

Notore

Notore Chemical Industries Plc Unaudited Results for the 1st Quarter Ended December 31, 2020

Lagos, 29th January 2021 – Turnaround Maintenance Programme (TAM) is in progress. Targeting significant improvement in Plant reliability and sustained increase in production output up to nameplate design capacity of 500,000MT per annum after TAM is completed by March 08, 2021.

Group Financial Highlights

During the first quarter ended 31st December 2020 (Q1 2021 FY), Notore recorded revenues of ~~₦~~3.57 billion (~~₦~~8.18 billion for Q1 2020 FY). The decline in revenue during the period was largely due to low urea production output as a result of plant downtime to allow for our pre-TAM preparations. This resulted in an operating loss of ~~₦~~2.48 billion in Q1 2021 FY (Q1 2020 FY: operating profit was ~~₦~~2.01 billion), which was further depressed by finance cost of ~~₦~~4.07, resulting in a Net Loss of ~~₦~~6.56 billion for the period (Q1 2020 FY was ~~₦~~1.42 billion).

Market & Operational Developments

We are pleased to announce that the TAM programme has commenced and is currently ongoing. The programme is expected to be completed by 8 March 2021, barring any further interruptions occasioned by the global COVID-19 pandemic emergency. The TAM is a critical activity required to improve the plant reliability and increase production output to meet and sustain its 500,000MT per annum nameplate design capacity. Once completed, we expect significant improvement in the Plant's reliability and production output to meet and sustain its 500,000MT per annum nameplate design capacity. Achieving this level of production output will not only lead to significant improvements in the Company's cash flows from operations, but also significant increases in revenues annually post-TAM. It is worth noting that a substantial portion of the additional post-TAM revenue will contribute straight to the Company's bottom line, a major key to returning the Company to profitability.

Despite the persistent COVID-19 pandemic, economic and political challenges, the Company has remained resilient and has continued to produce and make sales. For the period under review, Notore sold all the urea that it produced into the domestic fertilizer market. Production of Notore NPK fertilizers has begun to ramp up with major local market introduction achieved during the period under review, which will lead to substantial NPK production and sales this 2021 financial year. Sale of Notore seeds to Nigerian farmers has also continued in furtherance of our corporate vision to be a major contributor to the development of Africa. Additionally, while leveraging the Company's seeds business, robust supply chain and distribution network, Notore intends to expand further into other products such as rice production. During the dry season, we commenced the pilot program for Notore Rice, an integrated program which saw the successful completion of rice paddy production. This year, we expect to continue the pilot program followed by a test run of over 5,000 bags of high-quality Notore rice in the market this February. It is expected that these additional initiatives will further diversify the Company's revenue stream, boost profitability, and consolidate customers' loyalty.

Notore believes that the domestic fertilizer market is yet to reach its full potential as the consumption of fertilizer per hectare of arable land in Nigeria is still far below the 200kg per hectare recommended by Food & Agriculture Organization. Furthermore, the demand for urea and compound fertilizers, such as NPK, from the West African markets and neighbouring countries bordering the northern part of the country is also substantial.

The Company will continue to aggressively explore and work on various financial initiatives to further reduce finance cost, such as the restructuring of its capital structure to achieve an optimal mix of debt and equity. The projected cost savings from the restructuring is expected to boost the Company's profitability.

Outlook for the Year

For 2021 FY, after the successful completion of the TAM programme, Notore expects to greatly exceed its 2020 FY production volumes, revenue, and operating cash flows, thereby returning the Company to profitability.

With respect to fertilizer market dynamics, the Nigerian fertilizer demand remains robust and is expected to continue to grow considering the Federal Government's strong and decisive policy focus on agriculture as one of the keys to unlock the diversification of the Nigerian economy.

Our business has been faced with many challenges over the past years. However, Notore has indeed achieved several vital milestones to re-position the Company for a great future. As we look to the future post-TAM, the next phase of Notore's growth will be focused on diversification, optimization, and profitability.



Mr. Onajite P. Okoloko
Group Managing Director / CEO

Investor Relations Contact

Seyi Odeinde
+234 805 339 1212
investor.relations@notore.com

Media Contact

Ngozi Mba
+234 805 339 1215
media@notore.com

About Notore Chemical Industries Plc

Notore is a vertically integrated agro-allied and chemicals business situated in Onne (near Port Harcourt), Rivers State in South-South Nigeria and is engaged primarily in the production and sale of fertilizer products. Notore's vision is to be the number one company by market share and profitability in our chosen businesses and a significant contributor to the development of Africa and our mission is to enhance the quality of life.

The Group's current business comprises fertilizer production, supply and trading of fertilizer, and power. The Group's primary fertilizer products are granular Urea, bulk blended NPK varieties and Ammonia. The Group operates from its Onne Complex in the heart of the Niger Delta, Africa's most prolific oil and gas producing region.

The Onne Complex is located within the Notore Chemical Industries Free Zone, which provides significant tax benefits and advanced logistics solutions for international distribution of products. The Onne Complex comprises of approximately 560 hectares of land owned by the Group with a 2km of waterfront including the Notore Port and a dedicated jetty (with a capacity to accommodate vessels with a maximum volume of between 25,000 MT and 35,000 MT) owned by the Group. The Notore Port gives the Group easy access to the Atlantic Ocean for easy import of raw materials and export of the Group's products.

The Group produces Urea, NPK and Ammonia and owns a Urea producing plant in Onne, Rivers State with a current annual design production capacity of approximately 500,000 MTPA of Urea and 330,000 MTPA of Ammonia, while the NPK Blending Plant has a production capacity of 2,000 metric tons per day. The Group currently supplies and sells its fertilizer products in all thirty-six (36) States and Abuja, the Federal Capital Territory. The Group trades and exports its manufactured fertilizer products to West Africa, South Africa, South America, and Europe.

For more information visit www.notore.com

Disclaimer

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