

ASX RELEASE

Incitec Pivot secures long-term urea supply for Australian and international markets

21 April 2023

Highlights

- **IPL confirms exclusive 20-year offtake of up to 2.3 million tonnes¹ per annum of granular urea from Perdaman's Karratha plant expected to commence from mid-2027.**
- **Following plant commissioning, expected to add an estimated incremental EBIT of approximately A\$45 million per annum to the IPF business.²**
- **Provides IPF with access to significant volumes of competitively priced urea to grow the business and provides a platform to increase the level of recurring earnings in line with IPL's strategy.**

Incitec Pivot Limited (ASX:IPL) today announced that the previously disclosed³ Urea Offtake Agreement between IPL's wholly owned subsidiary, Incitec Fertilizers Pty Ltd (IPF)⁴ and Perdaman Chemicals and Fertilisers Pty Ltd (Perdaman) is now unconditional, with Perdaman having obtained financing for construction of the new Karratha urea plant.

Under the Offtake Agreement, IPF has agreed to take up to 2.3 million tonnes per annum of granular urea from Perdaman's Karratha urea plant in Western Australia, for a 20-year period commencing from the date the plant is fully commissioned. Perdaman has advised that the plant is currently expected to be commissioned in mid-2027.

Pricing under the Offtake Agreement is expected to deliver a competitively priced product, providing an at-scale platform for potential growth in recurring earnings for IPF. Once the plant is commissioned, the Offtake Agreement is expected to add an estimated incremental EBIT of approximately A\$45 million per annum to the IPF business⁵.

Up to 50% of the urea is expected to be marketed within Australia, including through IPF's existing East Coast Australian distribution business, with the remainder marketed to key international export destinations.

In line with IPL's strategy of increasing the level of recurring earnings, the Offtake Agreement leverages IPF's existing domestic and global marketing capabilities, providing:

- supply for Australian farmers and industries where urea is an essential input into food production and various downstream industrial applications;

¹ References to 2.3 million tonnes in this announcement are based on IPF's maximum contractual offtake volume. Offtake will be dependent on actual plant production.

² Actual EBIT contribution is expected to be dependent on, amongst other things, production volume, geographical sales mix, global urea pricing and foreign exchange rates (A\$:US\$). This average EBIT estimate of approximately A\$45m per annum assumes sales volumes of 2 million tonnes per annum to be sold in Australia and in international markets; a Urea price of US\$337 per tonne; and an A\$:US\$ foreign exchange rate of \$0.77. While the Urea pricing and foreign exchange rate assumptions are based on 10-year historical averages, there can be no assurance that these assumptions or the other assumptions on which the estimated EBIT contribution is based will reflect actual results. The actual outcome may differ materially (favourably or unfavourably) if events or circumstances that can impact earnings do not occur as assumed.

³ See IPL's ASX announcement on 5 May 2021.

⁴ Incitec Fertilizers Pty Ltd changed its name to Incitec Fertilisers Operations Pty Ltd on 21 September 2022.

⁵ Refer to footnote 2.

- greater supply chain flexibility, reducing IPL's exposure to demand variability;
- urea manufactured from a plant that intends to implement best practices with respect to greenhouse gas emissions reduction, with feedstock gas from the low CO₂ Scarborough reservoir.

IPL provides a parent company guarantee of IPF's obligations under the Offtake Agreement.

IPL Managing Director & CEO, Jeanne Johns, said:

"The Offtake Agreement provides IPF with a competitive long-term domestic supply of urea for its Australian customers and to expand sales into growing global markets.

"This is all about IPF executing on its strategy. The Perdaman offtake provides a platform to grow the recurring earnings of the fertiliser business, at scale, and is another step towards creating two great businesses.

"We are pleased to partner in a major Australian project that utilises the country's natural gas resources for domestic urea manufacturing operations that is essential for the future of our Australian and international agricultural markets."

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

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