IPL ANNUAL REPORT **2022**

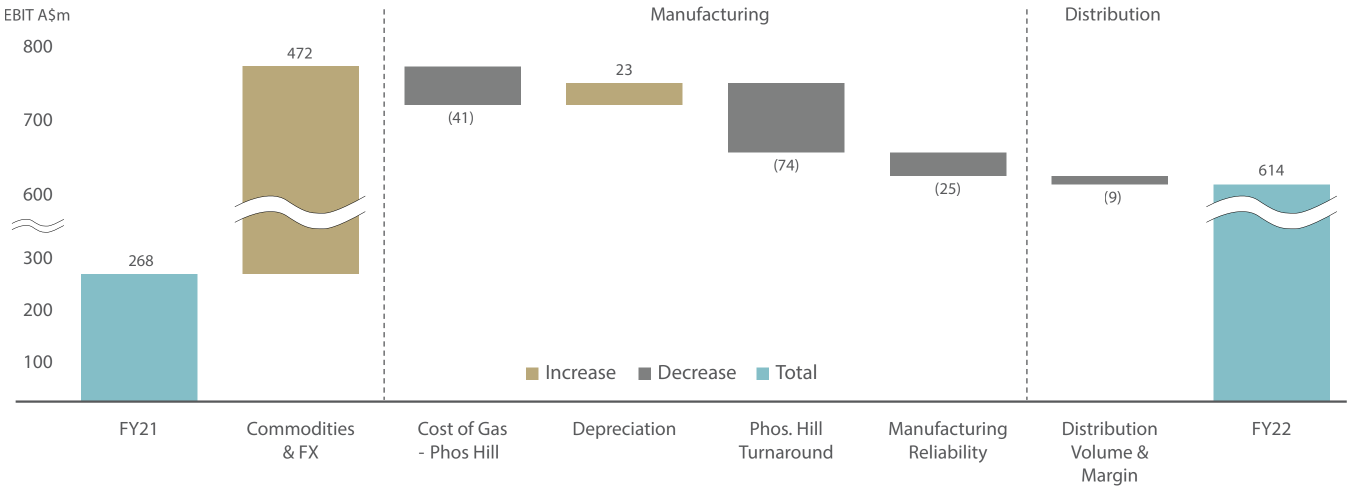
MAIN MENU

Incitec Pivot Limited
INNOVATION ON THE GROUND

DYNO Dyno Nobel

Incitec Pivot Fertilisers

FERTILISERS ASIA PACIFIC



	Year ended 30 September		
FERTILISERS ASIA PACIFIC	**FY22**	**FY21**	**Change %**
Thousand metric tonne			
Phosphate Hill production (ammonium phosphates)	735.9	958.4	(23)
Gibson Island production (urea equivalent)	404.5	498.5	(19)
A$m			
Manufacturing	991.3	836.4	19
Distribution	1,656.5	1,058.2	57
Fertilisers APAC Revenue	**2,647.8**	**1,894.6**	**40**
Manufacturing	563.1	208.8	170
Distribution	50.6	59.6	(15)
Fertilisers APAC EBIT	**613.7**	**268.4**	**129**
EBIT margin	*23.2%*	*14.2%*	
EBIT margin			
Manufacturing	*56.8%*	*25.0%*	
Distribution	*3.1%*	*5.6%*	

Notes		
Fertilisers APAC		
Realised A$/US$ Exchange Rate	0.72	0.76
Total Fertilisers APAC volumes sold (k mt)	2,575.9	3,220.1
Domestic Fertilisers APAC volumes sold (k mt)	1,868.7	2,234.7
Phosphate Hill		
Realised AP Price (US$/mt)	851	524
Phosphate Hill production sold (k mt)	747	949
Realised AP Freight Margin (US$/mt)	14.1	4.8
Realised Cost per Tonne of AP (A$/mt)**	705	484
Gibson Island		
Realised Urea Price (US$/mt)	710	373
Gibson Island production sold subject to urea price movement (k mt)	336	364

* Not meaningful
** Weighted average of AP including port costs

Business Performance

Fertilisers Asia Pacific earnings of $614m was 129% higher than the pcp. Major movements for the year were due to the following:

Foreign Exchange and Commodity Prices: $472m net increase, primarily driven by higher DAP price ($851/t vs $524/t), higher Urea price ($710/t vs $373/t) and lower AUD:USD exchange rate (0.72 vs 0.76), partially offset by higher cost sulphur/sulphuric acid.

Cost of Gas – Phosphate Hill: Gas supply disruptions at Phosphate Hill increasing FY22 gas cost by $41m (~A$10m incurred in 1H22). Power and Water Corporation (gas supplier) expect full supply to be restored in February 2023. Additional top-up gas volumes to be purchased to make up shortfalls to February 2023 at an estimated cost of approximately $60m to $70m in FY23.

Depreciation: Net $23m reduction in depreciation charges due to the impairment of Gibson Island assets in September 2021 offset in part by higher depreciation at Phosphate Hill mainly related to capital expenditure for the construction of critical infrastructure.

Planned Plant Shutdowns: Phosphate Hill turnaround completed during 2H FY22. This planned shutdown negatively impacted earnings by $74m compared to the pcp.

Manufacturing Reliability: $25m net decrease due to lower than expected production and plant efficiency at Phosphate Hill in the run up to the turnaround.

Volumes and Margins: Distribution volumes were lower as a result of lower demand, largely due to higher pricing, wet weather and global fertiliser supply constraints. Distribution margins when measured as a function of revenue will naturally decrease when commodity prices increase. Distribution EBIT margin per tonne in FY22 was up slightly versus pcp.

Market Summary

Total Fertilisers Asia Pacific sales volumes of 2,576k metric tonnes was 20% lower than FY21 sales of 3,220k metric tonnes. The planned 8 week turnaround at Phosphate Hill adversely impacted sales volumes in FY23 as did lower demand, largely due to higher pricing, wet weather and global fertilisers supply constraints.

Global fertiliser prices traded significantly higher in FY22 with realised Ammonium Phosphate prices improving by more than 62% compared with the pcp while, despite its volatility, realised Urea prices increased 90% over the pcp. The supply and demand dynamic remains broadly favourable to support strong prices in the near term.

Progress on the soil health strategy continues, highlighted by an increase in Nutrient Advantage earnings and the acquisition of the Yara Nipro liquid fertiliser business.