Q1 2019 Results Report

Amsterdam, The Netherlands / 24 May 2019

OCI N.V. Reports Q1 2019 Results

Highlights:

- In anticipation of the start of the season and price improvements, we built our nitrogen fertilizer inventories to a peak of 1.1 million tons at the end of March, up from 0.5 million tons at the end of December, resulting in significantly lower volumes sold and revenues in the first quarter compared to the same period last year
- We have shipped record fertilizer volumes during April and May in a more positive market environment than a few months ago, and our inventories have already returned to normalized levels
- We expect a record second quarter resulting in a higher adjusted EBITDA in H1 2019 than in H1 2018
- Net debt of $4.16 billion was approximately at the same level as at 31 December 2018, despite a $105 million working capital outflow as a result of the inventory build-up; we expect deleveraging to resume in Q2 2019
- Total own-produced sales volumes decreased 22% and revenues decreased 20% during Q1 2019 compared to the same period last year
- Adjusted EBITDA decreased 45% to $129 million in Q1 2019 from $235 million in Q1 2018, and the adjusted net loss was $82 million in Q1 2019 compared to adjusted net income of $11 million in Q1 2018
- A planned turnaround at Sorfert to install new equipment and an extended unplanned shutdown at Natgasoline due to utilities supply issues materially impacted Q1 2019 volumes and results

Statement from the Chief Executive Officer – Nassef Sawiris:

"We maintained our disciplined sales approach to weather the fluctuations of the fertilizer markets during the first quarter and positioned ourselves appropriately for the delayed application season in the US and delayed purchasing in Europe: we held back volumes when prices started to decline, and as a result our inventories reached record levels at the end of March.

In the past weeks seasonal demand has kicked in and our sales volumes have rapidly accelerated. We have shipped record volumes in April and May and for most of our products at higher prices than we would have achieved a few months ago, confirming the merits of our commercial strategy. Across the industry we also expect the ending stocks of nitrogen fertilizers in our markets to reach levels below the average of recent years by the end of June.

We achieved these significant additional shipments thanks to the strong execution of our operational teams and the logistical advantages of our operations. As a result, we expect the low first quarter to be followed by a record second quarter and continue our path of deleveraging.

In the US, there are currently significant bottlenecks for the transportation of product from the US Gulf into the Midwest as a result of heavy congestion on the rivers and railroads. We are able to capitalize on such issues due to our unique in-region positioning in the Upper Midwest. Our warehouses are near our end customers at the heart of seasonal demand, capturing the logistical premium as compared to product transported into the Midwest from New Orleans (NOLA).

In Europe, we are on track to ship record volumes of CAN during the second quarter and reach a higher level of sold CAN volumes in the first half of 2019 than during the same period a year ago, leveraging our robust logistical organization and proximity to key end markets.

In addition to the reduction in inventories, our production rates are looking healthy in the second quarter. Sorfert completed a major planned turnaround during the first quarter, when a new waste heat boiler was installed and other maintenance work was performed. This is expected to result in improved operating rates. After the turnaround, Sorfert's standalone ammonia line has already been able to run close to its maximum design capacity. Natgasoline is now running well following a shutdown due to utilities supply issues, which have been fully resolved. We expect these two plants to contribute significantly to our results during the remainder of the year.

We expect further boosts to our production within the next few months. BioMCN's second line is in its commissioning phase and is preparing for start-up in June, and the c.13% methanol capacity increase at OCI Beaumont is on track for mid-year."

Outlook

We expect continued growth in adjusted EBITDA and improvement of our leverage metrics in 2019, and we remain committed to our financial policy to prioritise expected strong free cash flows for deleveraging towards 2x through the cycle.

Nitrogen Products

Our diversified portfolio of nitrogen products consists of fertilizer, diesel exhaust fluid (DEF) and melamine:

- As a result of our sales volumes and commitments during April and May, our nitrogen fertilizer inventory levels have returned to normalized levels. A substantial portion of our sold fertilizer volumes has shifted from the first into the second quarter as demand was delayed in both the US and Europe. In recent weeks, demand for our products has picked up considerably across the main end markets for nitrogen fertilizers.
- The demand outlook remains especially strong in the US in Q2 2019. Wet weather has delayed some corn planting, but as a result of a poor ammonia application last fall and this spring we benefit from a shift of ammonia to urea and UAN. Attractive ammonia pre-pay has resulted in record ammonia deliveries at strong prices despite the weak ammonia season, and we expect to continue to move urea and UAN into late June.
- We continue to expect a positive industry outlook through a tightening of the global supply and demand balance with new capacity additions below historical trend demand growth of c.2% per annum and exports from China at low annual levels.
- Melamine selling prices have decreased slightly from Q4 2018 into Q1 2019, but remain at healthy levels and the product remains a cornerstone of our Dutch operations. We expect to continue to benefit from healthy melamine market conditions.
- The outlook for the DEF market in the US remains positive and is expected to grow at rates of 15% to 20% per annum in the coming years. We are well on track to achieve a more than doubling of our DEF sold volumes in 2019 compared to 2018, as evident in the significant increase in volumes achieved during the first quarter of 2019. IFCo continues to look for expansion and optimization of the logistics infrastructure to further diversify into higher margin and less seasonal industrial products.

Methanol

Our methanol business was affected by unplanned shutdowns in the first quarter of 2019, but production normalized towards the end of the quarter. With the imminent start-up of the second line at BioMCN and 13% increase in methanol capacity at OCI Beaumont, we are on track to reach 2.95 million metric tons of proportionate production capacity annual run-rate this summer.

Fundamentals of methanol markets remain positive:

- For methanol we expect new capacity additions in the next 4-5 years to be below expected demand, which is growing in the mid-single digits.
- Firming oil prices, increasing utilization rates of methanol-to-olefins (MTO) plants and the addition of multiple new MTO facilities in China should be supportive for methanol prices and demand.

Gas Markets

Gas prices have moderated in both Europe and the United States since the high levels reached in 2018. We expect to see the full benefit of the materially lower gas prices in Europe from the second quarter onwards, benefiting from a combination of spot buying and hedges for part of our natural gas requirement for our European operations.

In the United States, we continue to benefit from low gas prices and hedges, with costless collars between around $2.40 to $3.50 for the majority of our gas needs at OCIB and Natgasoline, and prices below $2.40 for almost 70% of IFCo's requirement for the remainder of the year.

Consolidated Financial Results at a Glance[1)]

Financial Highlights ($ million unless otherwise stated)

	Q1 2019	Q1 2018	% Δ
Revenue	**596.5**	**744.8**	*(20%)*
Gross Profit	52.5	169.7	*(69%)*
Gross profit margin	*8.8%*	*22.8%*	
Adjusted EBITDA[2)]	**129.3**	**235.1**	*(45%)*
EBITDA[2)]	122.2	252.1	*(52%)*
EBITDA margin	*20.5%*	*33.8%*	
Adj. net income (loss) attributable to shareholders	**(82.2)**	**11.3**	*nm*
Net income (loss) attributable to shareholders	(81.2)	24.5	*nm*
Earnings / (loss) per share ($)			
Basic earnings per share	(0.388)	0.117	*nm*
Diluted earnings per share	(0.388)	0.117	*nm*
	31-Mar-19	**31-Dec-18**	**% Δ**
Total Assets	7,464.3	7,320.0	*2%*
Gross Interest-Bearing Debt	4,672.6	4,580.3	*2%*
Net Debt	4,162.9	4,119.6	*1%*
	Q1 2019	**Q1 2018**	**% Δ**
Free cash flow[2)]	(15.9)	114.0	*nm*
Capital Expenditure	59.7	42.9	*39%*
Of which: maintenance capital expenditure	*18.6*	*20.1*	*(7%)*
Sales volumes ('000 metric tons)[3)]			
OCI Product	1,694.6	2,171.2	*(22%)*
Third Party Traded	475.4	343.4	*38%*
Total Product Volumes	**2,170.0**	**2,514.6**	***(14%)***

1) Unaudited

2) OCI N.V. uses Alternative Performance Measures ('APM') to provide a better understanding of the underlying developments of the performance of the business. The APMs are not defined in IFRS and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. A detailed reconciliation between APM and the most directly comparable IFRS measure can be found in this report

3) Fully consolidated, not adjusted for OCI ownership stake in plant, except 50% OCI's share of Natgasoline volumes

Operational Highlights

Highlights for Q1 2019

- Own product sales volumes decreased 22% to 1.7 million metric tons during Q1 2019 versus Q1 2018:
  - *Lower fertilizer sales volumes due to a shift of the season from Q1 into Q2, execution of commercial strategy to delay sales in anticipation of start of season, and a planned shutdown at Sorfert*
  - *Higher industrial chemicals sales volumes driven by Natgasoline and a significant increase in DEF volumes*
- Including third-party traded product, sold volumes decreased 14% to 2.2 million metric tons during Q1 2019 versus Q1 2018

Product Sales Volumes ('000 metric tons)

	Q1 2019	Q1 2018	% Δ
Own Product			
Ammonia	367.5	524.0	(30%)
Urea	448.2	664.9	(33%)
Calcium Ammonium Nitrate (CAN)	108.7	223.0	(51%)
Urea Ammonium Nitrate (UAN)	239.9	341.8	(30%)
Total Fertilizer	**1,164.3**	**1,753.7**	**(34%)**
Methanol[1)]	398.1	342.3	16%
Melamine	35.2	34.3	3%
Diesel Exhaust Fluid (DEF)	97.0	40.9	137%
Total Industrial Chemicals	**530.3**	**417.5**	**27%**
Total Own Product Sold	**1,694.6**	**2,171.2**	**(22%)**
Traded Third Party			
Ammonia	89.8	46.7	92%
Urea	71.7	72.6	(1%)
UAN	6.8	24.5	(72%)
Methanol	96.5	31.6	205%
Ammonium Sulphate (AS)	201.8	168.0	20%
DEF	8.8	-	nm
Total Traded Third Party	**475.4**	**343.4**	**38%**
Total Own Product and Traded Third Party	**2,170.0**	**2,514.6**	**(14%)**

1) *Including OCI's 50% share of Natgasoline volumes*

Operational Performance

Nitrogen Products

Total own-produced fertilizer sales volumes were 34% lower during the quarter compared to the same period last year due to OCI's decision to postpone sales and build up inventory in anticipation of the start of the season in the second quarter. Our reported sales volumes in Q1 2019 also reflect the major planned shutdown at Sorfert, which lasted from the end of January until March.

Production levels at our nitrogen facilities were at healthy levels during the quarter. Our plants in Egypt continued to run at high efficiency rates above nameplate capacity, operating rates at Sorfert's standalone ammonia line improved to close to its maximum design capacity following the turnaround, IFCo showed robust reliability despite harsh winter conditions, and our operations in the Netherlands benefited from lower gas prices during the quarter.

Our other nitrogen products remain a cornerstone of our growth, with DEF volumes continuing to ramp up:

- As highlighted in the 2018 results report, as a result of the recent DEF plant expansion, investment in related infrastructure, and the establishment of the N-7 joint venture, we have several 2019 contracts in place totalling more than double the DEF sales volumes achieved in 2018.

- IFCo is now well on track to achieve this growth in DEF volumes, as evident in the increase achieved during the first quarter of 2019 compared to both the first and fourth quarters of 2018.

- With an increase of 2%, melamine sales volumes in Q1 2019 were at similar levels as in Q1 2018. Selling prices decreased slightly from Q4 2018 into Q1 2019 but remain at healthy levels.

Methanol

Despite some shutdowns across our methanol portfolio, own-produced methanol sales volumes improved 16% in Q1 2019 compared to Q1 2018.

- The increase was driven by the contribution of Natgasoline, which was not yet operational in the first quarter of 2018. Following an extended shutdown, the plant resumed production in February after resolving the utilities supply issues and is now running well. During the first quarter, Natgasoline built up excess inventory relative to normal levels, due to timing of certain freight movements in March. Product sales have accelerated during the second quarter and have returned to normalized levels.

- Methanol prices were on average lower during the first quarter of 2019 compared to the same quarter last year. As a result of the lower prices and shutdowns at both OCI Beaumont and BioMCN, the Q1 2019 results for the Methanol US and Methanol Europe segments were below Q1 2018.

Segment overview Q1 2019

$ million	Methanol US	Methanol Europe	Nitrogen US	Nitrogen Europe	Nitrogen MENA	Other	Elimination	Total
Segment revenues	145.2	57.2	91.2	193.7	162.0	-	-	649.3
Inter-segment revenues	(25.1)	(2.0)	-	-	(25.7)	-	-	(52.8)
Total revenues	120.1	55.2	91.2	193.7	136.3	-	-	596.5
Gross profit	15.4	(12.3)	12.6	23.7	16.9	(3.0)	(0.8)	52.5
Operating profit	11.6	(13.5)	6.6	13.6	7.6	(18.1)	1.1	8.9
Depreciation & amortization	31.5	2.7	33.7	17.3	42.9	1.2	(16.0)	113.3
EBITDA	43.1	(10.8)	40.3	30.9	50.5	(16.9)	(14.9)	122.2
Adjusted EBITDA	50.8	(10.3)	40.3	30.9	50.5	(18.0)	(14.9)	129.3

Segment overview Q1 2018

$ million	Methanol US	Methanol Europe	Nitrogen US	Nitrogen Europe	Nitrogen MENA	Other	Elimination	Total
Segment revenues	117.0	61.5	90.7	226.1	278.4	-	-	773.7
Inter-segment revenues	(7.2)	-	-	(0.1)	(21.6)	-	-	(28.9)
Total revenues	109.8	61.5	90.7	226.0	256.8	-	-	744.8
Gross profit	41.9	6.5	(2.0)	35.4	84.1	-	3.8	169.7
Operating profit	36.5	5.3	(5.6)	26.7	96.2	(14.2)	4.9	149.8
Depreciation & amortization	(15.3)	(2.7)	(26.4)	(14.7)	(43.2)	(0.3)	0.3	(102.3)
EBITDA	51.8	8.0	20.8	41.4	139.4	(13.9)	4.6	252.1
Adjusted EBITDA	51.8	8.0	20.8	41.4	122.4	(13.9)	4.6	235.1

Benchmark Prices

			Q1 '19	Q1 '18	% Δ	Q4 '18	% Δ
Ammonia	NW Europe, FOB	$/mt	**331**	333	-1%	388	-15%
Ammonia	US Gulf Tampa contract	$/mt	**282**	333	-15%	345	-18%
Granular Urea	Egypt, FOB	$/mt	**266**	260	2%	315	-16%
CAN	Germany, CIF	€/mt	**221**	194	14%	229	-3%
UAN	France, FOT	€/mt	**216**	160	35%	228	-5%
UAN	US Midwest, FOB	$/mt	**245**	223	10%	280	-13%
Melamine	Europe contract	€m/t	**1,575**	1,625	-3%	1,625	-3%
Methanol	USGC Contract, FOB	$/mt	**435**	490	-11%	493	-12%
Methanol	Rotterdam FOB Contract	€/mt	**350**	380	-8%	428	-18%

Source: CRU, Argus, ICIS

Financial Highlights

IFRS 16

OCI has chosen to implement IFRS 16 using the modified retrospective approach effective 1 January 2019. As a result, the Q1 2019 numbers reflect the adoption, but comparative numbers were not restated. While applying the modified retrospective approach, OCI has elected the option to measure the right-of-use asset based on the value of the lease obligation, to exclude initial direct cost and to use the incremental borrowing rate to determine the present value of the lease obligation.

The impact is relatively small. As a result of the adoption of the standard, EBITDA is positively impacted by approximately $8 million during Q1 2019, of which a $1.3 million increase of interest expenses and the remainder an increase of depreciation expenses. The impact on the net income (loss) attributable to shareholders is minimal.

Impact IFRS 16

$ millions	Q1 2019 before IFRS 16	Impact IFRS 16	Q1 2019 including IFRS 16
Adjusted EBITDA	**118.2**	**11.1**	**129.3**
EBITDA	**114.5**	**7.7**	**122.2**
Depreciation & amortization	(106.0)	(7.3)	(113.3)
Operating profit	8.5	0.4	8.9
Net finance cost	(90.2)	(1.3)	(91.5)
Total net loss	**(81.3)**	**(0.9)**	**(82.2)**
Cash flows from operating activities	0.4	7.7	8.1
Cash flows from financing activities	111.1	(7.7)	103.4
Total Assets	7,257.1	207.2	7,464.3
Total Liabilities	5,855.5	208.0	6,063.5

Summary results

Consolidated revenue decreased 20% to $597 million in the first quarter of 2019 compared to the same quarter in 2018, as our own-produced and traded volumes decreased and selling prices across our portfolio were on average at the same level.

Adjusted EBITDA decreased 45% to $129 million in Q1 2019 compared to $235 million in Q1 2018, predominantly due to the lower revenues. On a segment basis, the MENA business decreased due to the shutdown at Sorfert and the build-up in inventories. The methanol business decreased predominantly due to lower realized methanol prices and production downtime, whereas Natgasoline's contribution was relatively limited due to the shutdown.

Adjusted net loss was $82 million in Q1 2019 compared to a net profit of $11 million in Q1 2018. The reported net loss (after non-controlling interest) was $81 million in Q1 2019 compared to a net profit of $25 million in Q1 2018.

Consolidated Statement of Income*)

$ million	Q1 2019	Q1 2018 1)
Net revenue	**596.5**	**744.8**
Cost of Sales	(544.0)	(575.1)
Gross profit	**52.5**	**169.7**
Gross profit % of revenues	*8.8%*	*22.8%*
SG&A	(46.6)	(40.6)
Other Income	3.3	20.8
Other expense	(0.3)	(0.1)
Adjusted EBITDA	**129.3**	**235.1**
EBITDA	**122.2**	**252.1**
EBITDA % of revenues	*20.5%*	*33.8%*
Depreciation & amortization	(113.3)	(102.3)
Operating profit	**8.9**	**149.8**
Interest income	1.7	3.4
Interest expense	(78.1)	(85.9)
Other finance income / (cost)	(15.1)	11.3
Net finance costs	**(91.5)**	**(71.2)**
Income from equity-accounted investees	(9.7)	(3.6)
Net income before tax	**(92.3)**	**75.0**
Income tax expense	10.1	(7.6)
Net profit	**(82.2)**	**67.4**
Non-Controlling Interest	1.0	(42.9)
Net loss attributable to shareholders	**(81.2)**	**24.5**

** Unaudited*

1) Q1 2018 has not been adjusted for IFRS 16

Reconciliation to Alternative Performance Measures

Adjusted EBITDA is an Alternative Performance Measure (APM) that intends to give a clear reflection of underlying performance of OCI's operations. The main APM adjustments in the first quarters of 2019 and 2018 relate to:

- Expenses for expansion projects in Q1 2019 amounted to $0.5 million and are related to the BioMCN expansion project.
- In March 2018, Sorfert finalized an insurance claim of $20 million ($17 million adjusted for profit sharing agreement with JV partner) related to the business interruption caused by the previously mentioned unplanned shutdown of one of Sorfert's ammonia lines from May to December 2017.
- A change in the unrealized results on natural gas hedge derivatives of ($1.9) million in Q1 2019 relate to hedging activities at OCI Beaumont and in the Netherlands.

Reconciliation of reported operating income to adjusted EBITDA

$ million	Q1 2019	Q1 2018	Adjustment in P&L
Operating profit as reported	**8.9**	**149.8**	
Depreciation and amortization	113.3	102.3	
EBITDA	**122.2**	**252.1**	
APM adjustments for:			
Expenses related to expansion projects	0.5	-	*SG&A / other expenses*
Sorfert insurance income / loss of revenue	-	(17.0)	*Revenue / other income*
Change in unrealised result on natural gas hedging	(1.9)	-	*COGS*
Other adjustments	0.4	-	*Other income and expenses*
Natgasoline	8.1	-	*Represents OCI's share of Natgasoline EBITDA*
Total APM adjustments	**7.1**	**(17.0)**	
Adjusted EBITDA	**129.3**	**235.1**	

Net income attributable to shareholders

At the net income level, the main APM adjustments in Q1 2019 and Q1 2018 relate to Natgasoline, and non-cash foreign exchange gains or losses on US$ exposure.

Reconciliation of reported net income to adjusted net income

$ million	Q1 2019	Q1 2018	Adjustment in P&L
Reported net income attributable to shareholders	**(81.2)**	**24.5**	
Adjustments for:			
Adjustments at EBITDA level	7.1	(17.0)	
Add back: Natgasoline EBITDA adjustment	(8.1)	-	
Expenses related to expansion projects	-	4.9	*Income from equity accounted investees*
Change in unrealised gas hedging Natgasoline	(8.0)	-	*Income from equity accounted investees*
Forex gain/loss on USD exposure	9.8	(10.6)	*Finance income and expense*
Non-controlling interest adjustment	0.9	9.5	*Minorities*
Tax effect of adjustments	(2.7)	-	*Income tax*
Total APM adjustments at net income level	**(1.0)**	**(13.2)**	
Adjusted net income attributable to shareholders	**(82.2)**	**11.3**	

Free Cash Flow and Net Debt

Free cash flow amounted to a negative $16 million during Q1 2019 versus $114 million in Q1 2018. The cash flow reflects a higher-than-usual $105 million increase in working capital following an accelerated build-up of inventory from late February onwards in anticipation of the start of the season and higher selling prices.

Net debt was $4,163 million as at 31 March 2019, approximately at the same level as the $4,120 million as at 31 December 2018, reflecting:

- $105 million increase in working capital;
- Total capital expenditures of $60 million in Q1 2019, compared to $43 million in Q1 2018. Maintenance capital expenditure was $19 million during Q1 2019; growth capital expenditure of $41 million was mostly for the refurbishment of BioMCN's second line and the capacity expansion at OCI Beaumont;
- The net effect of movements in exchange rates on net debt is mostly due to the translation of Euro-denominated loans into US$;
- In December 2018 Sorfert reached an agreement on the final settlement with the insurance companies related to the unplanned shutdown of one of Sorfert's ammonia lines from May to December 2017. The agreed settlement, less an advance payment in Q2 2018, was received in Q1 2019.

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

$ million	Q1 2019	Q1 2018
EBITDA	122.2	252.1
Working capital	(104.9)	(55.5)
Maintenance capital expenditure	(18.6)	(20.1)
Tax paid	(0.5)	(0.9)
Interest / net dividends paid / received	(46.6)	(51.0)
Insurance receivable / received Sorfert	31.8	(20.0)
Adjustment non-cash expenses	0.7	9.4
Free Cash Flow	**(15.9)**	**114.0**
Reconciliation to change in net debt:		
Growth capital expenditure	(41.1)	(22.8)
Acquisition non-controlling interest OCI Partners	-	-
Other non-operating items	(7.7)	(17.4)
Non-operating working capital	5.6	(2.7)
Net effect of movement in exchange rates on net debt	17.1	(37.8)
Other non-cash items	(1.3)	(22.1)
Net Cash Flow / Decrease (Increase) in Net Debt	**(43.3)**	**11.2**

Notes

This report contains unaudited first quarter consolidated financial highlights of OCI N.V. ('OCI', 'the Group' or 'the Company'), a public limited liability company incorporated under Dutch law, with its head office located at Honthorststraat 19, 1071 DC Amsterdam, the Netherlands.

OCI N.V. is registered in the Dutch commercial register under No. 56821166 dated 2 January 2013. The Group is primarily involved in the production of nitrogen-based fertilizers and industrial chemicals.

This report has been authorised for issue by the Board of Directors on 23 May 2019.

Auditor

The financial highlights and the reported data in this report have not been audited by an external auditor.

About OCI N.V.:

OCI N.V. (Euronext: OCI) is a global producer and distributor of natural gas-based fertilizers & industrial chemicals based in the Netherlands. OCI produces nitrogen fertilizers, methanol and other natural gas-based products, serving agricultural and industrial customers from the Americas to Asia. OCI is a leading global nitrogen fertilizer producer with almost 10 million metric tons of capacity. OCI is also on track to become one of the world's largest methanol producers with almost 3 million tons of proportionate capacity. OCI is listed on Euronext in Amsterdam.

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OCI stock symbols: OCI / OCI.NA / OCI.AS / OCINY

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