

Fertiglobe Reports Q3 2023 Results

Highlights:

- Fertiglobe reported Q3 2023 revenues and adjusted EBITDA at \$525 million and \$199 million, respectively. Adjusted net profit and free cash flows during the quarter were \$41 million and \$126 million, respectively.
- Q3 2023 own-produced sales volume up 8% Y-o-Y driven by 10% higher own-produced urea sales volumes.
- Fertiglobe's 9M 2023 revenues and adjusted EBITDA were \$1,770 million and \$715 million, respectively. Adjusted net profit was \$261 million in 9M 2023, while free cash flows were \$458 million.
- Fertiglobe announced dividends of \$275 million for H1 2023, equivalent to 12 fils/share, and expects to maintain healthy dividend distributions supported by its robust free cash flow generation and supportive market fundamentals.
- Fertiglobe has reached commercial agreement with a group of its core relationship banks on the terms of a new \$500 million term facility, which was 1.9x oversubscribed and is expected to be executed shortly. Once the facility is executed, the proceeds will be used to refinance shorter term borrowings, further improving Fertiglobe's maturity profile and liquidity.
- Fertiglobe is on track to realize its targeted \$50 million run rate savings by the end of 2024.
- Sustainability-focused projects are advancing, with Fertiglobe, alongside ADNOC, piloting deployment of the world's first modular CycloneCC carbon capture unit at our UAE facilities
- **Market Outlook:**
 - Nitrogen prices bottomed in late Q2 2023/early Q3 2023; ammonia and urea prices are now up ~150% and ~35%, respectively, from their trough levels, supported by demand recovery and tightening supply. Fertiglobe's short term outlook is further underpinned by a strong order book for ammonia and urea sales at higher prices for the remainder of the year.
 - Limited incremental capacity additions in the next several years, and elevated marginal production costs provide a long term support for the market.

Abu Dhabi, UAE – November 07, 2023: Fertiglobe (ADX: FERTIGLB), the strategic partnership between ADNOC and OCI Global, the world's largest seaborne exporter of urea and ammonia combined, the largest nitrogen fertilizer producer in the Middle East and North Africa ("MENA") region, and an early mover in sustainable ammonia, today reported Q3 2023 revenue of \$525 million, adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of \$199 million, adjusted net profit of \$41 million, and free cash flow of \$126 million. In Q3 2023, nitrogen prices reflected tighter market balances due to record low inventory levels, healthy demand from key importing regions, restrictions on Chinese urea exports, and supply disruptions.

Ahmed El-Hoshy, CEO of Fertiglobe, commented:

"Nitrogen prices maintained their positive momentum in Q3 2023, despite the traditional summer lull for fertilizers, driven by tightening markets on a combination of planned and unplanned supply disruptions, restocking demand, as well as expectations of reduced exports from China. Nitrogen prices have increased significantly from their troughs

in the second and third quarters, and we expect the benefits from these increases to materialize in the fourth quarter. The nitrogen outlook in the medium to longer term remains favorable, with limited incremental supply additions over the next several years, healthy farm economics, and elevated energy prices raising marginal cost floors, particularly going into the winter season.

Our own-produced sales volumes were up 8% in Q3 2023 compared to Q3 2022, primarily due to 10% higher own-produced urea sales volumes. A strong order book at the beginning of Q3 2023 resulted in a lag effect on our realized prices vis-a-vis the moves in benchmark indices. The expected recovery in demand ahead of the spring application season in the Northern Hemisphere should however continue to support prices in Q4 2023, and Fertiglobe remains ideally positioned to service key import markets through its strategically located facilities.

In addition, Fertiglobe and ADNOC recently announced the pilot deployment of the world's first modular CycloneCC carbon capture unit at our Fertil plant in the UAE, with the potential for broader deployment across our operations, if successful. Looking ahead, we are committed to leveraging our state-of-the-art ammonia facilities and global distribution infrastructure to expand our low-carbon ammonia capacity as part of our commitment to reducing the carbon footprint of our operations and meeting the increasing demand for low-carbon hydrogen and ammonia.

Our healthy free cash flow conversion and balance sheet (0.0x net leverage / LTM EBITDA) allow us to continue to balance dividend payments and selective growth spending on value accretive projects, and we are pleased to announce the Board of Directors' approval of H1 2023 dividends of \$275 million, equivalent to 12 fils/share, payable in the next few weeks.

Further, I am pleased to note that the proactive management initiatives recently rolled out to bolster our free cash generation across cycles, namely the Manufacturing Improvement Plan (MIP) and the cost optimization program, are bearing fruit. Progress has been made on key focus areas of the cost optimization program, including operating model transformation through launching the set-up of a shared service center in Egypt, advancing our logistical capabilities and strategy, as well as capex and opex optimization.

Finally, I would like to extend my sincere appreciation to the Fertiglobe team for their steadfast commitment to upholding top-tier safety, performance, and excellence benchmarks, which continues to be a pivotal driving force behind our achievements, and for our future journey."

Market Outlook

Fertiglobe believes the outlook for nitrogen markets remains positive, supported by crop fundamentals, elevated European gas pricing and tightening supply dynamics in the medium term.

- **The nitrogen demand outlook for 2024 and beyond is underpinned by several factors:**
 - Despite the recent increase in nitrogen prices, farmer affordability levels remain robust (+26% since Q3 2022), incentivizing nitrogen demand, and supporting the rebuilding of global grain stocks. Global grain stock-to-use ratios remain below the 10 year average, and it will likely take at least until 2025 to replenish stocks.
 - Forward grain prices (US corn futures >\$5.0/bushel to the end of 2025 compared to \$3.7/bushel during 2015 - 2019, and US wheat futures >\$6.0-7.0/bushel, compared to \$4.8/bushel during 2015 - 2019) are supporting farm incomes and incentivizing nitrogen demand to be above historical trend levels.

- Industry consultants expect a recovery in global ammonia trade from trough levels of ~17 million tons in 2022 / 2023 towards historical levels of 19+ million tons per year, as demand for downstream fertilizers, driven by improved affordability, recovers and industrial demand picks up.
- There is also significant potential incremental demand in the medium term from new applications for ammonia such as its use as a fuel for power generation, especially in Japan and Korea. These two markets alone could generate incremental demand for ammonia of 6 to 9 million tons by 2030.
- **Nitrogen supply is expected to be tighter over 2023 – 2027:**
 - No major large-scale greenfield urea supply additions are expected in the remainder of 2023 and 2024, with limited additions from 2025 to 2027, generating a global supply/demand gap of ~4 million tons.
 - Chinese urea exports are expected to remain in the range of 3 – 4 million tons per year over the medium term, as China continues to curb exports to ensure sufficient availability of urea for the domestic market.
- **Feedstock pricing is expected to remain well above historical averages:**
 - 2023 - 2025 forward European gas prices are c.\$17/mmBtu (or c.3x higher than 2015-2019), with higher prices anticipated for next winter. This implies marginal cost support levels for ammonia of c.\$770/t (including full impact CO2) and ~\$605/t (excluding CO2).

Dividends and capital structure

As of 30 September 2023, Fertiglobe reported a net cash position of \$28 million, compared to a net cash balance of \$287 million as of 31 December 2022, allowing the company to balance future growth opportunities and dividend pay-out. Fertiglobe announced H1 2023 dividends at \$275 million, equivalent to 12 fils/share, payable in the next few weeks.

Following quarter-end, Fertiglobe has reached commercial agreement with a group of its core relationship banks on the terms of a new \$500 million term facility, which is expected to be executed shortly. Once the facility is executed, the proceeds will be used to refinance shorter term borrowings, further improving Fertiglobe's maturity profile and liquidity, in line with the company's commitment to an investment grade capital structure.

Cost savings

Fertiglobe has recently launched an initiative to further optimize its cost structure and reinforce its top-quartile cash cost positioning, targeting \$50 million in recurring annualized savings by the end of 2024. Key focus areas include enhancements to the operating model, improvements in logistical capabilities and increased operational cost and spend efficiencies. In addition, Fertiglobe's manufacturing improvement plan remains on track to deliver operational and cost efficiencies by 2025.

Consolidated Financial Results at a Glance¹

Financial Highlights (\$ million, unless otherwise stated)

\$ million unless otherwise stated	Q3 2023	Q3 2022	% Δ	9M 2023	9M 2022	% Δ
Revenue	525.1	1,317.9	(60%)	1,770.3	3,974.0	(55%)
Gross profit	153.8	583.9	(74%)	597.3	1,919.5	(69%)
<i>Gross profit margin</i>	29.3%	44.3%		33.7%	48.3%	
Adjusted EBITDA	199.0	606.3	(67%)	714.5	2,000.9	(64%)
<i>Adjusted EBITDA margin</i>	37.9%	46.0%		40.4%	50.3%	
EBITDA	191.8	609.3	(69%)	704.3	1,998.9	(65%)
<i>EBITDA margin</i>	36.5%	46.2%		39.8%	50.3%	
Adjusted net profit attributable to shareholders	41.2	291.5	(86%)	260.5	1,090.7	(76%)
Reported net profit attributable to shareholders	39.5	291.6	(86%)	254.4	1,077.6	(76%)
Earnings per share (\$)						
Basic earnings per share	0.005	0.035	(86%)	0.031	0.130	(76%)
Diluted earnings per share	0.005	0.035	(86%)	0.031	0.130	(76%)
Adjusted earnings per share	0.005	0.035	(86%)	0.031	0.131	(76%)
Earnings per share (AED)						
Basic earnings per share	0.017	0.129	(86%)	0.113	0.477	(76%)
Diluted earnings per share	0.017	0.129	(86%)	0.113	0.477	(76%)
Adjusted earnings per share	0.017	0.129	(86%)	0.113	0.481	(77%)
Free cash flow	126.4	189.3	(33%)	457.7	1,498.8	(69%)
Capital expenditure	33.1	23.5	41%	80.3	47.5	69%
<i>Of which: Maintenance Capital Expenditure</i>	28.8	18.4	57%	70.5	38.2	85%

	30 Sep 23	31 Dec 22	% Δ
Total Assets	5,434.2	5,530.6	(2%)
Gross Interest-Bearing Debt	1,571.3	1,155.2	36%
Net Cash	(28.0)	(286.8)	(90%)

	Q3 2023	Q3 2022	% Δ	9M 2023	9M 2022	% Δ
Sales volumes ('000 metric tons)						
Fertiglobe Product Sold	1,470	1,364	8%	4,247	4,158	2%
Third Party Traded	40	336	(88%)	353	848	(58%)
Total Product Volumes	1,510	1,700	(11%)	4,600	5,006	(8%)

¹ Unaudited

Operational Highlights

Operational Performance Highlights:

- 12-month rolling recordable incident rate to 30 September 2023 of 0.13 incidents per 200,000 manhours.
- Fertiglobe's total own-produced sales volumes were up 8% to 1,470kt in Q3 2023 vs Q3 2022, driven by:
 - *Relatively unchanged ammonia own-produced sales volumes of 323kt in Q3 2023, and*
 - *A 10% YoY increase in urea own-produced sales volumes to 1,144kt in Q3 2023 compared to 1,042kt in Q3 2022 driven by higher production and lower ending inventories.*
- Traded third party volumes decreased 88% YoY to 40kt in Q3 2023, compared to 336kt in Q3 2022.
- Total own-produced and traded third party volumes of 1,510kt were down 11% in Q3 2023 compared to Q3 2022.
- In 9M 2023, Fertiglobe's total own-produced sales volumes were up by 2% to 4,247kt compared to 9M 2022, driven by:
 - *A 6% decrease in ammonia own-produced sales volumes to 849kt from 902kt in 9M 2022, and*
 - *A 4% increase in urea own-produced sales volumes to 3,388kt compared to 3,256kt in Q3 2022.*
- Traded third party volumes were down 58% YoY to 353kt in 9M 2023.
- Total own-produced and traded third party sales volumes of 4,600kt in 9M 2023 were down 8% compared to 5,006kt in 9M 2022.

Product sales volumes

Sales volumes ('000 metric tons)	Q3 2023	Q3 2022	% Δ	9M 2023	9M 2022	% Δ
Own Product						
Ammonia	323	322	0%	849	902	(6%)
Urea	1,144	1,042	10%	3,388	3,256	4%
DEF	3	-	n/m	10	-	n/m
Total Own Product Sold	1,470	1,364	8%	4,247	4,158	2%
Third-Party Traded						
Ammonia	32	134	(76%)	141	213	(34%)
Urea	8	202	(96%)	212	635	(67%)
Total Traded Third-party Product	40	336	(88%)	353	848	(58%)
Total Own Product and Traded Third-party	1,510	1,700	(11%)	4,600	5,006	(8%)

Benchmark prices¹

			Q3 '23	Q3 '22	% Δ	9M 2023	9M 2022	% Δ	Q2 '23	% Δ
Ammonia	NW Europe, CFR	\$/mt	419	1,199	(65%)	498	1,258	(60%)	386	8%
Ammonia	Middle East, FOB	\$/mt	310	923	(66%)	394	1,006	(61%)	256	21%
Granular Urea	Egypt, FOB	\$/mt	422	775	(46%)	389	803	(52%)	335	26%
Granular Urea	Middle East, FOB	\$/mt	380	626	(39%)	347	708	(51%)	302	26%
Natural gas	TTF (Europe)	\$ / mmBtu	10.6	61.0	(83%)	12.9	41.3	(69%)	11.4	(7%)
Natural gas	Henry Hub (US)	\$ / mmBtu	2.7	7.9	(66%)	2.6	6.8	(62%)	2.3	16%

¹ Source: CRU, MMSA, ICIS, Bloomberg

In Q3 2023, ammonia Middle East benchmark were down 66% YoY, while the urea Egypt benchmark price was down 46%. Compared to Q2 2023, the ammonia Middle East benchmark was up 21%, while the urea Egypt benchmark price was up 26%.

Segment overview Q3 2023

\$ million	Production and marketing of own produced volumes	Third party trading	Other	Total
Total revenues	511.0	14.1	-	525.1
Gross profit	155.0	(1.2)	-	153.8
Operating profit	130.9	0.5	(12.1)	119.3
Depreciation & amortization	(70.7)	(1.2)	(0.6)	(72.5)
EBITDA	201.6	1.7	(11.5)	191.8
Adjusted EBITDA	208.2	1.7	(10.9)	199.0

Segment overview Q3 2022

\$ million	Production and marketing of own produced volumes	Third party trading	Other	Total
Total revenues	1,020.6	297.3	-	1,317.9
Gross profit	571.0	12.9	-	583.9
Operating profit	549.5	12.9	(13.2)	549.2
Depreciation & amortization	(59.7)	-	(0.4)	(60.1)
EBITDA	609.2	12.9	(12.8)	609.3
Adjusted EBITDA	606.2	12.9	(12.8)	606.3

Segment overview 9M 2023

\$ million	Production and marketing of own produced volumes	Third party trading	Other	Total
Total revenues	1,623.8	146.5	-	1,770.3
Gross profit	596.5	0.8	-	597.3
Operating profit	534.7	0.8	(40.0)	495.5
Depreciation & amortization	(203.1)	(2.9)	(2.8)	(208.8)
EBITDA	737.8	3.7	(37.2)	704.3
Adjusted EBITDA	746.5	3.7	(35.7)	714.5

Segment overview 9M 2022

\$ million	Production and marketing of own produced volumes	Third party trading	Other	Total
Total revenues	3,286.4	687.6	-	3,974.0
Gross profit	1,908.4	16.1	(5.0)	1,919.5
Operating profit	1,841.0	16.1	(43.1)	1,814.0
Depreciation & amortization	(184.1)	-	(0.8)	(184.9)
EBITDA	2,025.1	16.1	(42.3)	1,998.9
Adjusted EBITDA	2,022.1	16.1	(37.3)	2,000.9

Financial Highlights

Summary results

Consolidated revenue decreased by 60% to \$525 million in the third quarter of 2023 compared to the same quarter in 2022, driven by lower selling prices as well as lower sales volumes due to a decline in third-party traded volumes. Meanwhile, adjusted EBITDA declined by 67% YoY to \$199 million in Q3 2023 compared to \$606 million in Q3 2022.

Q3 2023 adjusted net profit attributable to shareholders was \$41 million compared to an adjusted net profit attributable to shareholders of \$292 million in Q3 2022. Reported net profit attributable to shareholders was \$40 million in Q3 2023 compared to a net profit attributable to shareholders of \$292 million in Q3 2022.

Consolidated statement of income

\$ million	Q3 2023	Q3 2022	9M 2023	9M 2022
Net revenue	525.1	1,317.9	1,770.3	3,974.0
Cost of sales	(371.3)	(734.0)	(1,173.0)	(2,054.5)
Gross profit	153.8	583.9	597.3	1,919.5
Other income	0.3	3.0	1.9	3.0
SG&A	(34.8)	(37.6)	(103.6)	(107.6)
Other expense	-	(0.1)	(0.1)	(0.9)
Adjusted EBITDA	199.0	606.3	714.5	2,000.9
EBITDA	191.8	609.3	704.3	1,998.9
Depreciation & amortization	(72.5)	(60.1)	(208.8)	(184.9)
Operating profit	119.3	549.2	495.5	1,814.0
Interest income	4.2	0.3	9.9	1.2
Interest expense	(31.8)	(19.7)	(84.5)	(61.7)
Other finance (expense)/income	10.0	(36.7)	(7.2)	(15.5)
Net finance costs	(17.6)	(56.1)	(81.8)	(76.0)
Net profit before tax	101.7	493.1	413.7	1,738.0
Income tax	(32.5)	(73.6)	(47.3)	(228.3)
Net profit	69.2	419.5	366.4	1,509.7
Non-Controlling Interest	(29.7)	(127.9)	(112.0)	(432.1)
Net profit attributable to shareholders	39.5	291.6	254.4	1,077.6
Adjusted net profit attributable to shareholders	41.2	291.5	260.5	1,090.7

Reconciliation to Alternative Performance Measures

Adjusted EBITDA

Adjusted EBITDA is an Alternative Performance Measure (APM) that intends to give a clear reflection of underlying performance of Fertiglobe's operations. The main APM adjustments at the EBITDA level relate to the movement in provisions, cost optimization program, insurance recovery, and pre-operating expenditures related to projects during the quarter.

Reconciliation of reported operating income to adjusted EBITDA

\$ million	Q3 2023	Q3 2022	9M 2023	9M 2022	Adjustment in P&L
Operating profit as reported	119.3	549.2	495.5	1,814.0	
Depreciation and amortization	72.5	60.1	208.8	184.9	
EBITDA	191.8	609.3	704.3	1,998.9	
APM adjustments for:					
Movement in provisions	-	-	2.1	5.0	Cost of sales
Cost optimization program	6.6	-	6.6	-	Cost of sales and SG&A expense
Insurance recovery	-	(3.0)	-	(3.0)	Other income
Pre-operating expenditures related to projects	0.6	-	1.5	-	SG&A expense
Total APM adjustments	7.2	(3.0)	10.2	2.0	
Adjusted EBITDA	199.0	606.3	714.5	2,000.9	

Adjusted net profit attributable to shareholders

At the net profit level, the main APM adjustments relate to the impact on non-cash foreign exchange gains and losses on USD exposure, other financial expense, as well as related impacts on non-controlling interest and tax.

Reconciliation of reported net profit to adjusted net profit

\$ million	Q3 2023	Q3 2022	9M 2023	9M 2022	Adjustment in P&L
Reported net profit attributable to shareholders	39.5	291.6	254.4	1,077.6	
Adjustments for:					
Adjustments at EBITDA level	7.2	(3.0)	10.2	2.0	
Forex loss/(gain) on USD exposure	(10.9)	39.4	0.4	6.4	Finance income and expense
Other financial expense	-	0.3	-	10.0	Finance expense
NCI adjustment / uncertain tax positions	7.0	(37.6)	(2.9)	(6.1)	Uncertain tax positions / minorities
Tax effect of adjustments	(1.6)	0.8	(1.6)	0.8	Taxes
Total APM adjustments at net profit level	1.7	(0.1)	6.1	13.1	
Adjusted net profit attributable to shareholders	41.2	291.5	260.5	1,090.7	

Free Cash Flow and Net Debt/(Cash)

Free cash flow before growth capex amounted to \$126 million in Q3 2023, compared to \$189 million in the same period last year, reflecting performance for the quarter, working capital inflows, maintenance capital expenditures, net interest, tax and lease payments.

Total cash capital expenditures including growth capex were \$33 million in Q3 2023 compared to \$24 million in Q3 2022, of which \$29 million was related to maintenance capital expenditures, compared to \$18 million in the same period last year.

Reconciliation of EBITDA to Free Cash Flow and Change in Net Debt/(Cash)

\$ million	Q3 2023	Q3 2022	9M 2023	9M 2022
EBITDA	191.8	609.3	704.3	1,998.9
Working capital	5.1	(50.2)	(1.7)	(36.6)
Maintenance capital expenditure	(28.8)	(18.4)	(70.5)	(38.2)
Tax paid	(14.2)	(35.9)	(47.0)	(169.6)
Net interest paid	(28.4)	(16.8)	(55.2)	(39.8)
Lease payments	(6.8)	(3.7)	(17.7)	(10.7)
Dividends paid to non-controlling interests and withholding tax	-	(368.3)	(83.1)	(435.6)
Ecremage	7.7	73.3	28.6	230.4
Free Cash Flow	126.4	189.3	457.7	1,498.8
Reconciliation to change in net debt/(cash):				
Growth capital expenditure	(4.3)	(5.1)	(9.8)	(9.3)
Other non-operating items	(12.1)	(3.9)	1.0	(6.8)
Net effect of movement in exchange rates on net debt/(cash)	(15.1)	18.7	(5.7)	(6.5)
Dividend to shareholders	-	-	(700.0)	(340.0)
Other non-cash items	(0.6)	(0.3)	(2.0)	(5.9)
Net Cash Flow in Net Debt/(Cash)	94.3	198.7	(258.8)	1,130.3

Investor and Analyst Conference Call

On 7 November 2023 at 4:00 PM UAE (12:00 PM London, 7:00 AM New York), Fertiglobe will host a conference call for investors and analysts. To access the call please dial:

International:	+44 20 4587 0498
UAE:	+971 800 0357 04553
UK:	+44 20 4587 0498 / Toll free: +44 800 358 1035
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Passcode: 512501

Participants may also join via the webcast. Please pre-register and join [here](#).

About Fertiglobe:

Fertiglobe is the world's largest seaborne exporter of urea and ammonia combined, and an early mover in sustainable ammonia. Fertiglobe's production capacity comprises of 6.6 million tons of urea and merchant ammonia, produced at four subsidiaries in the UAE, Egypt and Algeria, making it the largest producer of nitrogen fertilizers in the Middle East and North Africa (MENA), and benefits from direct access to six key ports and distribution hubs on the Mediterranean Sea, Red Sea, and the Arab Gulf. Headquartered in Abu Dhabi and incorporated in Abu Dhabi Global Market (ADGM), Fertiglobe employs more than 2,700 employees and was formed as a strategic partnership between OCI Global ("OCI") and the Abu Dhabi National Oil Company ("ADNOC"). Fertiglobe is listed on the Abu Dhabi Securities Exchange ("ADX") under the symbol "FERTIGLB" and ISIN "AEF000901015. To find out more, visit: www.fertiglobe.com.

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