# QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(UNAUDITED)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT

| $ millions | Note | 30 September 2019 | 31 December 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 6,608.3 | 4,975.7 |
| Right-of-use assets | (4.1) | 278.7 | - |
| Goodwill and other intangible assets | (9) | 727.4 | 487.3 |
| Trade and other receivables | | 4.2 | 4.1 |
| Equity-accounted investees | | 523.1 | 566.6 |
| Financial assets at fair value through other comprehensive income | | 32.2 | 36.9 |
| Deferred tax assets | | 12.7 | 38.4 |
| **Total non-current assets** | | **8,186.6** | **6,109.0** |
| **Current assets** | | | |
| Inventories | | 266.1 | 233.6 |
| Trade and other receivables | | 403.3 | 516.7 |
| Income tax receivables | | 14.4 | - |
| Cash and cash equivalents | | 567.5 | 460.7 |
| **Total current assets** | | **1,251.3** | **1,211.0** |
| **Total assets** | | **9,437.9** | **7,320.0** |
| **Equity** | | | |
| Share capital | | 5.6 | 5.6 |
| Share premium | | 6,316.3 | 6,316.3 |
| Reserves | | (209.4) | (249.0) |
| Retained earnings | | (4,592.2) | (5,065.6) |
| **Equity attributable to owners of the Company** | | **1,520.3** | **1,007.3** |
| Non-controlling interest | | 1,655.2 | 469.8 |
| **Total equity** | | **3,175.5** | **1,477.1** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | (10) | 4,253.1 | 4,296.8 |
| Lease obligations | (4.1) | 246.2 | - |
| Trade and other payables | | 43.8 | 14.1 |
| Provisions | | 2.6 | 9.7 |
| Deferred tax liabilities | | 491.5 | 211.7 |
| **Total non-current liabilities** | | **5,037.2** | **4,532.3** |
| **Current liabilities** | | | |
| Loans and borrowings | (10) | 373.4 | 283.5 |
| Lease obligations | (4.1) | 36.3 | - |
| Trade and other payables | | 679.0 | 848.9 |
| Provisions | | 125.9 | 110.5 |
| Income tax payables | | 10.6 | 67.7 |
| **Total current liabilities** | | **1,225.2** | **1,310.6** |
| **Total liabilities** | | **6,262.4** | **5,842.9** |
| **Total equity and liabilities** | | **9,437.9** | **7,320.0** |

As a result of the business combination that OCI N.V. entered into, several balance sheet accounts are impacted by the consolidation of Fertil, refer to disclosure in note 3 Business combinations.

The notes on pages 6 to 14 are an integral part of these quarterly condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| $ millions | Note | Three month period ended 30 September 2019 | Three month period ended 30 September 2018 | Nine month period ended 30 September 2019 | Nine month period ended 30 September 2018 |
|---|---|---|---|---|---|
| Revenue | | 633.9 | 773.5 | 2,183.9 | 2,311.0 |
| Cost of sales | (11) | (618.3) | (636.9) | (1,950.4) | (1,844.4) |
| **Gross profit** | | **15.6** | **136.6** | **233.5** | **466.6** |
| Other income | | 2.0 | 6.0 | 4.8 | 26.1 |
| Selling, general and administrative expenses | (11) | (45.4) | (40.0) | (143.9) | (126.5) |
| Other expenses | | 0.7 | (2.2) | (2.5) | (3.3) |
| **Operating profit** | | **(27.1)** | **100.4** | **91.9** | **362.9** |
| Finance income | (13) | 31.0 | 11.2 | 48.1 | 76.8 |
| Finance cost | (13) | (131.2) | (91.4) | (306.1) | (350.6) |
| **Net finance cost** | (13) | **(100.2)** | **(80.2)** | **(258.0)** | **(273.8)** |
| Income from equity-accounted investees (net of tax) | | (32.0) | (3.0) | (39.9) | (15.3) |
| **Profit / (loss) before income tax** | | **(159.3)** | **17.2** | **(206.0)** | **73.8** |
| Income tax | | (10.8) | (1.7) | (6.7) | 4.0 |
| **Total net profit / (loss)** | | **(170.1)** | **15.5** | **(212.7)** | **77.8** |
| **Other comprehensive income:** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Movement in hedge reserve | | 17.9 | - | (0.7) | (1.6) |
| Currency translation differences | | 35.9 | 6.1 | 31.2 | 13.9 |
| Currency translation differences from equity-accounted investees | | (0.6) | (0.5) | (0.7) | (0.6) |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income | | (0.3) | (0.3) | (4.7) | (11.2) |
| **Other comprehensive income, net of tax** | | **52.9** | **5.3** | **25.1** | **0.5** |
| **Total comprehensive income** | | **(117.2)** | **20.8** | **(187.6)** | **78.3** |
| **Profit / (loss) attributable to:** | | | | | |
| Owners of the Company | | (182.5) | (15.0) | (243.8) | (30.0) |
| Non-controlling interest | | 12.4 | 30.5 | 31.1 | 107.8 |
| **Net profit / (loss)** | | **(170.1)** | **15.5** | **(212.7)** | **77.8** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | (125.7) | (9.1) | (211.2) | (21.6) |
| Non-controlling interest | | 8.5 | 29.9 | 23.6 | 99.9 |
| **Total comprehensive income** | | **(117.2)** | **20.8** | **(187.6)** | **78.3** |
| **Earnings (loss) per share (in USD)** | | | | | |
| Basic earnings / (loss) per share | | (0.871) | (0.072) | (1.164) | (0.143) |
| Diluted earnings / (loss) per share | | (0.871) | (0.072) | (1.164) | (0.143) |

The notes on pages 6 to 14 are an integral part of these quarterly condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| $ millions | Share capital | Share premium | Reserves | Retained earnings | Equity attributable to owners of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 5.6 | 6,316.3 | (242.9) | (4,952.5) | 1,126.5 | 292.4 | 1,418.9 |
| Impact of IFRS 9 adoption | - | - | - | (7.3) | (7.3) | (0.4) | (7.7) |
| **Adjusted balance at 1 January 2018** | **5.6** | **6,316.3** | **(242.9)** | **(4,959.8)** | **1,119.2** | **292.0** | **1,411.2** |
| Net profit / (loss) | - | - | - | (30.0) | (30.0) | 107.8 | 77.8 |
| Other comprehensive income | - | - | 8.4 | - | 8.4 | (7.9) | 0.5 |
| **Total comprehensive income** | **-** | **-** | **8.4** | **(30.0)** | **(21.6)** | **99.9** | **78.3** |
| Impact difference in profit sharing non-controlling interest | - | - | - | - | - | 27.3 | 27.3 |
| Dividend to non-controlling interest | - | - | - | - | - | (9.6) | (9.6) |
| Reduction of declared dividends to non-controlling interest | - | - | - | - | - | 23.1 | 23.1 |
| Capital contributions non-controling interest | - | - | - | (1.4) | (1.4) | 1.4 | - |
| Increase shareholding OCIB | - | - | - | (101.5) | (101.5) | (16.1) | (117.6) |
| Treasury shares sold / delivered | - | - | 6.8 | - | 6.8 | - | 6.8 |
| Treasury shares acquired | - | - | (1.1) | - | (1.1) | - | (1.1) |
| Repayment of convertible bond (equity component) | - | - | (35.5) | 23.2 | (12.3) | - | (12.3) |
| Share-based payments | - | - | - | (0.8) | (0.8) | - | (0.8) |
| **Balance at 30 September 2018** | **5.6** | **6,316.3** | **(264.3)** | **(5,070.3)** | **987.3** | **418.0** | **1,405.3** |
| **Balance at 1 January 2019** | **5.6** | **6,316.3** | **(249.0)** | **(5,065.6)** | **1,007.3** | **469.8** | **1,477.1** |
| Net profit / (loss) | - | - | - | (243.8) | (243.8) | 31.1 | (212.7) |
| Other comprehensive income | - | - | 32.6 | - | 32.6 | (7.5) | 25.1 |
| **Total comprehensive income** | **-** | **-** | **32.6** | **(243.8)** | **(211.2)** | **23.6** | **(187.6)** |
| Business combination Fertil | - | - | - | 720.0 | 720.0 | 1,158.6 | 1,878.6 |
| Impact difference in profit sharing non-controlling interest | - | - | - | - | - | 9.3 | 9.3 |
| Dividend to non-controlling interest | - | - | - | - | - | (6.1) | (6.1) |
| Treasury shares sold / delivered | - | - | 7.0 | (3.8) | 3.2 | - | 3.2 |
| Share-based payments | - | - | - | 1.0 | 1.0 | - | 1.0 |
| **Balance at 30 September 2019** | **5.6** | **6,316.3** | **(209.4)** | **(4,592.2)** | **1,520.3** | **1,655.2** | **3,175.5** |

The notes on pages 6 to 14 are an integral part of these quarterly condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| $ millions | Note | Three month period ended 30 September 2019 | Three month period ended 30 september 2018 | Nine month period ended 30 September 2019 | Nine month period ended 30 September 2018 |
|---|---|---|---|---|---|
| **Net profit / (loss)** | | **(170.1)** | **15.5** | **(212.7)** | **77.8** |
| **Adjustments for:** | | | | | |
| Depreciation and amortization | (11) | 132.9 | 112.7 | 357.7 | 317.5 |
| Interest income | (13) | (1.3) | (1.3) | (4.4) | (5.9) |
| Interest expense | (13) | 75.8 | 78.4 | 226.2 | 260.6 |
| Net foreign exchange loss and others | (13) | 25.7 | 3.1 | 36.2 | 19.1 |
| Share in income of equity-accounted investees | | 32.0 | 3.0 | 39.9 | 15.3 |
| Loss on sale of property, plant and equipment | | - | 0.2 | - | 1.2 |
| Equity-settled share-based payment transactions | | (0.2) | (1.2) | 4.9 | (0.8) |
| Impact difference in profit-sharing non-controlling interest | | 4.1 | 7.6 | 9.3 | 27.3 |
| Income tax expense | | 10.8 | 1.7 | 6.7 | (4.0) |
| **Changes in:** | | | | | |
| Inventories | | (1.3) | (32.7) | (11.6) | (21.7) |
| Trade and other receivables | | 118.9 | (64.0) | 204.4 | (50.9) |
| Trade and other payables | | (109.3) | 78.5 | (164.6) | 25.6 |
| Provisions | | (4.1) | 0.1 | (1.9) | (11.3) |
| **Cash flows:** | | | | | |
| Interest paid | | (40.5) | (36.4) | (192.4) | (166.0) |
| Interest paid shareholder loans | | - | - | - | (75.1) |
| Interest received | | 1.7 | 1.7 | 3.7 | 4.1 |
| Income taxes paid | | (16.4) | (31.5) | (56.4) | (33.1) |
| **Cash flow from operating activities** | | **58.7** | **135.4** | **245.0** | **379.7** |
| Investments in property, plant and equipment | | (138.7) | (95.4) | (247.1) | (227.4) |
| Cash acquired in business combination | (3) | 45.8 | | 45.8 | |
| Loans to related parties | | - | - | - | (27.5) |
| Dividends from equity-accounted investees | | - | - | 1.6 | - |
| **Cash flow (used in) investing activities** | | **(92.9)** | **(95.4)** | **(199.7)** | **(254.9)** |
| Proceeds from sale of treasury shares | | - | 2.1 | - | 6.8 |
| Purchase of treasury shares | | - | (0.3) | - | (1.1) |
| Proceeds from borrowings | | 615.4 | 64.9 | 835.1 | 3,260.3 |
| Repayment of borrowings | | (474.4) | (11.0) | (739.3) | (3,036.2) |
| Payment of lease obligations | | (6.8) | - | (21.2) | - |
| Dividends paid to non-controlling interest | | (6.1) | (8.0) | (6.1) | (21.1) |
| Acquisition non-controlling interest | | - | (117.6) | - | (117.6) |
| Newly incurred transaction costs | | - | (1.9) | (2.0) | (75.3) |
| Repayment of convertible bond (equity component) | | - | - | - | (12.3) |
| **Cash flow from financing activities** | | **128.1** | **(71.8)** | **66.5** | **3.5** |
| **Net cash flows** | | **93.9** | **(31.8)** | **111.8** | **128.3** |
| **Net increase in cash and cash equivalents** | | **93.9** | **(31.8)** | **111.8** | **128.3** |
| Cash and cash equivalents at start of the period | | 477.5 | 384.3 | 460.7 | 231.0 |
| Effect of exchange rate fluctuations on cash held | | (3.9) | 0.1 | (5.0) | (6.7) |
| **Cash and cash equivalents at 30 September** | | **567.5** | **352.6** | **567.5** | **352.6** |

The notes on pages 6 to 14 are an integral part of these quarterly condensed consolidated financial statements.

# NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

This report contains the quarterly condensed consolidated financial statements 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, 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 and distribution of natural gas-based fertilizers and industrial chemicals.

The quarterly condensed consolidated financial statements for the period ended 30 September 2019 have been authorized for issue by the Board of Directors on 21 November 2019.

The quarterly condensed consolidated financial statements for the period ended 30 September 2019 have not been audited or reviewed by an external auditor.

The notes to the quarterly condensed consolidated financial statements relate to the nine month period ended 30 September 2019.

### 2. Basis of preparation

The quarterly condensed consolidated financial statements for the period ended 30 September 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all the information and disclosures required in the annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018. The quarterly condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 which have been prepared in accordance with IFRS, as adopted by the European Union.

### 3. Business combinations

On 30 September 2019, the Group and Abu Dhabi National Oil Company ("ADNOC") completed their transaction to combine ADNOC's fertilizer business into OCI's Middle East and North Africa ("MENA") nitrogen fertilizer platform.

As part of the transaction, Fertiglobe, a step-down subsidiary of the Group, purchased a 100% equity share in Ruwais Fertilizer Industries Ltd. ("Fertil"), a wholly owned subsidiary of ADNOC. Fertil will be consolidated by the Group from 30 September 2019. Fertil is based out of the Emirate of Abu Dhabi, United Arab Emirates and is engaged in processing feedstock gas to produce nitrogen fertilizers. In exchange the Group transferred 42% of the total share capital of Fertiglobe to ADNOC. With the acquisition of Fertil, Fertiglobe will become the largest producer of nitrogen fertilizers in the MENA region.

#### Assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of Fertil as at the date of acquisition were:

| $ millions | Fair value recognised on acquisition |
|---|---|
| **Assets** | |
| Property, plant and equipment | 1,828.7 |
| Right-of-use assets | 84.9 |
| Inventories | 25.4 |
| Trade and other receivables | *84.2 |
| Cash and bank equivalents | 45.8 |
| **Total assets** | 2,069.0 |
| **Liabilities** | |
| Employees benefits | (11.0) |
| Lease obligations | (86.4) |
| Trade and other payables | (50.7) |
| Deferred tax liabilities | (285.1) |
| **Total Liabilities** | (433.2) |
| **Total identifiable net assets at fair value** | **1,635.8** |
| Goodwill arising on acquisition | 242.8 |
| **Purchase consideration transferred (including fair value of NCI and other considerations)**** | **1,878.6** |

* The receivables acquired have a gross contractual amount approximately equal to their fair value.
** The consideration transferred has been measured by applying a discounted earnings technique.

The initial accounting of the business combination is based on provisional fair values, which if additional information about facts and circumstances existing as of the acquisition date is made available might result in an adjustment to the initial accounting of the business combination and then the accounting for the acquisition will be revised.

The deferred tax liabilities comprise the tax effect of the accelerated depreciation for tax purposes of tangible assets and are relating to the fair value step-ups applied on PPE and inventory as part of the business combination.

No contingencies were recognized as part of the transaction. Although based on the land lease of the production facility, Fertil has the obligation to restore the site upon decommissioning. The Group has not recorded a liability for this conditional asset retirement obligation, as it does not believe there is currently a reasonable basis for estimating a date or range of dates of cessation of the operations, which is necessary to estimate the fair value of this liability. Considering that maintenance, turnarounds and any other upgrades will be conducted on a regular basis as was done in the past, this can extend the physical life of the production facility indefinitely (also taken into account the possible changes in technology and availability of raw materials).

The goodwill of USD 242.8 million comprises the value of expected synergies, future benefits from the assembled workforce and the high profitability of the acquired business. None of the goodwill recognized is expected to be deductible for income tax purposes.

Transaction costs of USD 14.3 million were incurred in 2019 and are included in administrative expenses. Costs incurred in 2018 related to the transaction with ADNOC amounted to USD 3.8 million.

### Non-controlling interests (NCI)

OCI N.V. owns 58% shares in one of its subsidiaries, Fertiglobe, which controls 100% of the shares in Fertil (and OCI MENA). For purchase accounting purposes, the company has determined the fair value of the shares in Fertil as described above. As OCI N.V. retains control over shares that were already owned by Fertiglobe in OCI MENA, these assets and liabilities are not revalued as part of purchase accounting. As a result, the NCI in Fertiglobe is the sum of 42% of the fair value of Fertil and 42% of the OCI MENA net assets as at 30 September 2019. OCI N.V.'s disposal of 42% ownership in Fertiglobe, whilst retaining control in the subsidiary will be treated as an equity transaction. NCI of USD 380.8 million is recognized as part of the disposal of 42% ownership in its former OCI MENA net assets, while the difference between 42% of the fair value of OCI MENA and the book value resulted in an equity increase of USD 720.0 million.

The NCI recognized as part of the non-controlling interest held by ADNOC in Fertil amounts to USD 777.8 million. It is noted that the proportion of net assets that are reattributed to the non-controlling interest includes the relevant proportion of goodwill.

## 4. Summary of significant accounting policies

The accounting policies applied over the nine month period ended 30 September 2019 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16 as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 4.1 New standards adopted by the Group

#### IFRS 16 'Leases'

IFRS 16 issued on 13 January 2016 is effective for reporting periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 introduces a single lessee accounting model.

Applying that model, a lessee is required to recognize:

- assets and liabilities for all leases with voluntary exceptions for short-term leases (of less than 12 months) and leases of which the underlying asset is of low value;
- depreciation of lease assets separately from interest on lease obligations in the statement of profit or loss; and
- repayment of lease obligations are presented as cash flows from finance activities.

OCI has chosen to implement IFRS 16 using the modified retrospective approach effective 1 January 2019. 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.

# NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4.1 New standards adopted by the Group (continued)

The incremental borrowing rate will be determined for each lease obligation as the sum of the entity specific average borrowing rate and a discount reflecting the security of the underlying 'right-of-use asset', taking into account the term structure difference between the average borrowing rate and the term of the lease.

The adoption of IFRS 16 did not result in any adjustment to equity in the 2019 opening balances and does not affect any covenants.

The group elected the following practical expedients and applied these consistently to all leases:

- no reassessment of whether any existing contracts already assessed under previous IFRS guidance contain leases;
- excluded initial direct costs from the measurement of right-of-use assets on transition;
- leases for which the lease term ends during 2019 will be expensed as short-term leases.

The impact of implementing IFRS 16 is presented in the schedules below:

Right-of-use assets:

| $ millions | Land and buildings | Plant and equipment | Fixture and fittings | Means of transportation | Total |
|---|---|---|---|---|---|
| Impact of adoption of IFRS 16 | 101.5 | 36.5 | 11.8 | 66.4 | 216.2 |
| **At 1 January 2019** | **101.5** | **36.5** | **11.8** | **66.4** | **216.2** |
| **Movement in the carrying amount:** | | | | | |
| Additions | 1.6 | 1.7 | - | 16.4 | 19.7 |
| Business combination Fertil | 36.4 | - | 48.5 | - | 84.9 |
| Modifications | 2.2 | (1.5) | (2.3) | (15.1) | (16.7) |
| Disposals | - | - | - | (0.2) | (0.2) |
| Depreciation | (4.2) | (8.1) | (0.7) | (7.2) | (20.2) |
| Effect of movement in exchange rates | (3.6) | (1.1) | - | (0.3) | (5.0) |
| **At 30 September 2019** | **133.9** | **27.5** | **57.3** | **60.0** | **278.7** |

Lease obligations:

| $ millions | Non-current lease obligations | Current lease obligations | Total |
|---|---|---|---|
| Impact of adoption of IFRS 16 | 189.7 | 26.5 | 216.2 |
| **At 1 January 2019** | **189.7** | **26.5** | **216.2** |
| **Movement in the carrying amount:** | | | |
| Payments | - | (21.2) | (21.2) |
| Additions | 14.3 | 5.4 | 19.7 |
| Business combination Fertil | 77.8 | 8.6 | 86.4 |
| Modifications | (13.8) | (2.9) | (16.7) |
| Disposals | (0.2) | - | (0.2) |
| Accretion of interest | 2.9 | 0.8 | 3.7 |
| Transfers | (19.6) | 19.6 | - |
| Effect of movement in exchange rates | (4.9) | (0.5) | (5.4) |
| **At 30 September 2019** | **246.2** | **36.3** | **282.5** |

When comparing the IFRS 16 value of lease obligations to the discounted value (using the incremental borrowing rate) of the IAS 17 lease obligations, the differences are the result of the short-term leases maturing in 2019 that are being expensed under the IFRS 16 practical expedient and the non-lease elements excluded from certain leases under IFRS 16.

We have used the same database of leases to calculate the value under IFRS 16 as was used previously under IAS 17, the difference in value is then only in leases still treated as if they were operating leases. 'Regular' low-value and short term leases are insignificant by default, so the main difference is in the initial exemption.

IFRS 16 Accounting policy

Lessee accounting

Whether an arrangement is, or contains a lease is assessed at the commencement date of the lease. In general, an arrangement is considered to be or to contain a lease when all of the following apply:

- there is an identified asset;
- OCI obtains substantially all economic benefits from the use of the asset; and
- OCI can direct the use of the identified asset.

Lease obligations are recognized based on the present value of the future minimum lease payments. Right-of-use assets are valued equal to the lease liabilities. As leases do not easily provide for an implicit rate, OCI uses the incremental borrowing rate. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

For leases, each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

OCI has lease agreements with lease and non-lease components, which are generally accounted for as a single lease component. For assets in the class leases of offices and buildings, we account for the lease and non-lease components separately. For these type of leases the allocation of the consideration between lease and non-lease components is based on the relative stand-alone prices of lease components included in the lease arrangements. Leases are presented as 'Right-of-use assets' and 'Lease obligations'.

Short term leases (less than 12 months) or low value leases (less than USD 5,000) are expensed through the statement of profit or loss as incurred.

## 5. Seasonality of operations

Our product portfolio is diversified primarily by industry and geography. The nitrogen fertilizer industry is inherently dependent on fundamental supply and demand drivers, including global population growth, crop yields, feedstock costs, and seasonality of crop planting and harvesting seasons. These and other long-term and short-term drivers result in cyclical nitrogen fertilizer pricing trends. Supply and demand dynamics in the industrial chemicals industries in which we operate, including industrial ammonia, methanol, and melamine, are more evenly distributed throughout the year, thereby contributing to stability in sales. The global sales and diversified product mix - both as fertilizers and chemical products - mitigate the impact of any one product or region's seasonal fluctuations.

## 6. Critical accounting judgment, estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the semi-annual condensed consolidated financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the revision period and future periods, if the changed estimates affect both current and future periods.

Compared to the consolidated financial statements for the year ended 31 December 2018 there were two significant changes to the critical accounting judgements, estimates and assumptions that could result in significantly different amounts than those recognized in the financial statements. These are the judgements, estimates and assumptions made as part of the business combination with ADNOC and the derecognition of the deferred tax asset at BioMCN due to uncertainty with respect to the recoverability of the tax losses carried forward. With respect to financial instruments, there has not been any reclassification between categories of financial instruments compared to the consolidated financial statements for the year ended 31 December 2018.

The objectives and policies of financial risk and capital management are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

## 7. Significant rates

The following significant exchange rates are applied:

| | Average during the nine month period ended 30 September 2019 | Average during the nine month period ended 30 September 2018 | Closing as at 30 September 2019 | Closing as at 31 December 2018 |
|---|---|---|---|---|
| Euro | 1.1233 | 1.1952 | 1.0899 | 1.1428 |
| Egyptian pound | 0.0588 | 0.0563 | 0.0614 | 0.0559 |
| Algerian dinar | 0.0084 | 0.0087 | 0.0083 | 0.0085 |

# NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. Financial risk and capital management

### 8.1 Financial risk management

Categories of financial instruments:

| 30 September 2019<br>$ millions | Note | Loans and receivables / payables at amortized cost | Derivatives at fair value | Financial assets through other comprehensive income at fair value |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | | 404.5 | 3.0 | - |
| Financial assets at fair value through other comprehensive income | | - | - | 32.2 |
| Cash and cash equivalents | | 567.5 | - | - |
| **Total** | | **972.0** | **3.0** | **32.2** |
| **Liabilities** | | | | |
| Loans and borrowings | (10) | 4,626.5 | - | - |
| Lease obligations | | 282.5 | - | - |
| Trade and other payables | | 704.6 | 18.2 | - |
| **Total** | | **5,613.6** | **18.2** | **-** |

| 31 December 2018<br>$ millions | Note | Loans and receivables / payables at amortized cost | Derivatives at fair value | Financial assets through other comprehensive income at fair value |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade and other receivables | | 516.1 | 4.7 | - |
| Financial assets at fair value through other comprehensive income | | - | - | 36.9 |
| Cash and cash equivalents | | 460.7 | - | - |
| **Total** | | **976.8** | **4.7** | **36.9** |
| **Liabilities** | | | | |
| Loans and borrowings | (10) | 4,580.3 | - | - |
| Trade and other payables | | 847.5 | 15.5 | - |
| **Total** | | **5,427.8** | **15.5** | **-** |

The Group has limited financial instruments carried at fair value. For derivative financial instruments, the fair value is calculated within hierarchy category level 2. Financial assets at fair value through other comprehensive income recognized as level 1 is USD 3.5 million (2018: USD 3.6 million), the investment in the Infrastructure and Growth Capital Fund of USD 5.5 million (2018: USD 10.1 million) was recognized as level 2 and the investment in Notore Chemical of USD 23.2 million (2018: USD 23.2 million) is recognized as level 3. Notore listed on the Nigerian Stock Exchange in 2018, however due to the lack in trading volumes the investments is still valued within the hierarchy category level 3. There have been no changes in valuation techniques of fair value level 3 instruments compared to the financial statements for the year ended 31 December 2018.

In 2019 and 2018, there were no transfers between the fair value hierarchy categories. The carrying amounts of financial assets and liabilities carried at amortized cost (loans and borrowings, trade and other receivables and trade and other payables) approximates their fair values.

#### Commodity price risk

As of the second quarter of 2019 the Group has applied hedge accounting to certain designated derivatives used to hedge the gas price risk for future gas purchases.

### 8.2 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group is required by external financial institutions to maintain certain capital requirements compared to its debt.

The Group's net debt to equity ratio at the reporting date was as follows:

| $ millions | Note | 30 September 2019 | 31 December 2018 |
|---|---|---|---|
| Loans and borrowings | (10) | 4,626.5 | 4,580.3 |
| **Less:** cash and cash equivalents | | 567.5 | 460.7 |
| **Net debt** | | **4,059.0** | **4,119.6** |
| Total equity | | 3,175.5 | 1,477.1 |
| **Net debt to equity ratio at** | | **1.28** | **2.79** |

## 9. Goodwill and other intangible assets

| $ millions | Goodwill | Licenses and trademarks | Other intangible assets | Total |
|---|---|---|---|---|
| Cost | 1,807.2 | 75.4 | 4.8 | 1,887.4 |
| Accumulated amortization and impairment | (1,322.9) | (73.8) | (3.4) | (1,400.1) |
| **At 1 January 2019** | **484.3** | **1.6** | **1.4** | **487.3** |
| | | | | |
| **Movements in the carrying amount:** | | | | |
| Business combination Fertil | 242.8 | - | - | 242.8 |
| Amortization | | (1.0) | (0.7) | (1.7) |
| Effect of movement in exchange rates | (1.0) | - | - | (1.0) |
| **At 30 September 2019** | **726.1** | **0.6** | **0.7** | **727.4** |
| | | | | |
| Cost | 2,049.0 | 71.9 | 4.6 | 2,125.5 |
| Accumulated amortization and impairment | (1,322.9) | (71.3) | (3.9) | (1,398.1) |
| **At 30 September 2019** | **726.1** | **0.6** | **0.7** | **727.4** |

No impairment test was performed on goodwill in the period, as no impairment triggers were identified. The annual goodwill impairment test will be performed in the fourth quarter.

## 10. Loans and borrowings

| $ millions | 30 September 2019 | 31 December 2018 |
|---|---|---|
| **At 1 January** | **4,580.3** | **4,677.6** |
| Impact of adoption of IFRS 9 | - | 19.4 |
| **Restated balance at 1 January** | **4,580.3** | **4,697.0** |
| Proceeds from loans | 835.1 | 3,290.8 |
| Redemptions of loans | (739.3) | (3,241.1) |
| Newly incurred transaction costs | (2.0) | (76.9) |
| Amortization of transaction costs / (bond) premiums | 11.6 | 28.7 |
| Effect of movement in exchange rates | (53.0) | (58.2) |
| Debt modification gain | (6.2) | (2.2) |
| Accrued interest | - | (56.6) |
| Other | - | (1.2) |
| **Balance at** | **4,626.5** | **4,580.3** |
| Non-current | 4,253.1 | 4,296.8 |
| Current | 373.4 | 283.5 |
| **Total** | **4,626.5** | **4,580.3** |

### New and amended financing arrangements in 2019

### OCI Nitrogen ('OCIN')

In March 2019 OCI Nitrogen B.V. entered into an inventory financing agreement. The agreement is capped at USD 68.2 million (EUR 60.0 million), of which USD 34.2 million was utilized as per 30 September 2019. The facility bears an interest rate margin of 1.25% above Euribor.

# NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. Loans and borrowings (continued)

Iowa Fertilizer Company ('IFCo')

In April 2019, IFCo priced USD 120.0 million of tax-exempt bonds maturing in 2022 at an interest rate of 3.125%, replacing existing bonds with a 5.5% interest rate and the same maturity resulting in a debt modification gain of USD 6.2 million, reference is made to note 13.

Covenants

As per 30 September 2019 all financial covenants were met. In the event the company would not comply with the covenant requirements, the loans would become immediately due. The external borrowings include change in control clauses that enable the lenders to call the financing provided.

### 11. Development of cost of sales and selling, general and administrative expenses

Expenses by nature

| $ millions | 30 September 2019 | 30 September 2018 |
|---|---|---|
| Raw materials, consumables and finished goods | 1,400.6 | 1,329.7 |
| Employee benefit expenses | 189.5 | 172.5 |
| Depreciation and amortization | 357.7 | 317.5 |
| Consultancy expenses | 19.8 | 24.0 |
| Other | 126.7 | 127.2 |
| **Total** | **2,094.3** | **1,970.9** |
| Cost of sales | 1,950.4 | 1,844.4 |
| Selling, general and administrative expenses | 143.9 | 126.5 |
| **Total** | **2,094.3** | **1,970.9** |

### 12. Segment reporting

| 30 September 2019<br>$ millions | Methanol US[1] | Methanol Europe | Nitrogen US | Nitrogen Europe | Nitrogen MENA | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenues | 431.8 | 179.8 | 407.0 | 617.9 | 697.7 | - | (9.8) | 2,324.4 |
| Inter-segment revenues | (59.1) | (5.4) | - | (0.5) | (75.5) | - | - | (140.5) |
| **Total revenues** | **372.7** | **174.4** | **407.0** | **617.4** | **622.2** | **-** | **(9.8)** | **2,183.9** |
| Income from equity-accounted investees | 1.4 | - | - | 3.6 | - | (0.1) | (44.8) | (39.9) |
| Depreciation and amortization | (93.9) | (9.7) | (118.2) | (51.2) | (132.0) | (3.3) | 50.6 | (357.7) |
| Finance income | 0.2 | - | 0.7 | 3.0 | 14.0 | 30.3 | (0.1) | 48.1 |
| Finance expense | (53.3) | (1.5) | (44.6) | (5.6) | (73.4) | (155.3) | 27.6 | (306.1) |
| Intercompany finance cost (net) | (0.9) | 3.5 | (41.2) | - | (43.0) | 81.6 | - | - |
| Income tax income / (expense) | (0.1) | (24.2) | (0.5) | (14.0) | (9.0) | 41.1 | - | (6.7) |
| **Net profit / (loss)** | **(89.2)** | **(27.7)** | **(45.1)** | **45.0** | **6.7** | **(102.4)** | **-** | **(212.7)** |
| Equity-accounted investees | - | - | - | 14.9 | 0.6 | - | 507.5 | 523.1 |
| Capital expenditures PP&E | 19.2 | 59.0 | 30.9 | 63.1 | 19.2 | 0.6 | (2.4) | 189.6 |
| **Total assets** | **1,690.3** | **301.5** | **2,292.7** | **650.3** | **4,951.1** | **172.9** | **(620.9)** | **9,437.9** |

[1] Including ammonia at OCI Beaumont

| 30 September 2018<br>$ millions | Methanol<br>US[1] | Methanol<br>Europe | Nitrogen<br>US | Nitrogen<br>Europe | Nitrogen<br>MENA | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenues | 366.6 | 171.5 | 341.4 | 651.8 | 886.3 | 3.7 | - | 2,421.3 |
| Inter-segment revenues | (35.1) | (1.1) | - | (0.3) | (73.8) | - | - | (110.3) |
| **Total revenues** | **331.5** | **170.4** | **341.4** | **651.5** | **812.5** | **3.7** | **-** | **2,311.0** |
| Income from equity-accounted investees | - | - | - | 3.3 | - | - | (18.6) | (15.3) |
| Depreciation and amortization | (53.7) | (6.6) | (87.4) | (47.7) | (129.2) | (0.7) | 7.8 | (317.5) |
| Finance income | 0.1 | - | 2.2 | 4.2 | 7.4 | 63.0 | (0.1) | 76.8 |
| Finance expense | (27.4) | (0.2) | (49.8) | (19.6) | (63.6) | (195.1) | 5.1 | (350.6) |
| Intercompany finance cost (net) | (3.8) | 3.1 | (33.7) | 7.2 | (39.9) | 67.1 | - | - |
| Income tax income / (expense) | (1.2) | (0.1) | (0.7) | (5.7) | (19.4) | 31.1 | - | 4.0 |
| **Net profit / (loss)** | **61.2** | **0.4** | **(73.5)** | **18.1** | **150.2** | **(78.6)** | **-** | **77.8** |
| Equity-accounted investees | - | - | - | 13.6 | - | 0.7 | 596.9 | 611.2 |
| Capital expenditures PP&E | 157.3 | 120.5 | 29.3 | 59.2 | 12.7 | 1.6 | (154.1) | 226.5 |
| **Total assets** | **1,680.3** | **218.2** | **2,289.3** | **602.9** | **2,750.4** | **123.3** | **(467.3)** | **7,197.1** |

[1] Including ammonia at OCI Beaumont

## 13. Net finance cost

| $ millions | 30 September 2019 | 30 September 2018 |
|---|---|---|
| Interest income on loans and receivables | 4.4 | 5.9 |
| Fair value gain on derivative | - | 0.5 |
| Foreign exchange gain | 43.7 | 70.4 |
| **Finance income** | **48.1** | **76.8** |
| Interest expense and other financing costs on financial liabilities measured at amortized cost | (222.5) | (260.6) |
| Interest expense lease liabilities (IFRS 16) | (3.7) | - |
| Foreign exchange loss | (79.9) | (90.0) |
| **Finance cost** | **(306.1)** | **(350.6)** |
| **Net finance cost recognized in profit or loss** | **(258.0)** | **(273.8)** |

The foreign exchange gains and losses mainly relate to external financing and the revaluation of intercompany balances in foreign currencies (for which the statement of profit or loss impact is not eliminated in the consolidated financial statements).

Included in the interest expense and other financing costs is a gain of USD 6.2 million on debt modification by IFCo, reference is made to note 9.

## 14. Contingencies

There have been no significant changes in contingencies compared to the situation as described in the consolidated financial statements for the year ended 31 December 2018.

## 15. Subsequent events

### OCI N.V. completion of offering of senior secured notes

In October 2019, OCI N.V. completed a dual-tranche bond offering consisting of USD 600.0 million senior secured fixed rate notes due 2024 and EUR 700.0 million senior secured fixed rate notes due 2024. The Dollar Notes bear interest at a rate of 5.250% per annum and the Euro Notes bear interest at a rate of 3.125% per annum. The Notes were issued at par, are senior secured obligations of the Company and are guaranteed by certain of the Company's subsidiaries. Interest will be payable semi-annually. The majority of the proceeds were used to repay borrowings at OCI Beaumont, repay the term loan and partially repay the revolving credit facility at OCI N.V.

## 15. **Subsequent event** (continued)

### Natgasoline unplanned shutdown

An unplanned shutdown at Natgasoline (a 50% associate of the Group) occurred from August to the beginning of November. The incident was insured and Natgasoline has already received an initial insurance payment of USD 30 million (not reflected in the third quarter results) for loss of business and repairs and after deductibles. We expect further payments in the future.