, an increase of \$190.6m from FY16 NPAT. This result is an increase of \$23.5m or 8% when compared to FY16 NPAT excluding FY16 Individually Material Items (ex IMIs) of \$167.1m.

2017 Full Year Summary:

- **Zero Harm:** Total Recordable Injury Frequency Rate (TRIFR) of 0.90, a 35% reduction since FY12. Employee Lost Day Severity Rate declined by 89% over the same period.
- **Earnings Before Interest and Tax (EBIT):** \$501.2m, up 17% as compared to FY16¹.
- **NPAT:** \$318.7m, up 8% as compared to FY16¹.
- **Earnings per Share (EPS):** Up 8% to 18.9 cents versus 17.5 cents in FY16¹.
- **Explosives:** Earnings up 9%. Americas US\$ EBIT up 46% driven by sustained Quarry & Construction growth and resurgent Coal and Base & Precious Metals activity. Asia Pacific EBIT up 1% underpinned by resilient Coal and Base & Precious Metals demand, notwithstanding Moranbah's scheduled turnaround.
- **Industrial Chemicals:** Earnings up 83% to \$96.5m, which included initial Waggaman earnings.
- **Fertilisers:** Strong result in the face of lower commodity prices and a higher Australian dollar, with EBIT down less than 2%.
- **Business Excellence (BEx):** \$176.0m of net productivity benefits delivered through the BEx system in FY17, including the Organisation Focused Improvement (OFI) program.
- **Balance Sheet:** Net leverage of 1.7x down from 2.1x in FY16. Net debt down 7.3% to \$1,291.9m.
- **Dividend:** Final unfranked dividend of 4.9 cents per share, maintaining 50% payout ratio for FY17.
- **Capital management:** On-market share buyback of up to \$300m to be conducted over the next 12 months.

Company Overview:

2017 saw a solid result, driven by record Explosives earnings, initial Waggaman earnings and resilient Fertiliser earnings. BEx contributed \$176m in net productivity benefits in FY17 through the OFI program announced in 1H16. The BEx system has delivered \$353.9 of net productivity benefits since its inception in 2012.

1. excluding FY16 IMIs of \$167.1m

Frank Micallef, Chief Financial Officer said, "IPL's 2017 results are strong, with EBIT up 17%¹, and this is a direct result of the efforts of our 4,700 people. Using our business improvement system, our people have achieved outstanding results in a challenging environment, improving both our safety practices and business systems.

"Waggaman was a major highlight of the year, with the project completed safely, on time and under budget. The plant produced volumes exceeding 100% of nameplate in September and October 2017 and is the most successful new nitrogen investment in North America in many years.

"Three of our manufacturing sites were injury free, and process safety incidents have reduced by 15% over the past two years. That is a record that demonstrates significant progress on our journey to Zero Harm. IPL will not be satisfied until it is achieving Zero Harm across the entire business."

Capital Management and Dividend:

Mr Paul Brasher, IPL Chairman said, "Following the strong result in 2017 and the completion of commissioning at Waggaman, and with net debt reducing by 7.3%, the Board believes IPL is in a stronger business position to meet the challenging market conditions."

For this reason IPL today announced an on-market share buyback of up to \$300m, in addition to the final unfranked dividend of 4.9 cents per share, maintaining a 50% payout ratio for FY17.

Mr Brasher said, "IPL's disciplined approach to capital and debt management will be complemented by the share buyback program, to deliver shareholder value."

Managing Director & CEO Transition:

After eight years in the role, Mr James Fazzino will step down as Managing Director & CEO after today. Details of his cessation arrangements are set out in the Company's 2017 Remuneration Report which was released today.

Mr Paul Brasher, IPL Chairman said "James leaves a legacy of a successful Company transformation and an embedded culture of continuous improvement."

"Over the last eight years, under James' leadership, IPL has grown six-fold. In particular, James was instrumental in the integration of the Dyno Nobel acquisition, the construction and successful operation of world scale nitrogen plants at Moranbah and Waggaman and the establishment of IPL's business model for continuous improvement and productivity, BEx."

"James is leaving IPL with a strong record of achievement, and the Board and all the employees thank James for his leadership and commitment to IPL, and wish him the very best for the future."

"Jeanne Johns commences as IPL's Managing Director & CEO tomorrow. She is a truly global executive, who has successfully run major industrial and commodity based businesses in the United States, Asia and the United Kingdom, and will bring valuable fresh perspectives to all aspects of our business."

Ms Johns said "I am looking forward to building on IPL's solid foundation. I have already met with our people in the US and Australian businesses and manufacturing plants to listen to their views on how to continue improving our Company and our safety journey. I am very much looking forward to leading IPL and working with all our employees, to provide the best possible service and excellent products to our customers."

IPL Board Changes:

Mr Brasher also announced changes to the composition of the Board, with Mr Greg Hayes to retire from the Board at the conclusion of the 2017 Annual General Meeting. Mr Brasher said, "Greg is retiring from the Board due to an increase in his interests in unlisted entities, both as a director and an investor. He recently stepped down from his other listed company board.

1. excluding FY16 IMIs of \$167.1m

Greg has made an outstanding contribution to our Board and, on behalf of the entire Board, we wish him all the best for his future endeavours.”

Mr Brasher said, “With Greg stepping down from the Board, I am pleased to advise that Brian Kruger has been appointed as Chairman of the Audit and Risk Management Committee. Brian is highly experienced in running businesses in both Australia and the US. Most recently he served as Managing Director & CEO of a major Australian public company, and prior to that Brian held Chief Financial Officer roles in Australian listed companies.”

For more information:

A link to IPL’s FY17 Results Presentation webcast can be found on IPL’s website: www.incitecpivot.com.au

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