# Q4 2018 Results Report

**Amsterdam, The Netherlands / 25 February 2019**

# OCI N.V. Reports Strong Free Cash Flow in Q4 2018

## Highlights:

- Strong free cash flow generation of $305 million and a reduction in net debt of $295 million during the fourth quarter of 2018
- Own-produced volumes sold increased 20% during Q4 2018 compared to Q4 2017 resulting in a record 9.4 million metric tons for the full year 2018
- Revenues increased 47% during Q4 2018 versus Q4 2017 driven by higher volumes and higher selling prices
- Adjusted EBITDA increased 102% to $269 million in Q4 2018 from $133 million in Q4 2017 driven by the higher revenues and higher margins
- Adjusted net income improved to $17 million in Q4 2018 from a loss of $53 million in Q4 2017
- The improvement in leverage metrics continued with a trailing net debt / adjusted EBITDA of 4.4x at 31 December 2018, down from 7.0x at 31 December 2017 and 5.5x at 30 September 2018

## Statement from the Chief Executive Officer – Nassef Sawiris:

"We ended 2018 with a robust quarter. We more than doubled our Adjusted EBITDA compared to the same quarter a year ago and generated strong free cash flow which delivered a significant reduction of $295 million in net debt during the fourth quarter and excellent progress on our deleveraging priority.

This growth demonstrates that our previous investments in new capacities are starting to pay off with a solid performance at Iowa Fertilizer Company and the ramp-up and first cash dividend from Natgasoline. We achieved this volume and earnings growth despite a shutdown at Natgasoline during the fourth quarter due to utilities supply issues that have now been resolved, coupled with low water levels in the Rhine which affected despatches of CAN in Europe.

As a company we view selling forward large quantities of product to wholesalers during the low season at low prices as value destructive, as it creates an unnecessary overhang in the market when distributors become competitors during the peak season. We believe that our approach, combined with our strategic locations, and the strong execution of our operational teams has allowed us to capture the benefits of a rising pricing environment during the third and fourth quarters of 2018, maximize netback prices and outperform the industry in North America.

Our positioning in the Upper Midwest of the United States is unique and gives us significant freight and logistical advantages. This becomes even more prominent in the spring season, when the availability of river barges and other logistical challenges (such as congestion on the rivers and railroads) become a bottleneck for product that is to be transported into the Midwest originating from New Orleans (NOLA).

We expect our low-cost operations in the United States to be a key source of growth in 2019. Towards the end of 2018, IFCo reached record production levels of 115% of nameplate capacity as a result of both optimization work and an increase in our permitted production levels as described last quarter. This has resulted in a significant improvement in EBITDA performance at IFCo during the fourth quarter. We expect continued improvement at IFCo in 2019 due to several factors, including consistent production performance, the full effect of the increase in allowable operating rates, and a significant increase in diesel exhaust fluid volumes.

We also expect our methanol business to grow in 2019 to reach 2.95 million metric tons of proportionate production capacity. Natgasoline will have its first full year of operations, BioMCN's second line is due to start up this spring and we expect to finalize the c.13% methanol capacity increase at OCI Beaumont this summer."

## Outlook

*Focus on Nitrogen Products*

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

- Short term, we expect a portion of our sold fertilizer volumes to shift from the first into the second quarter as demand starts picking up in March / April. Our disciplined sales approach will result in some inventory build-up towards the end of the quarter.
- Nitrogen prices have declined at the beginning of 2019 as a result of the impact of a delayed application season and continued exports from Iran, but we expect global demand to materialize through 2019 as seasonal demand kicks in.
- The outlook is especially strong in the US for the second quarter of 2019: in Q4 2018, ammonia application rates were at historically low levels due to inclement weather, which we expect to result in a boost in demand in spring. In addition, the US Department of Agriculture (USDA) recently estimated that an additional 3 million acres of corn will be planted in the US this season which is supportive of nitrogen demand.
- We continue to expect 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 levels.
- Melamine remains a cornerstone of our Dutch operations, enjoying another good performance in 2018 with contract prices on average 8% higher than the year before and a stable performance in the past few quarters. We expect to continue to capture healthy margins for this business.
- The outlook for the diesel exhaust fluid market in the US remains positive and is expected to grow at rates over 15% per annum in the coming years.
- As a result of the recent DEF plant expansion, investment in related infrastructure, and the establishment of the N-7 joint venture, we have already concluded several 2019 contracts totalling more than double the DEF sales volumes achieved in 2018.

*Focus on Methanol*

Fundamentals of methanol markets are unchanged:

- For methanol we also expect limited new major capacity additions in the next 4-5 years relative to expected demand growth rates in the mid-single digits.
- Following some price weakness at the end of 2018 due to the decrease in oil prices and lower utilization rates at MTO facilities in China, prices have rebounded in the past weeks, and markets in Asia have picked up after Chinese New Year.
- 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*

Our cost position is looking favourable with a low blended average natural gas cost. We have a mix of long-term contracts with fixed gas prices in Egypt and Algeria, and spot prices in Europe and the Unites States.

Gas prices have moderated in both Europe and the United States since the levels reached in 2018. We expect to see the full benefit of the lower gas prices from the second quarter onwards as our European winter exposure hedges expire. In the United States, we continue to benefit from the hedges of $2.42 per mmBtu at IFCo for the majority of our gas needs in Q1 and have secured prices below $2.30 per mmBtu for Q2.

Despite US sanctions, Iran has continued to export significant volumes at heavily discounted prices in recent months, negatively impacting methanol and fertilizer markets. With export volumes of more than 4 million tons each of urea and methanol in 2018, Iran is one of the largest exporters of both these products globally. However, as sanctions are now being fully implemented and export opportunities for the country diminish, Iranian exports are likely to decline in 2019.

We are well-positioned to benefit from improving end markets through the unique strategic positioning of our assets in key regions, our globally competitive low-cost asset base and best-in-class free cash flow conversion.

We expect continued growth in EBITDA and improvement of our leverage metrics in 2019. Net interest and capital expenditures are expected to decrease in 2019, which should contribute positively to our cash flows:

- Interest expense of $341 million in 2018 is expected to decrease by $50-70 million in 2019, also benefiting from a 50bps step-down with every half turn in net debt to EBITDA metrics on OCI NV's bank facilities.
- Capital expenditures are expected to be c.$200-220 million, of which around $150-160 million for maintenance capital expenditure and an estimated $50-60 million for growth, including the capacity expansion at OCI Beaumont.

We remain committed to our financial policy to prioritise these expected strong free cash flows towards deleveraging to 2x through the cycle.

# Consolidated Financial Results at a Glance[1)]

### Financial Highlights ($ million unless otherwise stated)

| | Q4 2018 | Q4 2017 | % Δ | 2018 | 2017 | % Δ |
|---|---|---|---|---|---|---|
| **Revenue** | **941.5** | **642.0** | *47%* | **3,252.5** | **2,251.5** | *44%* |
| Gross Profit | 155.5 | 63.2 | *146%* | 622.1 | 320.4 | *94%* |
| *Gross profit margin* | *16.5%* | *9.8%* | | *19.1%* | *14.2%* | |
| **Adjusted EBITDA[2)]** | **269.0** | **133.2** | ***102%*** | **937.5** | **634.3** | ***48%*** |
| EBITDA[2)] | 248.8 | 122.7 | *103%* | 929.2 | 479.2 | *94%* |
| *EBITDA margin* | *26.4%* | *19.1%* | | *28.6%* | *21.3%* | |
| **Adj. net income (loss) attributable to shareholders** | **17.1** | **(53.0)** | ***nm*** | **17.1** | **(27.3)** | ***nm*** |
| Net loss attributable to shareholders | (18.7) | (56.1) | *nm* | (48.7) | (103.6) | *nm* |
| **Earnings / (loss) per share ($)** | | | | | | |
| Basic earnings per share | (0.089) | (0.269) | *nm* | (0.233) | (0.495) | *nm* |
| Diluted earnings per share | (0.089) | (0.269) | *nm* | (0.233) | *(0.495)* | *nm* |
| | **31-Dec-18** | **31-Dec-17** | **% Δ** | | | |
| Total Assets | 7,320.0 | 7,143.6 | *2%* | | | |
| Gross Interest-Bearing Debt | 4,580.3 | 4,677.6 | *(2%)* | | | |
| Net Debt | 4,119.6 | 4,446.6 | *(7%)* | | | |
| | **Q4 2018** | **Q4 2017** | **% Δ** | **2018** | **2017** | **% Δ** |
| Free cash flow[2)] | 304.5 | 98.1 | *210%* | 620.4 | 114.8 | *440%* |
| Capital Expenditure | 65.6 | 40.4 | *62%* | 293.0 | 147.3 | *99%* |
| *Of which: maintenance capital expenditure* | 21.1 | 22.8 | *(7%)* | 136.1 | 61.4 | *122%* |
| **Sales volumes ('000 metric tons)[3)]** | | | | | | |
| OCI Product | 2,465.7 | 2,056.5 | *20%* | 9,402.1 | 7,382.8 | *27%* |
| Third Party Traded | 574.4 | 393.4 | *46%* | 1,751.8 | 1,293.9 | *35%* |
| Total Product Volumes | **3,040.1** | **2,449.9** | ***24%*** | **11,153.9** | **8,676.7** | ***29%*** |

*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 Q4 2018

- Own product volumes sold increased 20% to 2.5 million metric tons during Q4 2018 versus Q4 2017:
  - *Driven by higher UAN and DEF volumes from IFCo, higher volumes from North Africa and the first-time contribution from OCI's 50% share in Natgasoline*
  - *Including third-party traded product, sales volumes increased 24% to 3.0 million metric tons.*
- On average higher realized selling prices compared to Q4 2017 and Q3 2018.
- Excellent safety performance achieved by our facilities during the year with five plants achieving zero lost-time injuries, and a consolidated Lost-Time Injury Rate of 0.08 incidents per 200,000 hours worked, a 33% improvement over 2017.

### Product Sales Volumes ('000 metric tons)

| | Q4 2018 | Q4 2017 | % Δ | 2018 | 2017 | % Δ |
|---|---|---|---|---|---|---|
| **Own Product** | | | | | | |
| Ammonia | 450.7 | 358.8 | 26% | 2,013.1 | 1,477.8 | 36% |
| Urea | 749.4 | 696.0 | 8% | 2,960.8 | 2,517.9 | 18% |
| Calcium Ammonium Nitrate (CAN) | 253.5 | 232.6 | 9% | 1,063.8 | 1,189.3 | (11%) |
| Urea Ammonium Nitrate (UAN) | 464.7 | 371.4 | 25% | 1,538.4 | 752.4 | 104% |
| **Total Fertilizer** | **1,918.3** | **1,658.8** | **16%** | **7,576.1** | **5,937.4** | **28%** |
| Methanol[1)] | 421.9 | 357.1 | 18% | 1,415.7 | 1,285.5 | 10% |
| Melamine | 42.7 | 33.6 | 27% | 149.3 | 152.6 | (2%) |
| Diesel Exhaust Fluid (DEF) | 82.8 | 7.0 | nm | 261.0 | 7.3 | nm |
| **Total Industrial Chemicals** | **547.4** | **397.7** | **38%** | **1,826.0** | **1,445.4** | **26%** |
| **Total Own Product Sold** | **2,465.7** | **2,056.5** | **20%** | **9,402.1** | **7,382.8** | **27%** |
| **Traded Third Party** | | | | | | |
| Ammonia | 120.3 | 95.5 | 26% | 394.4 | 249.9 | 58% |
| Urea | 128.4 | 31.1 | 313% | 328.1 | 102.3 | 221% |
| UAN | 24.4 | 51.1 | (52%) | 90.1 | 157.6 | (43%) |
| Methanol | 85.7 | - | nm | 252.1 | - | nm |
| Ammonium Sulphate (AS) | 202.1 | 215.7 | (6%) | 673.6 | 784.1 | (14%) |
| DEF | 13.5 | - | nm | 13.5 | - | nm |
| **Total Traded Third Party** | **574.4** | **393.4** | **46%** | **1,751.8** | **1,293.9** | **35%** |
| **Total Own Product and Traded Third Party** | **3,040.1** | **2,449.9** | **24%** | **11,153.9** | **8,676.7** | **29%** |

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

## Operational Performance

*Performance of the Fertilizer Operations*

Total own-produced fertilizer volumes improved 16% during the quarter compared to the same period last year. This was the result of growth across all regions, but especially IFCo's volumes increased strongly both compared to the same quarter in 2017 and compared to the third quarter of 2018.

Following a shutdown in July 2018 and after receiving a permit to take the plant's maximum allowable front-end gas feed rate from the previous permit of 110% to 118% of nameplate capacity, IFCo reached unprecedented production levels of 115% on ammonia in the fourth quarter. At the end of 2018, IFCo received a permit to further increase operating rates on a permanent basis and we believe IFCo should be able to approach 120% this year.

- Iowa Fertilizer Company (IFCo) drove UAN volume growth of 25% from Q4 2017 to Q4 2018.
- CAN volumes increased by 9% in Q4 2018 compared to Q4 2017, despite some impact from low water levels in the Rhine river resulting in logistical constraints, which were lifted in early December.
- Own-produced ammonia sales volumes increased by 26% in Q4 2018 compared to Q4 2017, driven mostly by improved performance at Sorfert and despite a historically low fall ammonia application in Q4 2018 in the United States.
- Own-produced urea sales volumes were up 8% in Q4 2018 versus Q4 2017, reflecting healthy performance of our plants in North Africa. Both EFC and Sorfert produced record volumes during the year, EFC for the second year in a row.

*Performance of the Industrial Chemicals operations*

OCI's industrial chemicals portfolio continued to ramp up volumes with an increase of 38% in own-produced volumes in Q4 2018 compared to Q4 2017. In particular diesel exhaust fluid volumes increased strongly.

- Operational performance of our methanol business was strong during the fourth quarter of 2018 but would have been higher if Natgasoline had not suffered a shutdown in Q4 2018 due to utilities supply issues. Natgasoline experienced near full production rates in October and November with restricted production in December. The issues were resolved in early February and the company has taken measures to avoid a reoccurrence of the issue in the future.
- Own-produced methanol volumes improved 18% in Q4 2018 compared to Q4 2017 as Natgasoline's contribution to volumes more than offset lower volumes at both OCI Beaumont due to a short shutdown in December and at BioMCN, which extended a shutdown that started in Q3 into Q4.

- Melamine sales volumes increased 27% in Q4 2018 compared to the same quarter last year.

- Diesel exhaust fluid volumes continued to increase strongly during 2018. IFCo meaningfully expanded its DEF logistical capabilities in 2018 by adding new railcars and completion of a newly constructed DEF tank on-site in December. The tank significantly improves IFCo's security of supply profile to customers and materially improves product mix flexibility. IFCo continues to look for expansion and optimization of the logistics infrastructure to achieve more margin in the industrial market versus the seasonal fertilizer market.

## Benchmark Prices

| | | | 2018 | 2017 | % Δ | Q4 '18 | Q4 '17 | % Δ |
|---|---|---|---|---|---|---|---|---|
| **Ammonia** | NW Europe, FOB | $/mt | **337** | 312 | 8% | **388** | 328 | 18% |
| **Ammonia** | US Gulf Tampa contract | $/mt | **313** | 281 | 11% | **345** | 299 | 15% |
| **Granular Urea** | Egypt, FOB | $/mt | **277** | 241 | 15% | **315** | 271 | 16% |
| **CAN** | Germany, CIF | €/mt | **202** | 193 | 5% | **229** | 200 | 15% |
| **UAN** | France, FOT | €/mt | **179** | 154 | 16% | **228** | 159 | 43% |
| **UAN** | US Midwest, FOB | $/mt | **237** | 208 | 14% | **280** | 204 | 37% |
| **Melamine** | Europe contract | €m/t | **1,640** | 1,513 | 8% | **1,625** | 1,575 | 3% |
| **Methanol** | USGC Contract, FOB | $/mt | **492** | 402 | 22% | **493** | 393 | 25% |
| **Methanol** | Rotterdam FOB Contract | €/mt | **402** | 348 | 16% | **428** | 318 | 35% |

*Source: CRU, Argus*

# Financial Highlights

Consolidated revenue increased 47% to $942 million in the fourth quarter of 2018 compared to the same quarter in 2017, as our own-produced and traded volumes increased and selling prices were on average higher. Our revenues also increased compared to the third quarter of 2018.

Adjusted EBITDA increased 102% to $269 million in Q4 2018 compared to $133 million in Q4 2017. This was the result of the higher revenues, as well as the realization of higher margins. EBITDA increased 103% to $249 million in Q4 2018 compared to $123 million in Q4 2017. The EBITDA margin improved from 19.1% in Q4 2017 to 26.4% in Q4 2018.

Adjusted net profit was $17 million in Q4 2018 compared to a net loss of $53 million in Q4 2017. The reported net loss (after non-controlling interest) stood at $19 million in Q4 2018 compared to a net loss of $56 million in Q4 2017.

### Consolidated Statement of Income*)

| $ million | Q4 2018 | Q4 2017 | 2018 | 2017 |
|---|---|---|---|---|
| **Net revenue** | **941.5** | **641.9** | **3,252.5** | **2,251.5** |
| Cost of Sales | (786.0) | (578.7) | (2,630.4) | (1,931.1) |
| **Gross profit** | **155.5** | **63.2** | **622.1** | **320.4** |
| *Gross profit % of revenues* | *16.5%* | *9.8%* | *19.1%* | *14.2%* |
| SG&A | (51.1) | (41.8) | (177.6) | (160.9) |
| Other Income | 36.5 | 2.6 | 62.6 | 8.2 |
| Other expense | 0.5 | (6.4) | (2.8) | (19.4) |
| **Adjusted EBITDA** | **269.0** | **133.2** | **937.5** | **634.3** |
| **EBITDA** | **248.8** | **122.7** | **929.2** | **479.2** |
| *EBITDA % of revenues* | *26.4%* | *19.1%* | *28.6%* | *21.3%* |
| Depreciation & amortization | (107.4) | (105.1) | (424.9) | (330.9) |
| **Operating profit** | **141.4** | **17.6** | **504.3** | **148.3** |
| Interest income | 2.8 | 1.7 | 8.7 | 5.3 |
| Interest expense | (80.1) | (73.9) | (340.7) | (222.0) |
| Net FX gain / (loss) and fair value gain / loss on derivatives | (13.5) | 9.4 | (32.6) | (31.4) |
| **Net financing costs** | **(90.8)** | **(62.8)** | **(364.6)** | **(248.1)** |
| Investment income | (15.5) | (2.8) | (30.8) | (6.1) |
| **Net income before tax** | **35.1** | **(48.0)** | **108.9** | **(105.9)** |
| Income tax expense | (13.4) | (12.7) | (9.4) | 3.1 |
| **Net profit** | **21.7** | **(60.7)** | **99.5** | **(102.8)** |
| Non-Controlling Interest | (40.4) | 4.6 | (148.2) | (0.8) |
| **Net loss attributable to shareholders** | **(18.7)** | **(56.1)** | **(48.7)** | **(103.6)** |

** Unaudited*

## New segments

Due to changes in organizational structure and internal reporting, OCI has renamed and realigned its segments by moving trading activities from OCI Nitrogen & Trading to the previous North Africa segment and including Natgasoline in the previous OCI Partners & Trading segment.

- Fertilizer United States: IFCo and trading / distribution entities OCI Fertilizer USA and N-7
- Fertilizer Europe: OCI Nitrogen
- Fertilizer Middle East & North Africa (MENA): Sorfert, EFC, EBIC, OCI SAE and trading entities OFT and OFTS
- Chemicals United States: OCI Beaumont, Natgasoline, OCI Fuels and trading entity OCI Methanol Marketing (OMM)
- Chemicals Europe: BioMCN
- Corporate & Other

### Segment overview 2018

| $ million | Chemicals US | Chemicals Europe | Fertilizers US | Fertilizers Europe | Fertilizer MENA | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenues | 549.5 | 238.2 | 489.1 | 906.8 | 1,237.6 | 3.7 | - | 3,424.9 |
| Inter-segment revenues | (77.8) | (1.1) | - | (0.4) | (93.1) | - | - | (172.4) |
| **Total revenues** | **471.7** | **237.1** | **489.1** | **906.4** | **1,144.5** | **3.7** | **-** | **3,252.5** |
| **Gross profit** | **139.6** | **(18.3)** | **55.2** | **81.5** | **370.6** | **(1.4)** | **(5.1)** | **622.1** |
| **Operating profit** | **94.0** | **(18.0)** | **39.3** | **48.9** | **388.3** | **(69.1)** | **20.9** | **504.3** |
| Depreciation & amortization | (86.5) | (8.3) | (117.1) | (62.8) | (174.6) | (1.0) | 25.4 | (424.9) |
| **EBITDA** | **180.5** | **(9.7)** | **156.4** | **111.7** | **562.9** | **(68.1)** | **(4.5)** | **929.2** |
| **Adjusted EBITDA** | **233.8** | **(7.7)** | **157.2** | **113.4** | **501.2** | **(55.9)** | **(4.5)** | **937.5** |

### Segment overview 2017

| $ million | Chemicals US | Chemicals Europe | Fertilizers US | Fertilizers Europe | Fertilizer MENA | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenues | 343.3 | 184.4 | 193.3 | 908.6 | 732.4 | 3.7 | - | 2,365.7 |
| Inter-segment revenues | (18.4) | - | (0.1) | (0.3) | (93.2) | (2.2) | - | (114.2) |
| **Total revenues** | **324.9** | **184.4** | **193.2** | **908.3** | **639.2** | **1.5** | **-** | **2,251.5** |
| **Gross profit** | **82.9** | **37.4** | **(17.0)** | **142.3** | **74.8** | **-** | **-** | **320.4** |
| **Operating profit** | **59.6** | **33.3** | **(53.5)** | **117.0** | **37.0** | **(54.9)** | **9.8** | **148.3** |
| Depreciation & amortization | (60.4) | (10.4) | (29.1) | (52.9) | (177.1) | (1.1) | 0.1 | (330.9) |
| **EBITDA** | **120.0** | **43.7** | **(24.4)** | **169.9** | **214.1** | **(53.8)** | **9.7** | **479.2** |
| **Adjusted EBITDA** | **123.2** | **43.7** | **4.6** | **169.9** | **335.6** | **(52.4)** | **9.7** | **634.3** |

## 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 2018 and 2017 relate to:

- Expenses for expansion projects in 2018 amounted to $5.8 million and are related to the BioMCN expansion project. In 2017, these expenses amounted to $28.0 million and are related to the construction of IFCo until recognition of revenue and depreciation in OCI's consolidated results began in Q4 2017.
- Adjustments for Sorfert in 2017 and 2018 relate to business interruption caused by the unplanned shutdown of one of Sorfert's ammonia lines from May to December 2017. The adjustments in 2017 relate to OCI's best estimate of the loss of profit caused by the shutdown. In December 2018 Sorfert reached the final settlement with the insurance companies. The agreed settlement less an advance payment in Q2 2018 is expected to be received in Q1 2019.
- A change in the unrealized results on natural gas hedge derivatives of $8.8 million in 2018 relate to hedging activities at OCI Beaumont and in the Netherlands.

### Reconciliation of reported operating income to adjusted EBITDA

| $ million | Q4 2018 | Q4 2017 | 2018 | 2017 | Adjustment in P&L |
|---|---|---|---|---|---|
| Operating profit as reported | **141.4** | **17.6** | **504.3** | **148.3** | |
| Depreciation and amortization | 107.4 | 105.1 | 424.9 | 330.9 | |
| **EBITDA** | **248.8** | **122.7** | **929.2** | **479.2** | |
| APM adjustments for: | | | | | |
| Expenses related to expansion projects | 4.3 | (21.2) | 5.8 | 28.0 | *SG&A / other expenses* |
| Sorfert insurance income / loss of revenue | (26.9) | 30.3 | (57.7) | 95.5 | *Revenue / other income* |
| Unrealised result on natural gas hedging | 8.8 | 0.2 | 8.8 | 0.2 | *COGS* |
| EBIC impact of unavailability of export jetty | - | - | - | 15.4 | *Revenue / COGS* |
| Other adjustments | 6.8 | 1.2 | 6.5 | 16.0 | *Other income and expenses* |
| Natgasoline | 27.2 | - | 44.9 | - | |
| **Total APM adjustments** | **20.2** | **10.5** | **8.3** | **155.1** | |
| **Adjusted EBITDA** | **269.0** | **133.2** | **937.5** | **634.3** | |

### Net income attributable to shareholders

At the net income level, the main APM adjustments in 2018 and 2017 relate to Natgasoline (costs associated with the construction until start-up), expenses related to refinancing and non-cash foreign exchange gains or losses on US$ exposure.

### Reconciliation of reported net income to adjusted net income

| $ million | Q4 2018 | Q4 2017 | 2018 | 2017 | Adjustment in P&L |
|---|---|---|---|---|---|
| **Reported net income attributable to shareholders** | **(18.7)** | **(56.1)** | **(48.7)** | **(103.6)** | |
| **Adjustments for:** | | | | | |
| Adjustments at EBITDA level | 20.2 | 10.5 | 8.3 | 155.1 | |
| Add back: Natgasoline EBITDA adjustment | (27.2) | - | (44.9) | - | |
| Expenses related to expansion projects | - | 3.7 | 20.0 | 9.7 | *Income from equity accounted investees* |
| Expenses related to refinancing | 15.4 | - | 31.4 | - | *Finance expenses* |
| Forex gain/loss on USD exposure | 15.4 | (16.7) | 34.3 | 4.9 | *Finance income and expense* |
| Recognition of previously unused tax losses BioMCN / Other | 3.0 | (0.5) | 3.0 | (32.8) | *Income tax* |
| Non-controlling interest adjustment | 14.2 | (11.9) | 32.7 | (55.0) | *Minorities* |
| Tax effect of adjustments | (5.2) | 18.1 | (19.1) | (5.6) | *Income tax* |
| **Total adjustments at net income level** | **35.8** | **3.2** | **65.7** | **76.3** | |
| **Adjusted net income attributable to shareholders** | **17.1** | **(53.0)** | **17.0** | **(27.3)** | |

### Free Cash Flow and Net Debt

OCI reported a robust free cash flow of $305 million during the fourth quarter of 2018, bringing the total for the year to $620 million. This represents a significant increase compared to free cash flow of $98 million in Q4 2017 and $115 million in the full year 2017.

The positive free cash flow was primarily due to a higher operational performance, working capital optimization, low maintenance capital expenditure, partly offset by cash interest of $105 million which is mostly paid out in the second and fourth quarters of the year. We also received a dividend and repayment of shareholder loans from Natgasoline to the amount of $58 million.

Total capital expenditures stood at $66 million in Q4 2018, compared to $40 million in Q4 2017:

- Maintenance capital expenditure was $21 million during Q4 2018;
- Growth capital expenditure was mostly for the refurbishment of BioMCN's second line.

Free cash flow of $620 million in 2018 was primarily used to reduce net debt by $327 million, growth capital expenditure of $157 million and buy out of the minority shareholders of OCI Partners in July 2018 at a cost of c.$118 million.

Net debt stood at $4,120 million as at 31 December 2018, down $295 million from $4,415 million as at 30 September 2018 and down from $4,447 million as at 31 December 2017.

The improvement in leverage metrics this year continued with a trailing net debt / adjusted EBITDA of 4.4x at 31 December 2018, down from 7.0x at 31 December 2017 and 5.5x at 30 September 2018.

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

| $ million | Q4 2018 | Q4 2017 | 2018 | 2017 |
|---|---|---|---|---|
| **EBITDA** | 248.8 | 122.7 | 929.2 | 479.2 |
| Working capital | 145.0 | 76.1 | 83.9 | (60.5) |
| Maintenance capital expenditure | (21.1) | (22.8) | (136.1) | (61.4) |
| Tax paid | (1.2) | (1.9) | (34.3) | (28.9) |
| Interest / net dividends paid/received | (79.2) | (76.6) | (262.2) | (217.8) |
| Adjustment non-cash expenses | 12.2 | 0.6 | 39.9 | 4.2 |
| **Free Cash Flow** | **304.5** | **98.1** | **620.4** | **114.8** |
| **Reconciliation to change in net debt:** | | | | |
| Growth capital expenditure | (44.5) | (17.6) | (156.9) | (85.9) |
| Acquisition non-controlling interest OCI Partners | - | (61.1) | (117.6) | (61.1) |
| Other non-operating items | 34.3 | (4.4) | (25.2) | (47.7) |
| Non-operating working capital | (3.6) | (0.9) | (0.8) | 20.6 |
| Net effect of movement in exchange rates on net debt | 9.8 | (24.2) | 51.8 | (170.7) |
| Other non-cash items | (5.5) | (9.3) | (44.7) | (22.8) |
| **Net Cash Flow / Decrease (Increase) in Net Debt** | **295.0** | **(19.4)** | **327.0** | **(252.8)** |

### Gross and Net Debt by Operating Company

| ($ million) | Short term 2018 | Long term 2018 | Total gross debt 2018 | Total gross debt 2017 |
|---|---|---|---|---|
| EFC | 35.4 | 341.8 | 377.2 | 405.7 |
| EBIC | - | - | - | 37.0 |
| Sorfert | 81.0 | 525.9 | 606.9 | 713.3 |
| OCI Nitrogen | - | - | - | 533.4 |
| BioMCN | - | - | - | - |
| Trading | 38.2 | - | 38.2 | 42.8 |
| OCI Beaumont | 4.2 | 440.2 | 444.4 | 243.9 |
| IFCO | 51.0 | 1,100.5 | 1,151.5 | 1,206.1 |
| OCI NV | 73.7 | 1,888.4 | 1,962.1 | 1,495.4 |
| **Total OCI NV Gross Debt** | **283.5** | **4,296.8** | **4,580.3** | **4,677.6** |
| Cash | | | 460.7 | 231.0 |
| **Total OCI NV Net Debt** | | | **4,119.6** | **4,446.6** |

## Notes

This report contains unaudited fourth quarter and full year 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 25 February 2019.

## Auditor

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

## Investor and Analyst Conference Call

On 26 February 2019, at 15:30 CET, OCI N.V. will host a conference call for investors and analysts. Details on how to access the call can be found on the OCI N.V. website.

## 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.

## For additional information contact:

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**For additional information on OCI:**

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

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