Fertiglobe
An ADNOC and OCI Company

Fertiglobe Reports Q1 2024 Results

Highlights:

- Fertiglobe reported Q1 2024 revenues of $552 million (-20% Y-o-Y) and adjusted EBITDA of $223 million (-25% Y-o-Y), with adjusted net profit attributable to shareholders of $119 million (-12% Y-o-Y), driven by lower selling prices Y-o-Y.
- Q1 2024 own-produced sales volume up 5% Y-o-Y, driven by 22% and 1% higher own-produced ammonia and urea sales volumes, respectively, on a mix of higher production and lower ending inventories.
- Continued focused efforts on the Manufacturing Improvement Plan (MIP) are expected to realize at least $100 million in incremental annual adjusted EBITDA by the end of 2025, compared to 2023, by further enhancing Fertiglobe's production and energy efficiency.
- Fertiglobe has implemented $29 million of run rate savings as at the end of Q1 2024 and is on track to realize its $50 million cost optimization target by the end of 2024.
- Subject to receiving various antitrust and regulatory approvals, ADNOC's acquisition of OCI's majority 50% stake in Fertiglobe is expected to be completed in 2024. The transaction supports both ADNOC's ambitious chemicals strategy and its plans to establish a global growth platform for ammonia, as well as Fertiglobe's growth plans by unlocking further potential in its core products of urea and ammonia, while accelerating the pursuit of new market and product opportunities and expanding its focus on clean ammonia.
- Fertiglobe is committed to harnessing cutting-edge technology and innovation, including Artificial Intelligence (AI), to enhance efficiencies, mitigate emissions, and bolster operational safety and reliability. By investing in AI integration and predictive analytics, Fertiglobe aims to enhance site safety and facilitate proactive interventions, advancing reliability across its operations.
- Fertiglobe's shareholders have approved H2 2023 dividends of $200 million, equivalent to 9 fils per share (payable in May 2024), taking total 2023 dividends to $475 million.
- Fertiglobe remains committed to creating shareholder value, leveraging active cost optimization and manufacturing improvement initiatives to bolster cash flow generation and maintain a robust balance sheet.
- **Market outlook:** The medium to long-term outlook for ammonia and nitrogen markets continues to be supported by improving demand from new and existing sources with limited supply additions over the medium-term.

Abu Dhabi, UAE – May 14, 2024: 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 region, and an early mover in sustainable ammonia, today reported Q1 2024 revenue of $552 million, adjusted EBITDA of $223 million, and adjusted net profit attributable to shareholders of $119 million.

In Q1 2024, ammonia prices retreated from their levels in Q4 2023 on easing supply disruptions and lower gas prices compared to the previous quarter, while urea prices were impacted by mixed trends with favourable weather incentivizing demand in North America coinciding with delayed planting in Europe, as well as lower-than-expected tender uptake in India, partially offset by healthy demand in other key regions including Brazil and Australia.

Ahmed El-Hoshy, CEO of Fertiglobe, commented:

"We are proud to deliver another operationally strong quarter with a 5% year-on-year increase in our own-produced sales volumes compared to the same period last year, driven by a mix of higher production and lower ending inventories, which led to a 22% and 1% increase in ammonia and urea own-produced sales volumes, respectively. This demonstrates continued efforts by our manufacturing and commercial teams to prioritize our key strategic objectives, paving the way for further operational milestones over the course of the year, by capitalizing on our robust in-house capabilities and logistics footprint. It is worth noting that these results were delivered in an environment of market volatility and softer prices in Q1 2024, on lower crop and energy prices as well as reduced imports from India and Europe, coupled with an improved supply situation with recent curtailments being reversed.

We have made good progress on our cost optimization program, with 60% of our $50 million run rate target implemented as at the end of March 2024, and remain on track to realize the full target by the end of 2024. In addition, we see potential to generate at least $100 million in incremental annual EBITDA by the end of 2025 compared to 2023, driven by improved production and energy efficiency as part of our ongoing Manufacturing Improvement Plan (MIP). Together, these two initiatives can generate ~$150 million of incremental EBITDA[1] by the end of 2025, representing an approximately 15% increase compared to 2023 adjusted EBITDA.

These initiatives aim to bolster Fertiglobe's cash flow generation across cycles, further supporting our healthy free cash flow conversion and robust balance sheet (0.8x net debt / LTM adjusted EBITDA), enabling Fertiglobe to balance growth spending on value accretive projects and dividend payments. In addition, Fertiglobe maintains a firm focus on technology, innovation, and digitalization, and is investing in the integration of Artificial Intelligence (AI) throughout its operations to unlock value, enhance efficiencies, and reduce emissions. The company is harnessing data integration and predictive analytics applications to support business objectives by improving the performance of equipment, processes, and facilities, while also implementing AI-powered analytics at its sites to enhance safety and reliability through faster predictive interventions and pre-emptive issue resolution.

Finally, I want to extend my sincere appreciation to our exceptional team, whose dedication has been instrumental in Fertiglobe's achievements. Their unwavering commitment to safety and excellence has been pivotal in our transformation into a leading global enterprise, which is about to embark on an exciting new chapter of growth and value creation following completion of ADNOC's acquisition of OCI's 50% equity stake, which will take ADNOC's ownership to a majority 86.2% once all legal and regulatory approvals have been obtained. Together, we have immense confidence in Fertiglobe's ability to continue passing milestones and setting new standards for our industry."

Market Outlook

Fertiglobe believes the outlook for ammonia and broader nitrogen fertilizer markets continues to be supported by improving demand from new and existing sources with limited supply additions over the medium-term.

- **Ammonia**
  - A combination of improving demand from the US spring application season, combined with various plant outages and maintenance outages across the US, Middle East and Indonesia and delays in new supply commissioning, helped stabilize ammonia prices in the latter half of the first quarter. This partially offset price softness earlier in the quarter due to reduced European gas costs and the return of ammonia supply following widespread disruptions in Q4 2023.
  - In the near-term, merchant supply is expected to increase with the arrival of new capacity in the US Gulf and an increase in Russian exports from a new Black Sea terminal. Notwithstanding these additions, some key ammonia markets have been showing signs of improved import demand in early-2024. This strengthening demand is expected to support a broader global trade recovery in ammonia following two years of prolonged contraction.
  - In the medium to longer term, increased visibility on regulatory demand from 2026 onwards provides support for accelerating demand from emerging new applications. Maritime, power generation and ammonia as a

[1] Based on 2023 prices.

hydrogen carrier combined could generate as much as 24 million tons of incremental ammonia demand by 2030, which is significant in a globally traded market of currently around 17 million tons.

   - Phase 2 of Europe's Carbon Border Adjustment Mechanism (CBAM) expected in 2026 is catalyzing growing interest in decarbonization opportunities within the existing fertilizers and chemicals value chain. Europe's position as global marginal producer suggests that European carbon costs could support an increase in global ammonia/fertilizer prices, and hence boost demand for low-carbon ammonia and fertilizers.

- **Urea**
   - Warm weather in the US, coupled with low inventory levels has led to strong domestic demand and a material increase in US planted crop area during the quarter. In contrast, unusually wet weather in North-Western Europe through autumn and spring has hindered appetite for application, weighing on price momentum during the quarter.
   - In the near-term, urea is expected to be well supplied following lower-than-expected demand early in the year across some geographies. Notwithstanding this, we see resilience in several demand indicators, including an expected rebound of corn futures in H2 2024 and 2025, an improving urea/corn barter ratio in Brazil, and strong urea demand in APAC markets.
   - Longer-term, demand growth of thirteen million tons is still expected to materially outstrip additional capacity growth of eight million tons by 2028.

Dividends and capital structure

As of 31 March 2024, Fertiglobe reported a net debt position of $743.4 million, implying net debt / LTM adjusted EBITDA of 0.8x, which allows the company to balance future growth opportunities and dividend pay-out, supported by robust free cash generation and a healthy balance sheet.

In April 2024, Fertiglobe shareholders approved the H2 2023 dividend of $200 million, equivalent to 9 fils per share, payable in May 2024 (ex-date: 9 May 2024). This brings total dividends for 2023 to $475 million, including the H1 2023 dividend of $275 million paid in Q4 2023. Fertiglobe remains committed to creating shareholder value, leveraging active cost optimization and manufacturing improvement initiatives to bolster cash flow generation and maintain a robust balance sheet.

In early 2024, Fitch and S&P announced placing Fertiglobe on Ratings Watch Positive (RWP) and CreditWatch Positive, respectively, on the pending acquisition of OCI's 50% stake by ADNOC, with the expectation to raise Fertiglobe's credit rating by (at least) one notch following completion of the transaction. In 2022, Fertiglobe achieved investment grade credit ratings by the three rating agencies: S&P (BBB-), Moody's (Baa3) and Fitch (BBB-), supported by an attractive cash flow profile and a prudent financial policy.

Cost savings & Manufacturing Improvement Plan (MIP)

In 2023, Fertiglobe 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, of which 60% has already been implemented as at 31 March 2024. Key focus areas include enhancements to the operating model, improvements in logistical capabilities and optimized operational cost and spend, maximizing efficiencies. In addition, Fertiglobe's manufacturing improvement plan remains on track to deliver operational and cost efficiencies, leading to incremental annual EBITDA of at least $100 million by the end of 2025, compared to 2023 levels.[1]

[1] Based on 2023 prices.

Consolidated Financial Results at a Glance[1]

Financial Highlights

$ million unless otherwise stated	Q1 2024	Q1 2023	% Δ
Revenue	551.9	693.7	(20%)
Gross profit	177.5	269.1	(34%)
Gross profit margin	*32.2%*	*38.8%*	
Adjusted EBITDA	**222.5**	**297.3**	(25%)
Adjusted EBITDA margin	*40.3%*	*42.9%*	
EBITDA	**215.2**	**295.2**	(27%)
EBITDA margin	*39.0%*	*42.6%*	
Adjusted net profit attributable to shareholders	**119.2**	**135.4**	(12%)
Reported net profit attributable to shareholders	116.3	135.7	(14%)
Earnings per share ($)			
Basic earnings per share	0.014	0.016	(14%)
Diluted earnings per share	0.014	0.016	(14%)
Adjusted earnings per share	0.014	0.016	(12%)
Earnings per share (AED)			
Basic earnings per share	0.051	0.060	(14%)
Diluted earnings per share	0.051	0.060	(14%)
Adjusted earnings per share	0.053	0.060	(12%)
Free cash flow	**155.9**	**271.4**	(43%)
Capital expenditure	20.8	12.7	64%
Of which: Maintenance Capital Expenditure	18.6	11.0	69%

	31 Mar 24	31 Dec 23	% Δ
Total Assets	4,623.9	4,625.8	(0%)
Gross Interest-Bearing Debt	1,597.2	1,665.1	(4%)
Net Debt	743.4	905.3	(18%)

	Q1 2024	Q1 2023	% Δ
Sales volumes (‘000 metric tons)			
Fertiglobe Product Sold	1,429	1,363	5%
Third Party Traded	109	165	(34%)
Total Product Volumes	**1,538**	**1,528**	1%

[1] Unaudited

Operational Highlights

Operational Performance Highlights:

- 12-month rolling recordable incident rate to 31 March 2024 of 0.14 incidents per 200,000 manhours.
- Fertiglobe's total own-produced sales volumes were up 5% to 1,429kt in Q1 2024 vs Q1 2023, driven by:
  - 22% higher ammonia own-produced sales volumes of 289kt in Q1 2024 compared to 236 kt in Q1 2023, primarily driven by lower ending inventories, and
  - A 1% YoY increase in urea own-produced sales volumes to 1,139kt in Q1 2024 compared to 1,127kt in Q1 2023, primarily driven by higher production.
- Third party traded volumes decreased 34% YoY to 109kt in Q1 2024, compared to 165kt in Q1 2023.
- Total own-produced and traded third party volumes of 1,538kt were up 1% in Q1 2024 compared to Q1 2023.

Product sales volumes

Sales volumes ('000 metric tons)	Q1 2024	Q1 2023	% Δ
Own Product			
Ammonia	289	236	*22%*
Urea	1,139	1,127	*1%*
DEF	1	-	*n/m*
Total Own Product Sold	**1,429**	**1,363**	***5%***
Third-Party Traded			
Ammonia	40	31	*29%*
Urea	69	134	*(49%)*
Total Traded Third-party Product	**109**	**165**	***(34%)***
Total Own Product and Traded Third-party	**1,538**	**1,528**	***1%***

Benchmark prices[1]

			Q1 '24	Q1 '23	% Δ	Q4 '23	% Δ
Ammonia	NW Europe, CFR	$/mt	**491**	**688**	(29%)	**643**	(24%)
Ammonia	Middle East, FOB	$/mt	**339**	**615**	(45%)	**483**	(30%)
Granular Urea	Egypt, FOB	$/mt	**373**	**409**	(9%)	**378**	(1%)
Granular Urea	Middle East, FOB	$/mt	**356**	**359**	(1%)	**359**	(1%)
Natural gas	TTF (Europe)	$ / mmBtu	**8.7**	**16.8**	(48%)	**12.8**	(32%)
Natural gas	Henry Hub (US)	$ / mmBtu	**2.1**	**2.8**	(25%)	**2.9**	(28%)

1 Source: CRU, MMSA, ICIS, Bloomberg

In Q1 2024, the ammonia Middle East benchmark price was down 45% YoY, while the urea Egypt benchmark price was down 9%. Compared to Q4 2023, the ammonia Middle East benchmark was down 30%, while the urea Egypt benchmark price was down marginally by 1%.

Segment overview Q1 2024

$ million	Production and marketing of own produced volumes	Third party trading	Other	Total
Total revenues	508.3	43.6	-	551.9
Gross profit	177.7	(0.2)	-	177.5
Operating profit	158.0	(0.2)	(11.5)	146.3
Depreciation & amortization	(68.2)	-	(0.7)	(68.9)
EBITDA	**226.2**	**(0.2)**	**(10.8)**	**215.2**
Adjusted EBITDA	**233.0**	**(0.2)**	**(10.3)**	**222.5**

Segment overview Q1 2023

$ million	Production and marketing of own produced volumes	Third party trading	Other	Total
Total revenues	609.9	83.8	-	693.7
Gross profit	265.9	3.2	-	269.1
Operating profit	242.0	3.2	(17.4)	227.8
Depreciation & amortization	(65.6)	(0.5)	(1.3)	(67.4)
EBITDA	**307.6**	**3.7**	**(16.1)**	**295.2**
Adjusted EBITDA	**309.7**	**3.7**	**(16.1)**	**297.3**

Financial Highlights

Summary results

Consolidated revenue decreased by 20% to $552 million in Q1 2024 compared to Q1 2023, driven by lower selling prices. Meanwhile, adjusted EBITDA declined by 25% YoY to $223 million in Q1 2024 compared to $297 million in Q1 2023.

Q1 2024 adjusted net profit attributable to shareholders was $119 million compared to an adjusted net profit attributable to shareholders of $135 million in Q1 2023. Reported net profit attributable to shareholders was $116 million in Q1 2024 compared to a net profit attributable to shareholders of $136 million in Q1 2023.

Consolidated statement of income

$ million	Q1 2024	Q1 2023
Net revenue	**551.9**	**693.7**
Cost of sales	(374.4)	(424.6)
Gross profit	**177.5**	**269.1**
SG&A	(31.2)	(41.2)
Other expense	-	(0.1)
Adjusted EBITDA	**222.5**	**297.3**
EBITDA	**215.2**	**295.2**
Depreciation & amortization	(68.9)	(67.4)
Operating profit	**146.3**	**227.8**
Finance income	3.3	2.3
Finance expense	(34.8)	(21.5)
Net foreign exchange loss	(7.2)	(21.6)
Net finance costs	**(38.7)**	**(40.8)**
Net profit before tax	**107.6**	**187.0**
Income tax	46.8	1.8
Net profit	**154.4**	**188.8**
Non-Controlling Interest	(38.1)	(53.1)
Net profit attributable to shareholders	**116.3**	**135.7**
Adjusted net profit attributable to shareholders	**119.2**	**135.4**

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, pre-operating expenditures related to projects during the period.

Reconciliation of reported operating income to adjusted EBITDA

$ million	Q1 2024	Q1 2023	Adjustment in P&L
Operating profit as reported	146.3	227.8	
Depreciation and amortization	68.9	67.4	
EBITDA	215.2	295.2	
APM adjustments for:			
Movement in provisions	1.4	2.1	*Cost of sales*
Cost optimization program	5.8	-	*Cost of sales and SG&A expense*
Pre-operating expenditures related to projects	0.1	-	*SG&A expense*
Total APM adjustments	**7.3**	**2.1**	
Adjusted EBITDA	**222.5**	**297.3**	

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	Q1 2024	Q1 2023	Adjustment in P&L
Reported net profit attributable to shareholders	**116.3**	**135.7**	
Adjustments for:			
Adjustments at EBITDA level	7.3	2.1	
Forex loss/(gain) on USD exposure	(0.5)	0.7	*Finance income and expense*
Other financial expense	1.7	-	*Finance expense*
NCI adjustment / uncertain tax positions	(4.3)	(3.1)	*Uncertain tax positions / minorities*
Tax effect of adjustments	(1.3)	-	*Taxes*
Total APM adjustments at net profit level	**2.9**	**(0.3)**	
Adjusted net profit attributable to shareholders	**119.2**	**135.4**	

Free Cash Flow and Net Debt

Free cash flow before growth capex amounted to $156 million in Q1 2024, compared to $271 million in Q1 2023, reflecting performance for the quarter, lower working capital inflows, higher maintenance capital expenditures, an increase in net interest, as well as lower tax and lease payments.

Total cash capital expenditures including growth capex were $21 million in Q1 2024 compared to $13 million in Q1 2024, of which $19 million was related to maintenance capital expenditures, compared to $11 million in the same period last year.

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

$ million	Q1 2024	Q1 2023
EBITDA	**215.2**	**295.2**
Working capital	0.9	9.9
Maintenance capital expenditure	(18.6)	(11.0)
Tax paid	(15.8)	(21.7)
Net interest paid	(29.6)	(8.6)
Lease payments	(6.0)	(6.0)
Ecremage	9.8	13.6
Free Cash Flow	**155.9**	**271.4**
Reconciliation to change in net debt:		
Growth capital expenditure	(2.2)	(1.7)
Other non-operating items	9.5	14.2
Net effect of movement in exchange rates on net debt	(0.4)	(5.9)
Other non-cash items	(0.9)	(0.6)
Net Cash Flow in Net Debt	**161.9**	**277.4**

Investor and Analyst Conference Call

On 14 May 2024 at 3:00 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:

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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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