

Incitec Pivot Limited

INNOVATION ON THE GROUND

ASX RELEASE

First Half Update FY2019

2 April 2019

Incitec Pivot Limited (ASX:IPL) today provides the following update in relation to the first half of its 2019 financial year. This update should be read in conjunction with previous ASX updates on operational matters issued since 7 December 2018.

IPL will announce its first half FY19 results on Monday 20 May, at which time it will provide a comprehensive review of first half performance and outlook for the remainder of the financial year.

Key factors impacting first half earnings before interest and tax (**EBIT**) and the full year outlook include the following:

Fertilisers Asia Pacific

As a result of the dry weather across pasture, summer and winter cropping regions in Eastern Australia, distribution sales in the first half of FY19 are currently down approximately 200,000 tonnes versus the prior corresponding period (pcp), and it seems unlikely at this stage that there will be any substantial recovery of those lost volumes in the second half. The impact of these lower volumes on first half FY19 EBIT is expected to be approximately A\$20M compared to the pcp.

In respect of the Queensland rail outage that was the subject of an ASX announcement on 26 February 2019, IPL has been working to partly mitigate the impact of the outage by establishing alternative logistics to take advantage of the sections of the rail line already open between Richmond and Townsville. The financial impact of the outage on first half EBIT is expected to be approximately A\$60M, with the total impact for the 2019 financial year now anticipated to be around the lower end (A\$100M) of the range previously announced.

Under Australian Accounting Standards, IPL's financial results will not be presented pre and post Individually Material Items (IMI) to reflect the financial impact of the Queensland rail outage. However, IPL will separately disclose full details of the financial impact of the rail outage in its results disclosures.

IPL has completed a review of its Single Super Phosphates (**SSP**) manufacturing operations in Victoria. As a result of this review, the Portland SSP manufacturing facility will close in May 2019 and operations will be consolidated to the Geelong SSP manufacturing facility. The Portland Primary Distribution Centre will continue to operate to serve customers as normal.

The total cost associated with the closure and subsequent consolidation of operations to Geelong is expected to be approximately A\$13M, consisting of A\$9M in cash costs and A\$4M in non-cash costs. These costs will be included in the full year FY19 results.

Synergies from the combined operation are expected to deliver an additional A\$3M EBIT per annum and a sustenance capital saving of approximately A\$1M per annum, both from FY20.

Louisiana Ammonia Plant

The issues that were previously experienced in the plant's CO₂ removal system, which were the subject of an ASX announcement dated 29 January 2019, were successfully mitigated in late February, and will be permanently repaired during the next plant turnaround.

In late March, issues relating to compressor electronic controls required the plant to be taken down again. The plant is expected to resume full rate production from the second week of April 2019 and is expected to operate at nameplate capacity for the remainder of FY19.

While addressing the compressor electronic controls, various other inspection and maintenance activities scheduled for the next turnaround were brought forward. This has enabled the plant turnaround, previously scheduled for October 2019, to be deferred until October 2020.

The estimated EBIT for the Louisiana Ammonia plant for the first half of FY19 is approximately A\$14M (US\$10M) compared to A\$62M (US\$48M) in the pcp.

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