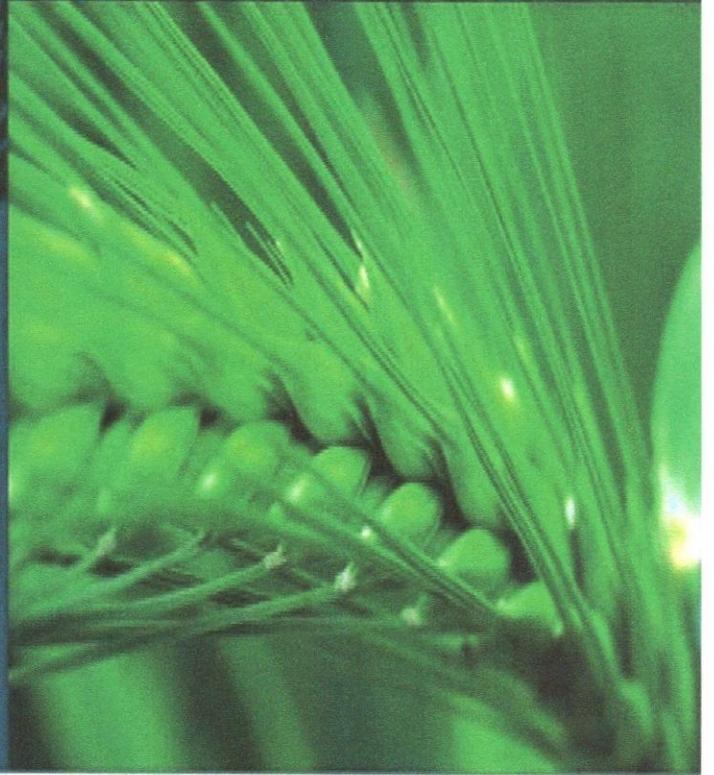


**Abu Qir Fertilizers &  
Chemical Industries Co.**



# **Earnings Release**

## **1H 2023/2024**

**Alexandria - 14 February, 2024**

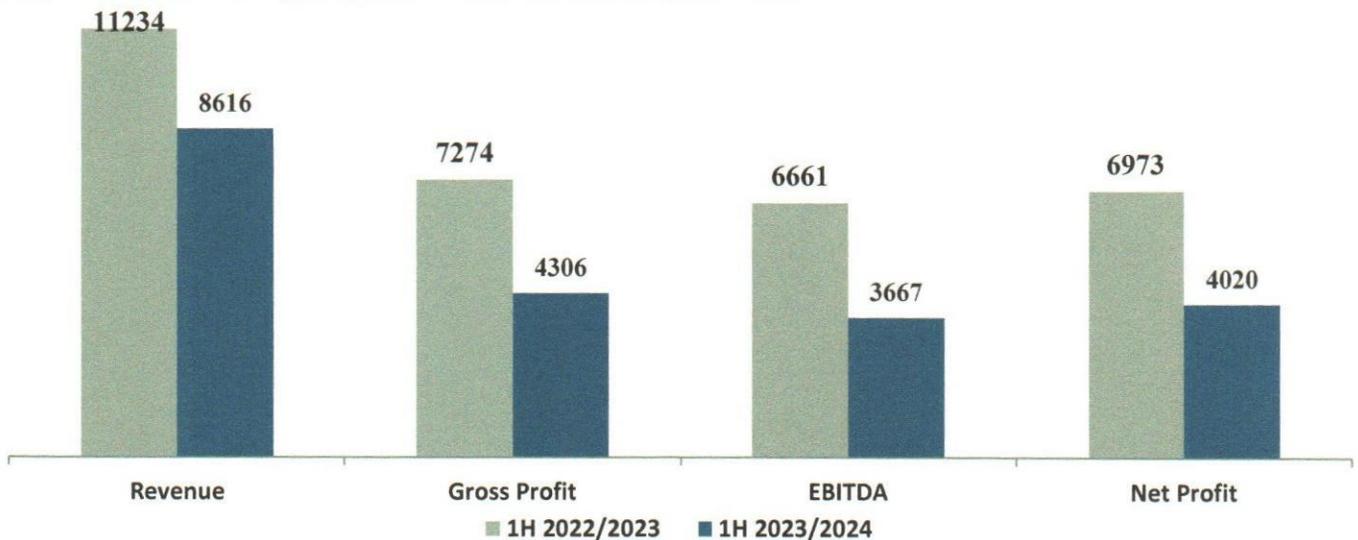


## Abu Qir Fertilizers & Chemical Industries Reports 1H 2023/24 Earnings

Abu Qir Fertilizers Company achieved revenue of EGP 8.62 billion for the first six months of FY 2023/24, gross profit and EBITDA were EGP 4.31 billion and EGP 3.67 billion, respectively. Net profit after taxes recorded EGP 4.02 billion.



### Key Financial Highlights – 1H 2023/24 (EGP mn)



### Engineer Abed Ezz El Regal, Chairman & Chief Executive Officer, commented on 1H 2023/24 Results:

“The results of the first half of the fiscal year 2023/24 reflect the impact of the surrounding economic challenges as well as the decline in average global fertilizer prices compared to the corresponding period of the previous year. However, the company’s management succeeded in facing the challenges through the unique business model it adopted and continued its efforts to maintain its leadership through its rational marketing policy and maneuvering between its diverse ranges of nitrogen fertilizer products in different markets, in addition to strengthening its efforts to improve cost efficiency.

During the first half of the fiscal year 2023/24, the company’s sales of fertilizers and ammonia witnessed a decrease in volume by 2% compared to the corresponding period of the previous fiscal year as a result of an increase in inventory due to the company’s plan to seize export opportunities in light of expectations of improved global prices and according to market research studies.



The optimistic outlook for the global urea market continues for the coming period, driven by expectations of increased demand for fertilizers and the start of the winter fertilization season, which was witnessed by an improvement in average fertilizer prices during the second quarter of the fiscal year 2023/24, as prices continued to rise compared to the first quarter and also compared to the fourth quarter of the fiscal year 2022/23.

The company's management continues its efforts for the sake of enhancing cost optimization in a sustainable manner by rationalizing consumption in various aspects, including efficiency in natural gas consumption, electricity, water, and operating chemicals. Through continuous monitoring of global changes and the ability to respond to them, the company was able to implement its strategy aimed at achieving operational and cost efficiencies.

The company's management is striving as well to achieve further growth and development, through its participation with 45% stake in North Abu Qir Agricultural Nutrients Company project where the new project is seeking to obtain the "Golden License" which enables it to commence business operation as quickly as possible with the least procedures, which saves time & effort as well as approval to establish the project according to the special free zones.

In addition, new products are also being studied with the aim of diversifying Abu Qir's products portfolio and penetrating new markets that will maximize the return to shareholders.

We are confident in the company's ability, through our distinguished and dedicated teamwork, to continue achieving our ambitious goals and further growth and development in a way that fulfills our responsibility towards maximizing the returns for our shareholders, which we are always committed to".

### **Summary Income Statement 1H 2023-24**

(EGP mn)	1H 2023/24	1H 2022/23	Change (%)	2Q 2023/24	2Q 2022/23	Change (%)
Revenue	8616	11234	-23.3%	4285	6442	-33.5%
Gross Profit	4306	7274	-40.8%	2257	4108	-45.1%
EBITDA	3667	6661	-45%	1891	3744	-49.5%
Profit before taxes	5157	8983	-42.6%	2581	5493	-53%
Net Profit after taxes	4020	6973	-42.3%	2014	4263	-52.7%
Earnings per Share (EGP)	2.72	4.74	-42.62%	1.36	2.90	-53.1%
<b>% Margin</b>	1H 2023/24	1H 2022/23	Change (pps)	2Q 2023/24	2Q 2022/23	Change (pps)
Gross Profit Margin	49.98%	64.75%	-14.77 pps	52.68%	63.77%	-11.09 pps
EBITDA Margin	42.56%	59.30%	-16.74 pps	44.13%	58.12%	-13.99 pps
Net Profit Margin	46.66%	62.07%	-15.41 pps	47.01%	66.18%	-19.16 pps



**Results in a Nutshell**

Abu Qir Fertilizers Co. (ABUK.CA on the Egyptian Exchange), the leading nitrogen fertilizer producer in Egypt & MENA, announced its results for the six months ended 31 December 2023.

• **Financial Highlights**

Abu Qir Fertilizers reported 1H 2023/24 sales revenue of EGP 8.62 billion, (-23.3% YoY) from EGP 11.23 billion recorded in 1H 2022/23 driven by lower average export prices during current period compared to same period of previous year as well as a decrease in sales volume of fertilizers and ammonia by 2%.

Cost of goods sold recorded EGP 4.31 billion in 1H 2023/24 (+9% YoY) from EGP 3.96 billion recorded in 1H 2022/23 as a result of increased manufacturing & material cost as well as utilities and spare parts cost, electricity and salaries.

Abu Qir reported a gross profit of EGP 4.31 billion in 1H 2023/24, down by 40.8% YoY from EGP 7.27 billion recorded in 1H 2022/23.

Gross profit margin for 1H 2023/24 recorded 49.98% versus the 64.75% recorded in 1H 2022/23.

The increase in total SG&A expense was driven by increased export expenses as well as increased periodical increments, and other miscellaneous expenses.

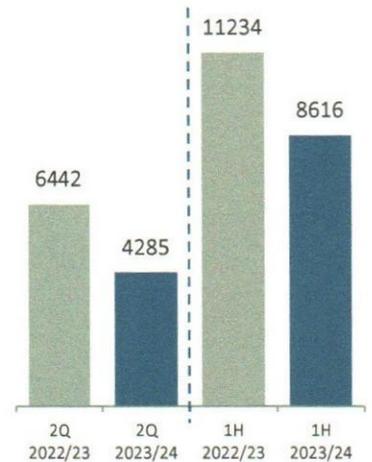
Noting that the comparative figures have been amended to be consistent with the presentation of the financial statements on December 31, 2023, as the income statement was adjusted with the share of the Training and Rehabilitation Fund and the share of sports and social activities as well as the expected credit loss, and their impacts on the retained earnings and administrative and general expenses.

Abu Qir's EBITDA recorded EGP 3.67 billion for 1H 2023/24 and EBITDA margin recorded 42.56%.

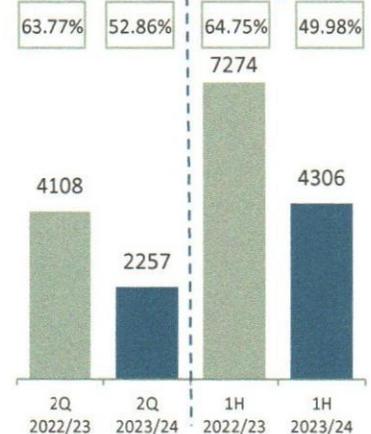
Interest expenses recorded EGP 739 thousand during 1H 2023/24 representing bank commissions and LG commissions compared to EGP 12 million recorded for the same period last year as a result of the termination of credit facilities previously obtained by the company which was used to pay natural gas withdrawals and other government payments, and it was fully repaid.

Abu Qir's management succeeded in achieving FX gains through well planned financial portfolio. Moreover, achieving returns from its financial investments in treasury bills, deposits, etc..

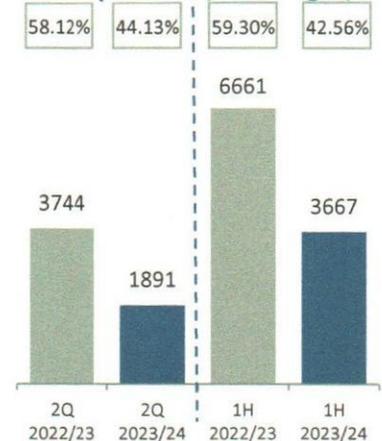
**Revenue Progression (EGP mn)**



**Gross Profit Progression (EGP mn, % margin)**



**EBITDA Progression (EGP mn, % margin)**





Interest revenue and TB returns recorded EGP 1.51 billion in 1H 2023/24 up by 86% from EGP 815 million recorded in 1H 2022/23.

Income tax decreased in 1H 2023/24 as a result of the decrease in net profit before tax, despite the increase in tax on treasury bills.

Net profit after taxes reached EGP 4.02 billion in 1H 2023/24, down by 42.3% YoY from EGP 6.97 billion recorded in 1H 2022/23.

The company's net profit margin recorded 46.66% compared to 62.07%.

**Highlights on Statement of Financial Position – December 31, 2023**

The company reported total projects under construction of EGP 730 million in 31/12/2023 compared to EGP 512 million in 30/06/2023.

The total intangible assets under implementation amounted to EGP 30.2 million on 31/12/2023, compared to EGP 20.7 million on 30/06/2023, representing the spending on the SAP information system and the application of the ERP system for digital transformation.

The real estate investment amounted to about EGP 500.7 thousand on 31/12/2023 and on 30/06/2022, represented as lands leased to Alexfert Company and Bargas, Midgas and Air Liquide companies. The fair value of these investments recorded EGP 504 million on 31/12/2023.

Total shareholders' equity reported EGP 21.8 billion in 31/12/2023 down by 22% decrease compared to EGP 27.9 billion in 30/06/2023.

For more information, please refer to the supplementary notes attached to the financial statements as of December 31, 2023.

• **Marketing Highlights**

The company succeeded in marketing its products locally and internationally during 1H 2023/24, where the number of export clients reached 40 clients across the globe and the export markets diversified to include 31 countries in addition to expanding the local free market customer to about 61 clients.

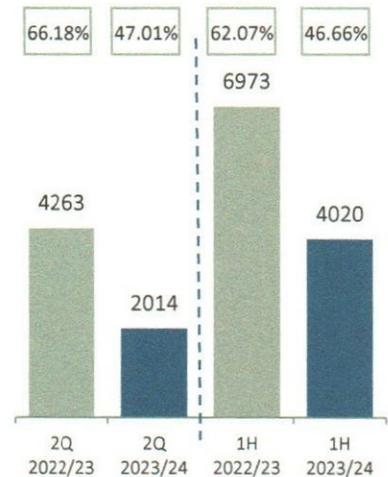
- In 1H 2023/24, sales volume of prilled urea (Abu Qir 1) increased by 2% compared to 1H 2022/23. Sales value declined by 14%.

- Sales volume of ammonium nitrate (Abu Qir 2) increased by 4% in 1H 2023/24 compared 1H 2022/23. Sales value increased by 11%.

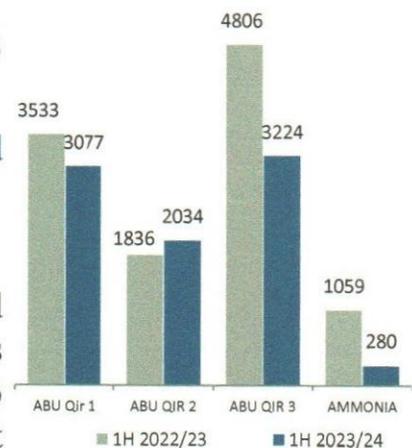
- Sales volume of granular urea (Abu Qir 3) decreased by 5% in 1H 2023/24 compared to 1H 2022/23 as a result of higher inventory for the sake of seizing the best export opportunity. Sales value decreased by 33%.

- Ammonia sales volume decreased in 1H 2023/24 compared to 1H 2022/23 according to demand and operating condition.

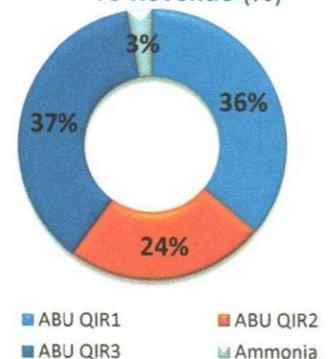
**Net Profit Progression (EGP mn, % Margin)**



**Revenue Growth by Segment (EGP mn)**



**Segment Contribution To Revenue (%)**





**Operational Highlights**

**Health, Safety and Environment**

- The first six months of the fiscal year 2023/24 recorded 4.25 million working hours with zero injuries.
- For the fifth year in a row, 60 million working hours injury free were recorded.

**Production Sectors**

- The company continues to operate safely & efficiently across all sectors. In 1H 2023/24, the production sectors succeeded in achieving the production plan, with an increase of 18% over plan and a decrease of 1% compared to 1H 2022/23 due to maintenance activities for the sake of continuous operation and cost optimization.

**Maintenance Sectors**

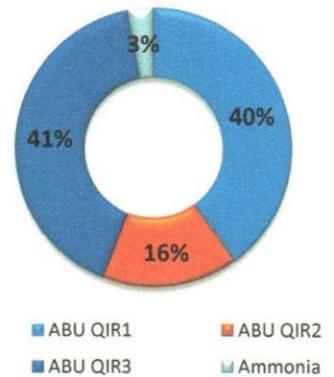
- Maintenance Sectors successfully pursued the planning & implementation of maintenance plans which impacted on higher utilization rates & continuous plant operation and cost optimization.
- The management continues to focus on enhancing the cost structure by employing strong relationship with broad and diversified base of local and international suppliers dealing with the procurement sectors, in order to secure the plants needs of equipment and raw materials at competitive prices. Abu Qir also continues to focus on maximizing local manufacturing as possible.
- The planned overhaul dates for Abu Qir (1) and Abu Qir (2) plants are being reconsidered in light of the delivery of imported equipment and supplies.

**Human Resources Highlight**

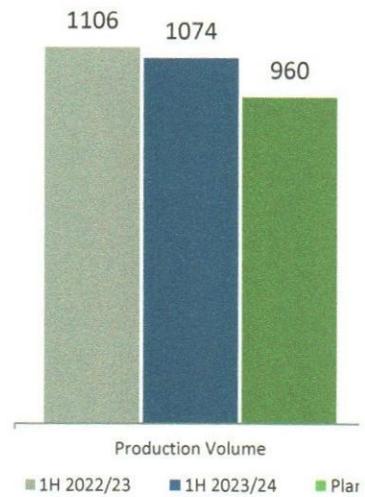
**Administrative Sectors**

- Abu Qir's average number of employees reached 2513 employees on 31/12/2023, compared to 2596 employees on 31/12/2022, which reflects the company's commitment to maintain appropriate levels of employment in accordance with the operational efficiency rates.
- In parallel, some workers are rehabilitated for other jobs according to work needs, thus achieving maximum benefit from employment and improving performance.
- Abu Qir continues to invest in its human capabilities through launching the "Middle Management Leadership Development Program".

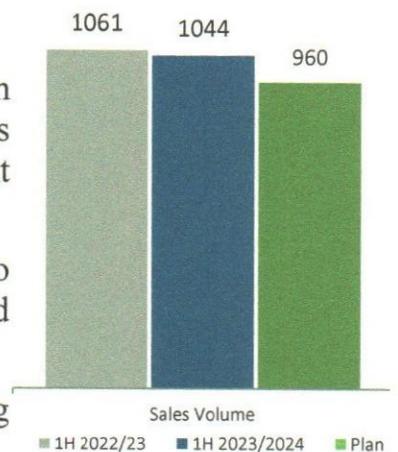
Segment Contribution To Growth Profit (%)



Production Volume product tons (000s)



Sales Volume Product tons (000s)





## • **Strategy Insights**

Abu Qir Fertilizers Company continues its efforts to achieve sustainable and diversified growth as well as expanding the company's business and enhance its presence. At the same time, the company's management is seeking for investment opportunities with attractive growth potential.

### **(1) CO<sub>2</sub> Emissions Reduction and raising the production capacity of Abu Qir (3) & (1)**

- Alternatives for the project's new scope are being studied for the sake of being more economical in terms of investment and operational cost and less in terms of implementation time in addition to achieving the highest return by adding new products in line with global trends.

### **(2) North Abu Qir for Agri-Nutrients Company**

- A new project with a production capacity of 2,400 tons per day of ammonium nitrate, 1200 tons per day of ammonia and 1,830 tons per day of nitric acid to be established on the land plot owned by the Egyptian General Petroleum Corporation (formerly Rakta land). Both Abu Qir Fertilizers and Egyptian General Petroleum Corporation (EGPC) will each hold a 45% stake, while the Egyptian Holding Company for Petrochemicals "ECHEM" will own the remaining 10%.

- HE Engineer Tarek El-Molla, Minister of Petroleum & Mineral Resources, chaired the founding assembly of the new company, and laid the foundation stone and the new company's board of directors was formed.

- Noting that, in parallel, progress is being made in all the implementation steps of the project, including selecting a list of qualified general contractors, defining a list of licensors for the project units, preparing ITB to be tendered to the list of qualified general contractors, and preparing an environmental impact assessment study for the project, ... etc. The new project is seeking to obtain the "Golden License" which enables it to commence business operation as quickly as possible with the least procedures, which saves time & effort as well as approval to establish the project according to the special free zones.

- In addition, as part of the new company's keenness to be in line with global trend for the reduction of carbon emissions and rationalizing natural gas consumption, a memorandum of understanding was signed between North Abu Qir for Agri-Nutrients and China Energy International Group for the possibility of supplying the project with green hydrogen as raw material instead of natural gas, as well as another memorandum of understanding was also signed with the consortium of ABB for Electrical Industries, Petrojet and MPS Infrastructure to supply the project with green hydrogen and renewable electricity needed to produce green ammonia.

### **(3) International Company for Methanol & Derivatives**

- A project with a production capacity of one million tons per year of methanol, 400 thousand tons per year of ammonia to be established in Suez Canal Economic Zone. Both Abu Qir Fertilizers and Helwan Fertilizers will each hold a 35% stake while Al Ahly Capital Holding will own the remaining 30%. The founding assembly of the new company was held and its board of directors was formed.

-The possibility of changing the company's activity is being studied to be in line with the state's vision of establishing environmentally friendly projects (green economy).

### **(4) Al-Wadi for Phosphate Industries and Fertilizers "WAPHCO"**

- Abu Qir Fertilizers holds 10% stake. WAPHCO is working to find activities that guarantee the company's continuity. It has prepared an integrated study to enter into a project to raise the concentration of phosphoric raw materials, for achieving quality and manufacturing compound phosphate fertilizers. It is also completing the documents necessary to obtain licenses for the right to exploit phosphate ore, in addition to studying trading raw materials and fertilizers and realizing a profit margin.

### **(5) Investment in the largest complex for the production of Phosphoric Acid**

- Abu Qir Fertilizers owns 9.5% stake in Abu Tartour Phosphoric Acid Company.

- The banking consortium consultants for financing the project participated in due diligence reviews, and the structure of the general contractor consortium was modified to be CSCEC/ECEC Company.



### About Abu Qir Fertilizers and Chemical Industries Company

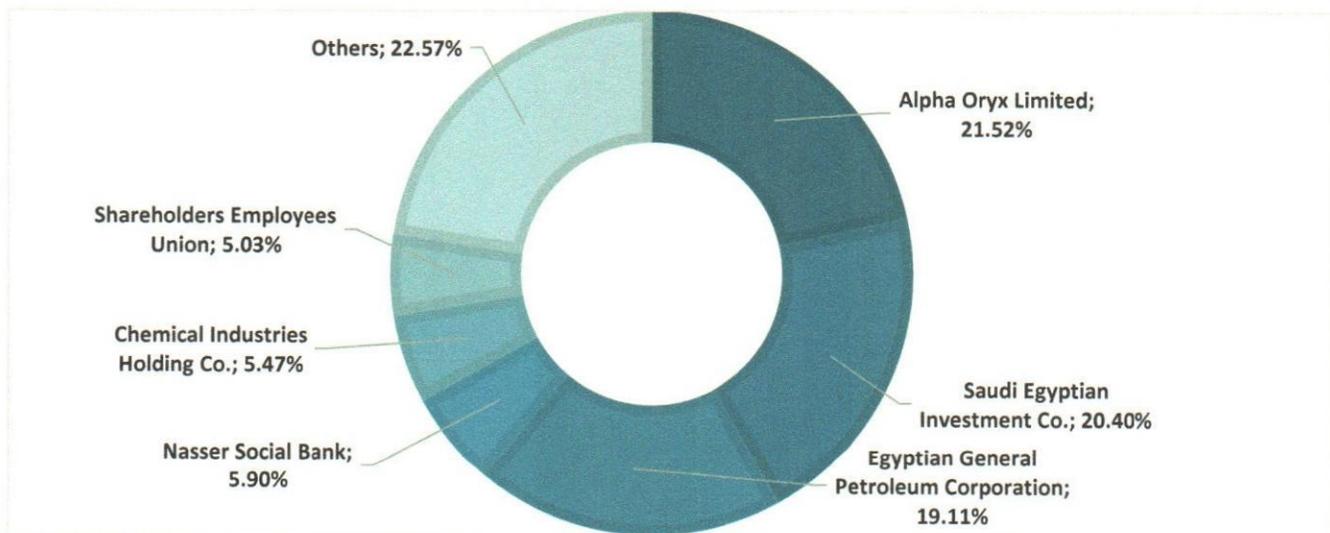
ABUK was established in 1976. It is one of the largest companies specialized in manufacturing of all types of nitrogen and chemical fertilizers, and related materials necessary for their manufacture, packaging, buying, selling and trading within the Arab Republic of Egypt, or abroad. The company has three plants for the production of ammonia, prilled and granular urea, ammonium nitrate, a unit for the production of liquid fertilizer, in addition to a factory for the production of plastic bags. This is in addition to its long history of supporting the Egyptian farmer, through which it was able to maintain its leadership in the nitrogen fertilizer market, not only through its diverse and high-quality fertilizer offerings, but also through its support to the farmer in how to preserve and sustain the soil and achieve maximum benefit from the Fertilization process by contributing to agricultural expansion in cooperation with the Ministry of Agriculture.

### Abu Qir Fertilizers Company owns stakes in the following companies:

- Alexandria Fertilizers Company (15%)
- Helwan Fertilizers Company (17%)
- Al Wadi Company for Phosphate Industries and Fertilizers (10%)
- Abu Tartur Company for Phosphoric Acid (9,5%)
- The International Company for Methanol and its Derivatives (35%)
- North Abu Qir for Agri-Nutrients (45%)

For more information, please visit the company's website: <http://abuqir.net/investors/brief>

### Shareholders Structure as of 31 December, 2023



To view the complete financial statements and the related disclosures of Abu Qir Fertilizers Co., you can download the list from our website <http://abuqir.net/investors/financial>

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