OCI

# Q2 and H1 2022 Results Presentation

2 August 2022

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# Second Quarter and First Half Highlights and Outlook

Adjusted EBITDA of $1,290 million in Q2 2022 (+141%) and $3.8 billion LTM. Net debt declined $553 million to $708 million as of 30 June 2022. **Trailing net debt / adjusted EBITDA was 0.2x as of 31 March 2022**

**Natural gas hedging strategy in the US:** OCI has locked in c.50% of its US gas requirement for the 2023 – 2029 period at a WAP of $4.3 / mmBtu, giving - together with Fertiglobe's gas supply contracts - visibility on more than 90% of OCI's long-term gas requirement

Favourable farm economics and low global grain stocks, combined with high gas prices in Europe, provide support for nitrogen selling prices to remain above historical averages

**Capital returns:** OCI distributed cash to shareholders of €1.45 / share ($320 million) in June and proposes €3.55 / share (c.$765 million) to be paid in October, bringing the total cash return to shareholders in 2022 to **€5.0 / share ($1.1 billion)**

OCI was included in the **MSCI World Index** and **STOXX 600 Index**, some of the world's leading global equity indices, in June 2022

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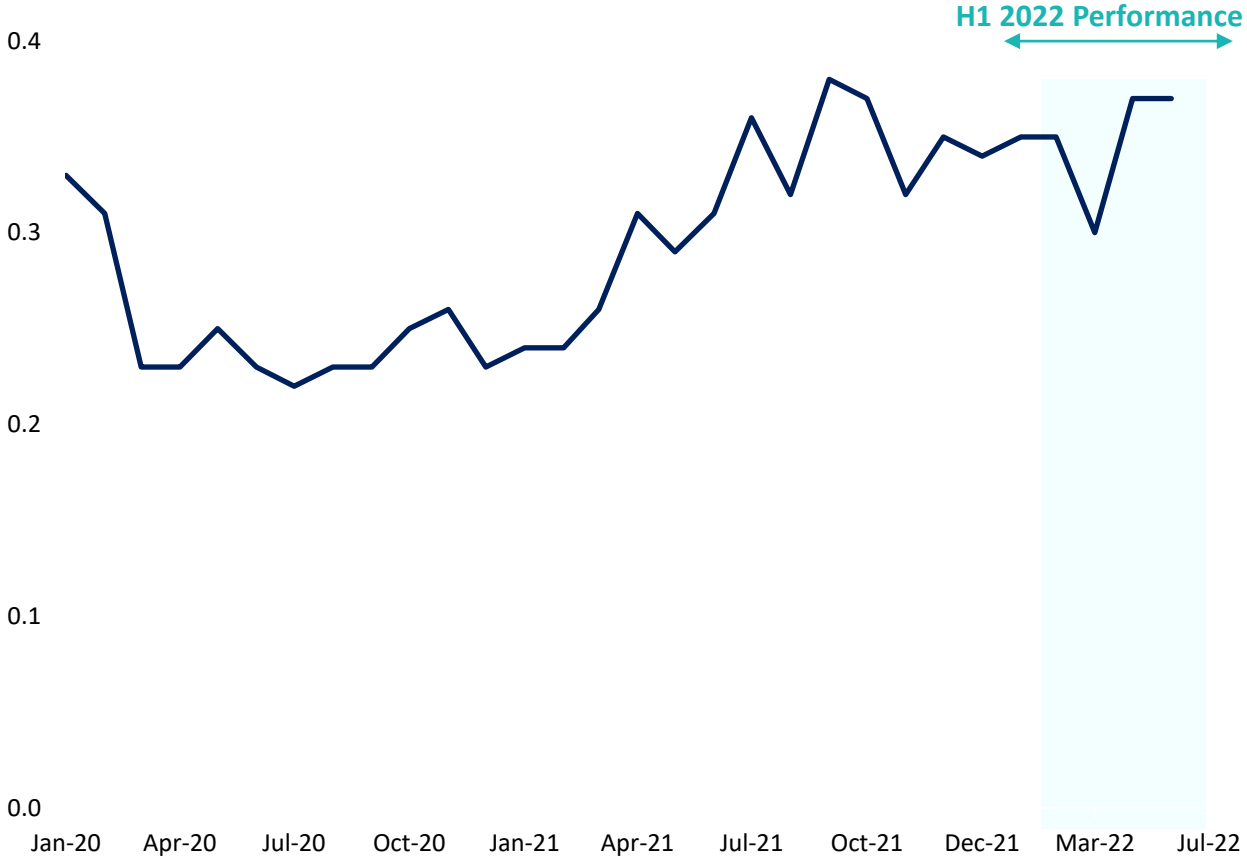
# Safety First: Commitment to Zero Injuries

**OCI is committed to providing a safe and healthy workplace for all employees and stakeholders by implementing the highest international safety standards to avoid any potential risks to people, communities, assets or the environment**

## Total TRIR (Total Recordable Injury Rate)[1,2]




## Target zero injuries at all facilities

- Goal to achieve leadership in safety and health standards by fostering culture of zero injuries at all production facilities
- 12-month rolling recordable incident rate at the end of June 2022 was 0.37 incidents per 200,000 manhours

*(1) Includes both employees and contractors. (2) Per 200,000 hours worked*

# Q2 2022 Results

## Summary

**Own-produced sales volumes sold in Q2 '22 vs. Q2 '21:**

- Nitrogen volumes up 2% compared to Q2 2021
- Methanol volumes declined 38% as BioMCN was shut down due to the high gas price environment in Europe

**Third party traded volumes +12% for Q2 '22 vs Q2 '21**

**Summary of Q2 2022 performance:**

- Revenues +95% and Adjusted EBITDA +141% in Q2 2022 y-o-y
- Adjusted net income of $528 million in Q2 2022, compared to a net income of $125 million in Q2 2021
- OCI generated free cash flow of $928 million during Q2 2022 and $1.5 billion during H1 2022
- Net debt declined by $553 million during Q2 to $708 million as of 30 June 2022 after cash distributions to OCI and Fertiglobe shareholders (combined $490 million), or net leverage of 0.2x based on an LTM EBITDA of $3.8 billion
- OCI distributed cash to shareholders of €1.45 / share ($320 million) in June and proposes €3.55 / share (c.$765 million) to be paid in October, bringing the total cash return to shareholders in 2022 to €5.0 / share ($1.1 billion)

## Key Financials[1] and KPIs

| $ million unless otherwise stated | Q2'22 | Q2 '21 | % Δ | H1'22 | H1 '21 | % Δ |
|---|---|---|---|---|---|---|
| **Revenue** | **2,857.7** | **1,462.9** | **95%** | **5,185.5** | **2,582.5** | **101%** |
| Gross Profit | 1,169.4 | 404.6 | 189% | 2,032.9 | 745.0 | 173% |
| Gross profit margin | 40.9% | 27.7% | | 39.2% | 28.8% | |
| **Adjusted EBITDA[2]** | **1,289.9** | **535.4** | **141%** | **2,260.0** | **987.2** | **129%** |
| EBITDA | 1,229.2 | 502.7 | 145% | 2,164.9 | 933.5 | 132% |
| *EBITDA margin* | 43.0% | 34.4% | | 41.7% | 36.1% | |
| **Adjusted net income attributable to shareholders[2]** | **527.5** | **125.1** | **322%** | **881.7** | **227.5** | **288%** |
| Reported net income attributable to shareholders | 476.7 | 146.3 | 226% | 886.4 | 244.9 | 262% |
| **Earnings per share ($)** | | | | | | |
| Basic earnings per share | 2.269 | 0.697 | 226% | 4.218 | 1.167 | 261% |
| Diluted earnings per share | 2.256 | 0.693 | 226% | 4.194 | 1.160 | 262% |
| Adjusted earnings per share[2)] | 2.510 | 0.596 | 321% | 4.196 | 1.084 | 287% |
| Capital expenditure | 74.1 | 30.7 | 141% | 125.5 | 87.6 | 43% |
| *Of which: Maintenance Capital Expenditure* | 45.1 | 29.5 | 53% | 89.3 | 85.4 | 5% |
| **Free cash flow[2, 3]** | 928.4 | 397.7 | 133% | 1,537.7 | 723.3 | 113% |

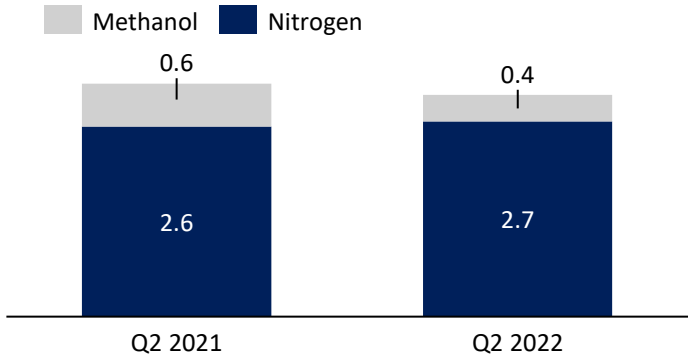
| | 30-Jun-22 | 31-Dec-21 | % Δ |
|---|---|---|---|
| Total Assets | 10,283.4 | 9,811.6 | 5% |
| Gross Interest-Bearing Debt | 2,805.4 | 3,800.8 | (26%) |
| Net Debt | 708.0 | 2,220.5 | (68%) |

| | Q2'22 | Q2 '21 | % Δ | H1'22 | H1 '21 | % Δ |
|---|---|---|---|---|---|---|
| **Sales volumes ('000 metric tons)** | | | | | | |
| OCI Product Sold[4] | 3,061.5 | 3,231.3 | (5%) | 5,650.0 | 6,221.9 | (9%) |
| Third Party Traded | 900.0 | 803.0 | 12% | 1,754.6 | 1,335.2 | 31% |
| **Total Product Volumes** | **3,961.5** | **4,034.3** | **(2%)** | **7,404.6** | **7,557.1** | **(2%)** |

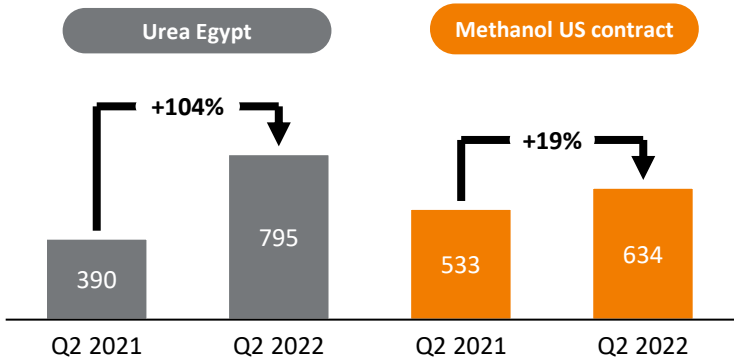
*(1) Unaudited.*
*(2) OCI presents certain financial measures when discussing OCI's performance, that are not measures of financial performance under IFRS. These non-IFRS measures of financial performance (also known as non-GAAP or alternative performance measures) are presented because management considers them important supplemental measures of OCI's performance and believes that similar measures are widely used in the industry in which OCI operates.*
*(3) Free cash flow is an APM that is calculated as cash from operations less maintenance capital expenditures less distributions to non-controlling interests plus dividends from equity accounted investees, and before growth capital expenditures and lease payments.*
*(4) Fully consolidated, not adjusted for OCI proportionate ownership stake in plants, except OCI's 50% share of Natgasoline volumes.*

# Q2 2022 Revenue Up 95% and Adjusted EBITDA Up 141% YoY

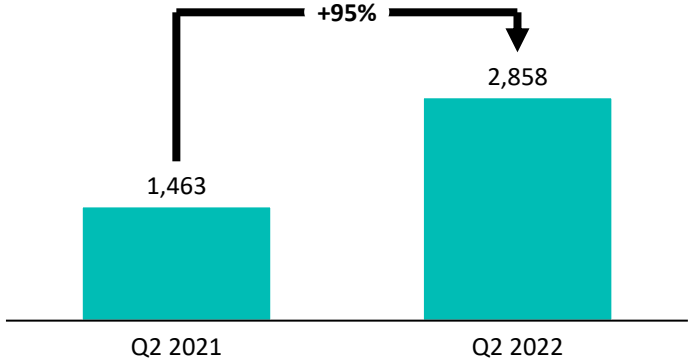
## Own-Produced Sales Volumes (Mt)



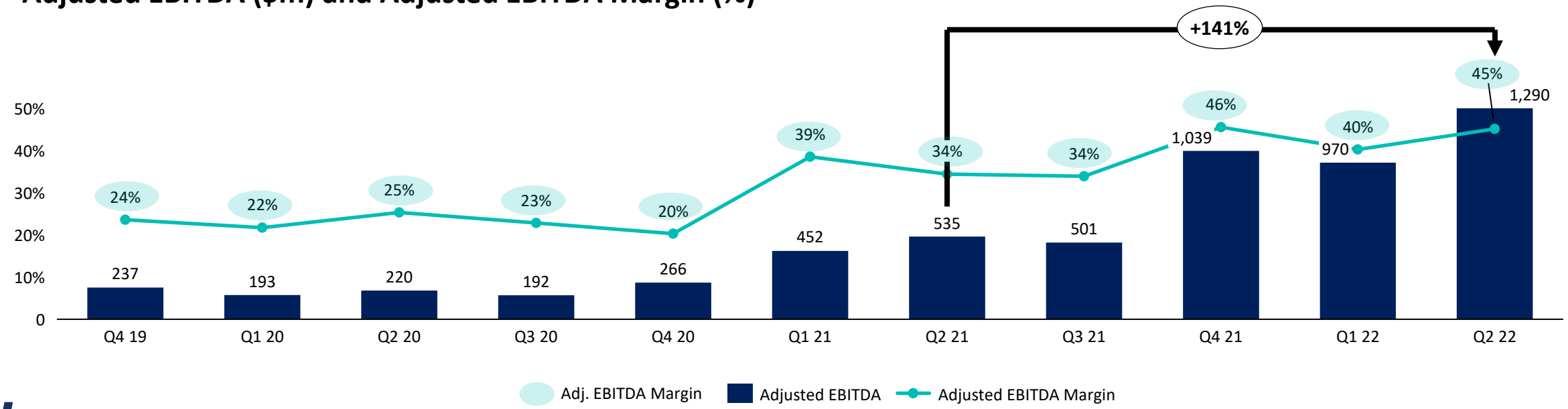

## Key Product Benchmark Prices, $/t




## Revenue ($m)




## Adjusted EBITDA ($m) and Adjusted EBITDA Margin (%)

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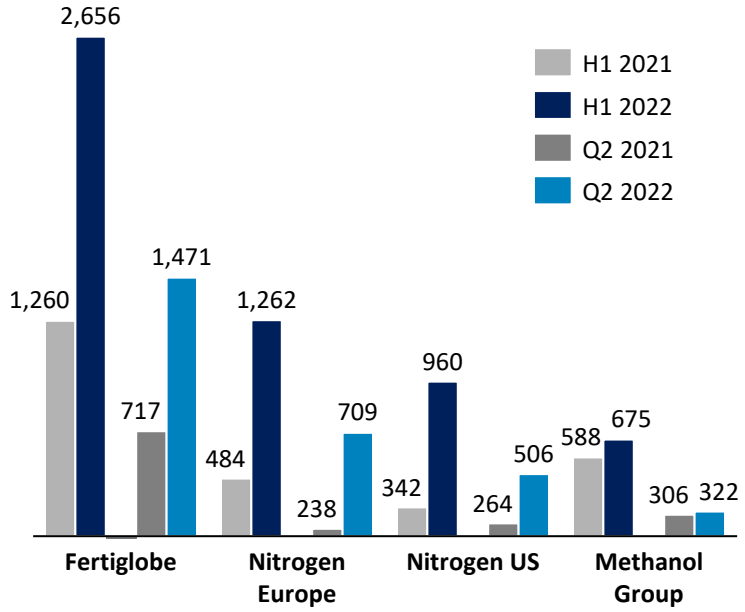
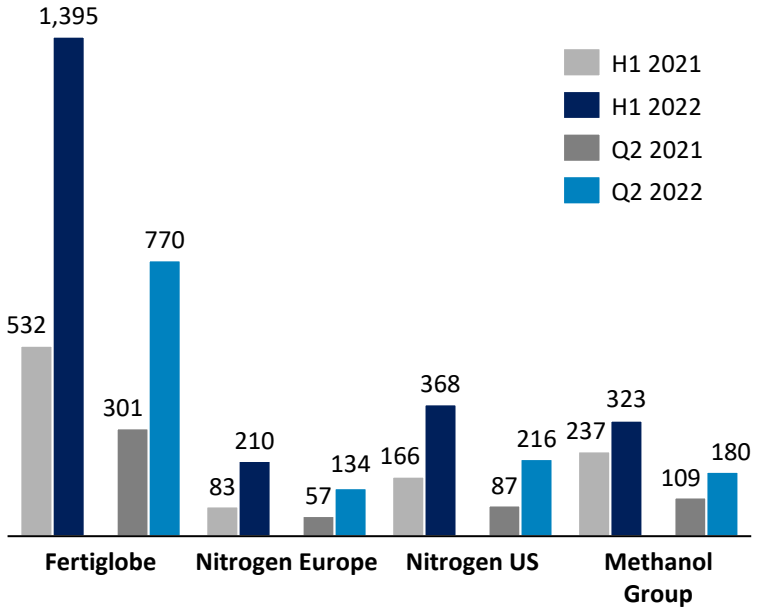
# Leading Position in Global Ammonia Markets and Flexible Business Model

## Segment consolidated revenues ($ m)

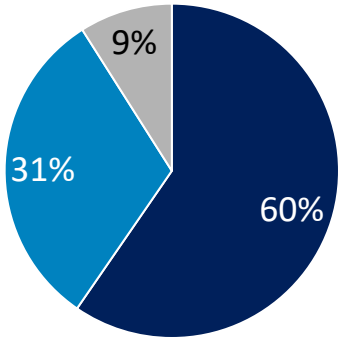



## Segment consolidated adj EBITDA ($ m)




## OCI NV Gas Consumption by Region

% of total consumption in H1 2022




*Europe: 2 methanol lines and 1 ammonia line currently shut down, downstream production continues*

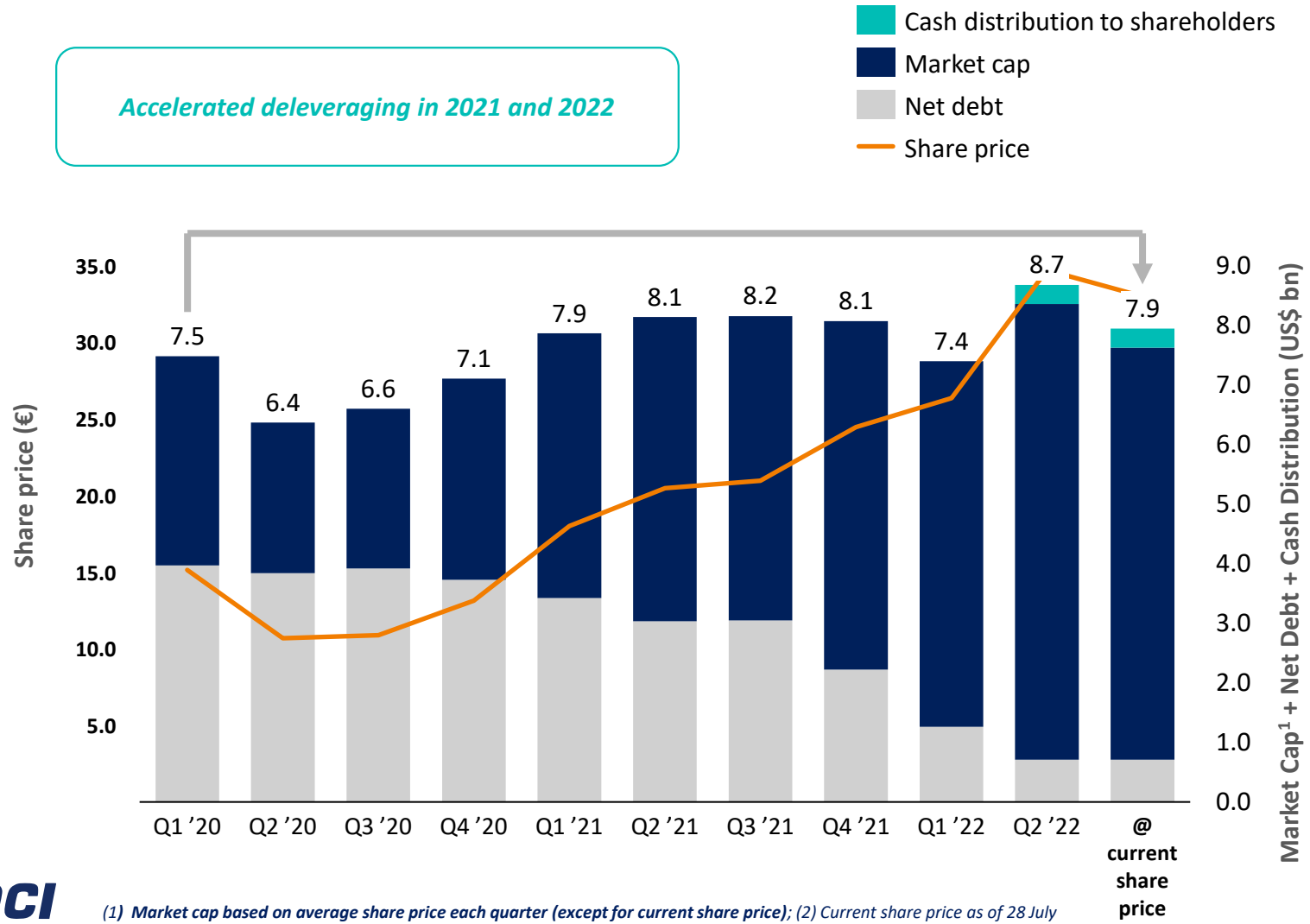
- Fertiglobe
- US
- Europe

- **OCI benefits from its leading position in global ammonia markets and flexibility to replace locally produced ammonia with imported ammonia shipped from Fertiglobe and the US**
  - ✓ Ammonia capacity in Europe running at reduced rates due to curtailments and shutdowns, methanol production in Europe shut down, but OCI operates downstream production of nitrates and melamine profitably with support from our imported ammonia
  - ✓ Nitrogen Europe represents c.24% of consolidated revenues, but 9% of OCI's consolidated gas consumption in H1 2022
- **Flexibility ensures that the company is able to satisfy the demand of our agricultural and industrial customers in key European markets**
- **OCI helps reduce Europe's dependence on natural gas by importing ammonia to maximise downstream production**

# Market cap growth largely reflection of net debt reduction despite much improved outlook

## De-risked balance sheet and positioned for growth

*Accelerated deleveraging in 2021 and 2022*




## Capital Allocation Priorities

**Low net leverage combined with significantly improved market backdrop offers number of opportunities**

1. Net debt has declined from $4.0 billion in Q1 2020 to $0.7 billion at end Q2 2022, offering:
   - ✓ **De-risked balance sheet**
   - ✓ Flexibility to **return capital** to shareholders
   - ✓ Flexibility to **invest** in growth opportunities

2. Cash distributions to shareholders:
   - ✓ **$320 million in June 2022**
   - ✓ Proposal **$765 million cash distribution in October 2022**
   - ✓ Implied **dividend yield c.15%**

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*(1) Market cap based on average share price each quarter (except for current share price); (2) Current share price as of 28 July 2022*

# Capital Allocation Priorities

## Committed to a consistent base distribution + a variable component based on surplus excess FCF[1]

**Strong balance sheet**

**Maintain as priority, target of <2x net leverage through the cycle**

**➔ Supporting strong FCF and an investment grade profile**

**Balanced deployment of capital**

| Capital returns to shareholders | Invest in growth |
|---|---|
| Base distribution (paid semi-annually) | Invest in hydrogen / energy transition and other growth opportunities |
| % of surplus FCF as special distribution or in the form of share buybacks | To grow future FCF potential |

**Application of policy:**

**€1.45 per share paid in June 2022 and proposal €3.55 per share to be paid in October 2022**

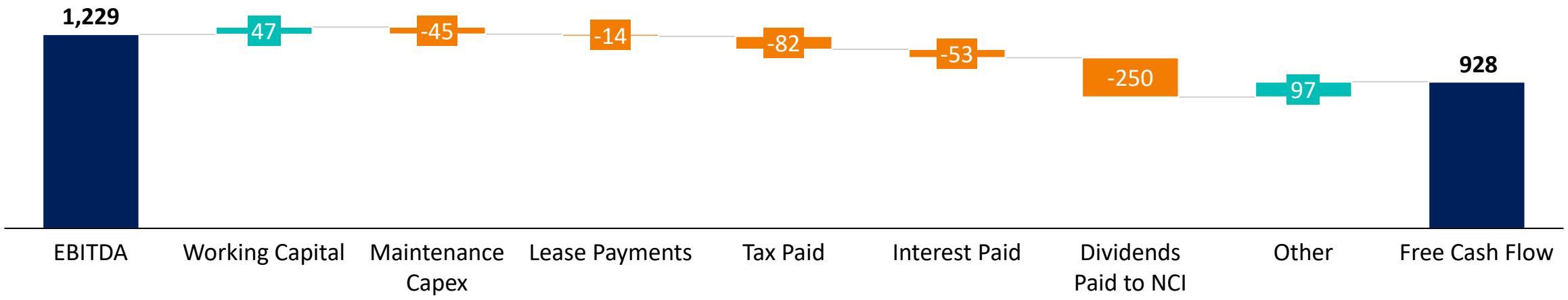
## Balance availability of funds and excess FCF for dividend distribution while pursuing value accretive growth opportunities

- OCI's capital returns policy
  - ✓ Combines a consistent **base distribution** with a **variable component linked to FCF generated**
  - ✓ Semi-annual dividend distribution policy
- Base dividend:
  - ✓ $400 million per annum
    - *$200 million payable twice a year*
- All projects considered are subject to:
  - ✓ **Our commitment to remain investment grade**
  - ✓ **Meeting our investment return thresholds**
  - ✓ **Our capital allocation policy to ensure consistent distributions to shareholders while pursuing growth opportunities**

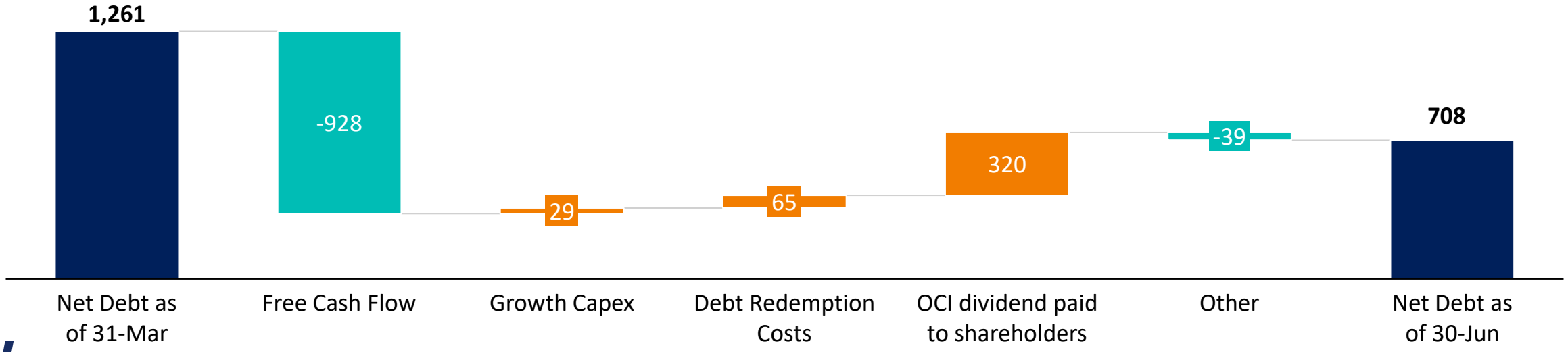
*(1) Free Cash Flow (FCF) defined as cash from operations less capex less lease payments less dividends to minorities.*

# Q2 2022 Free cash flow and Net Debt Build-up

## Reconciliation of Q2 2022 reported EBITDA to Free Cash Flow




## Change in Net Debt from 31 March 2022 to 30 June 2022



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# Nitrogen Outlook Supported by Attractive Supply-Demand Dynamics

## Supporting Strong Pricing Outlook For H2 2022 and Beyond as We Recover From a 5-year Downturn

| Bull Market Drivers Support Demand Driven Environment | | Prior cycle (last 5-6 years) | Next cycle (starting in 2022) |
|---|---|---|---|
| | **CROP PRICES SUPPORTIVE OF FARM ECONOMICS AND NITROGEN DEMAND**<br>***Corn Futures >$5/bushel and Wheat Futures >$7/bushel*** *supportive of affordability*<br>***Grain stocks to use ratios*** *at decade lows requiring at least until 2024 to replenish* | **30%**<br>corn stocks-to-use ratio<br>**$3.7/bushel**<br>average corn price 2015 - 2019 | **26%**<br>corn stocks-to-use ratio<br>**$6.0/bushel**<br>corn futures 2022 - 2024 |
| | **GAS AND COAL PRICES RESET AT HIGH LEVELS**<br>*Low gas storage levels in Europe, limited Russian and LNG gas flows* ***raising marginal costs****, and therefore cost floors for ammonia, urea and nitrates* | **$5/MMBtu**<br>TTF (Dutch natural gas hub) | **$50/MMBtu**<br>TTF to end of 2023[1] |
| | **TIGHTENING NITROGEN MARKET BALANCES**<br>***New urea capacity*** *is limited, faces delays and accelerating Chinese closures*<br>***Structurally tighter merchant ammonia market*** *with limited net capacity additions*<br>***No new nitrates capacity additions*** *tightening balances* | **23mt** new urea capacity vs.<br>**17mt** demand growth over 2015 - 2019 | **11mt** new urea capacity vs.<br>**16mt** demand growth over 2022 - 2026 |
| | **ENVIRONMENTAL FOCUS DRIVES SHIFT FROM GREY TO GREEN**<br>*Stricter mandates around environment regulations are barriers to enter this industry*<br>*Global push to move towards $H_2$ economy adds* ***incremental low-carbon ammonia demand*** | Wave of "grey" greenfield capacity additions in US, Europe, MENA | Limited new grey ammonia capacity from established producers and<br>**8mt** new ESG driven ammonia demand by 2025 |

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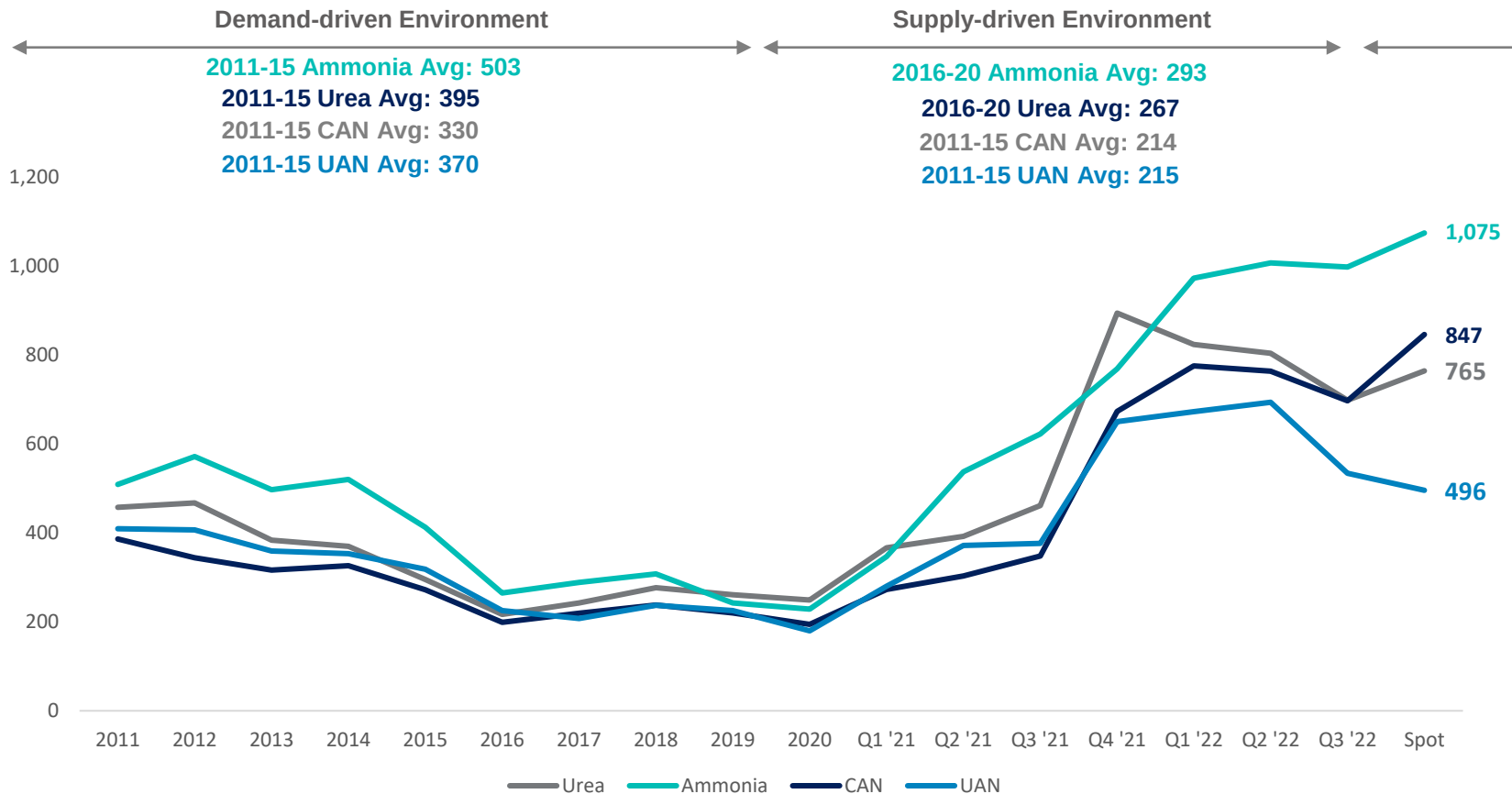
*Source: Company Information, CRU, Industry consultants, Hydrogen Council. (1) Average TTF from August-22 to Dec-23*

# Nitrogen Fertilizer Pricing Supported by Demand-Driven Environment

## Strong support for nitrogen prices to reset above mid-cycle levels, given low global crop inventories, strong farm economics and higher marginal costs

Urea, Ammonia, CAN and UAN Prices (Monthly Averages, 2011 – Q3 2022[1]), $/t




**Sustained by:**

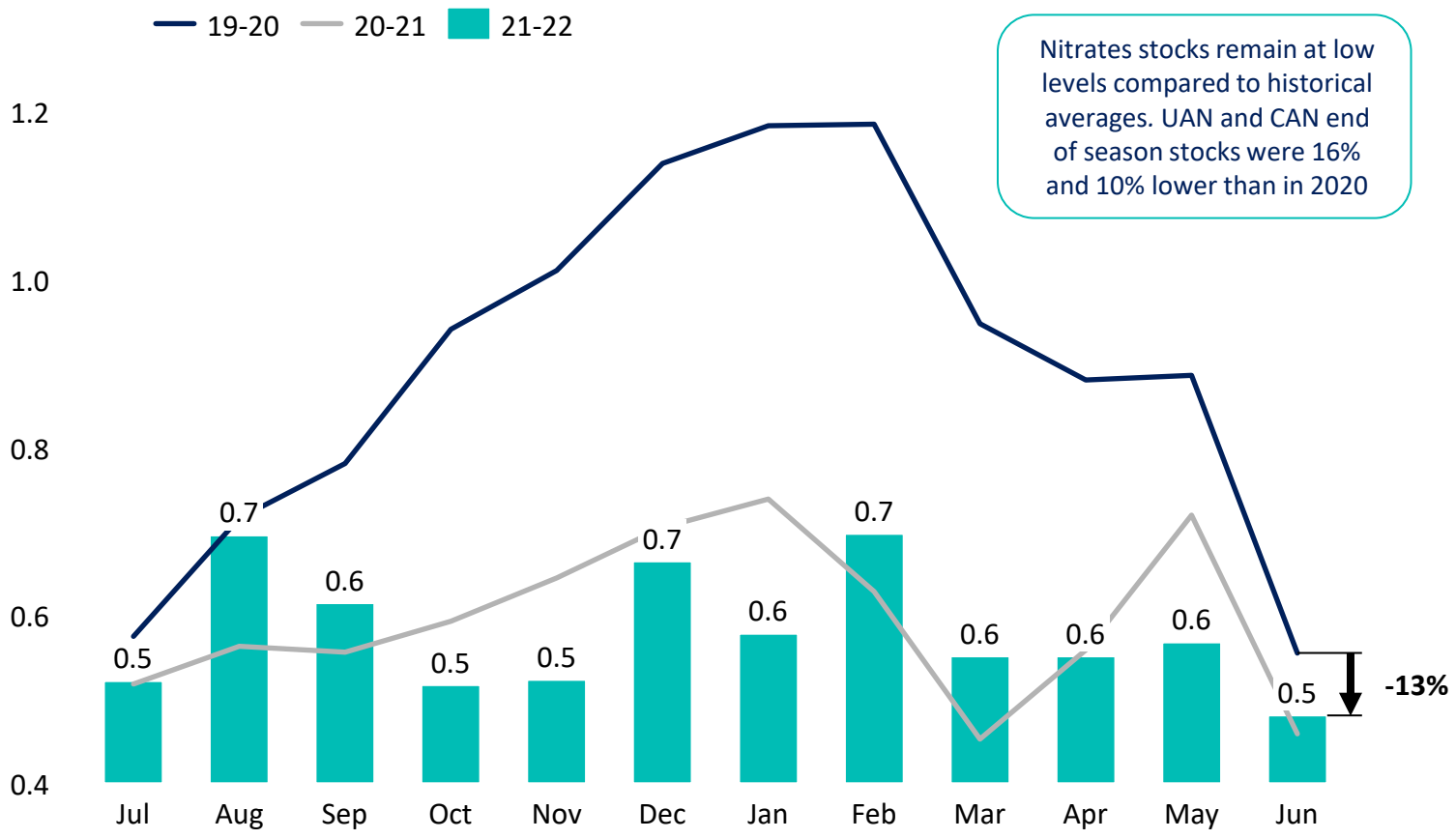
1. **Stocks-to-use ratio at 10-year lows supportive of crop prices, higher planted acreage** and demand at least until 2024
2. **EU nitrogen production curtailments due to high gas prices and limited availability of feedstock** supportive of pricing and higher differentials compared to the rest of the world
3. **Delayed and lower level of new capacity** along with accelerating capacity closures and lower exports from China **tightening nitrogen market balances.** Delays in Russian capacity and geopolitics also tightening fundamentals
4. **Feedstock prices** reset at high levels raising the marginal cost floors over medium-term
5. **Environmental focus** limits new grey greenfield capacity and creates **incremental demand for ammonia**

*Source: CRU. Notes (1) Q3 2022 to 28 July 2022*

# Low European nitrates stocks

## Healthy nitrates fundamentals and high marginal costs supportive

*EU-14 AN, CAN and UAN stocks, Million Mt*




Nitrates stocks remain at low levels compared to historical averages. UAN and CAN end of season stocks were 16% and 10% lower than in 2020

## New season outlook

- ✓ Nitrates demand in Western Europe in the last season saw deliveries down only 5% against similar production declines, signalling strong farmer incomes and **supportive of demand in the next season. This is in line with our healthy order book**
- ✓ **Nitrates stocks at low levels compared to historical averages.** Limited stocks through the system supportive of demand
- ✓ Risk of some nitrates demand destruction due to limited availability given low stocks and EU production. Expect high nitrates premium to continue and increased switching into urea as farmers need the nitrogen
- ✓ July nitrates shutdowns amounted to c.5 million Mt of annualized capacity with shutdowns in **August estimated to reach at least 7 Mt of annualized capacity**
- ✓ **Further nitrates capacity out of a total of 34 Mt is at risk given the dual effect of high production costs, limited availability of natural gas in Europe** particularly in countries dependent on Russian gas (Germany, Italy, Austria and Poland) with no ammonia import capabilities.
- ✓ **Variable production costs of CAN based on gas >€750/t and on UAN > >€850/t supportive of pricing**

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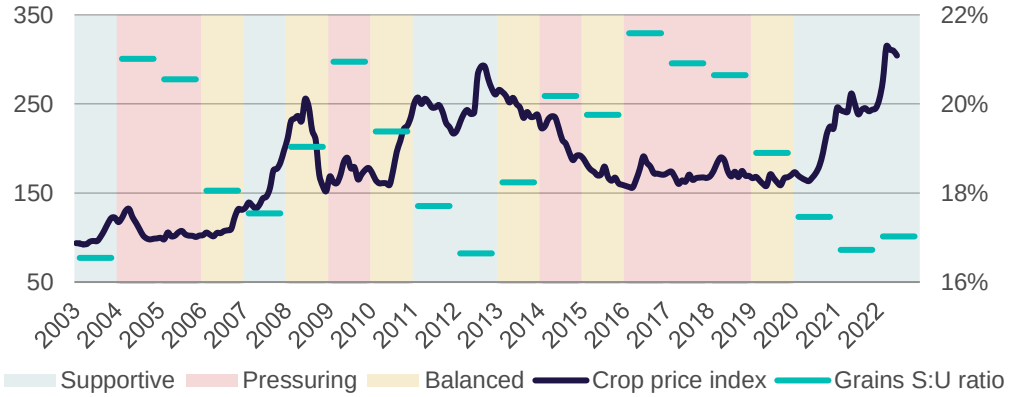
DATA: OCI Analysis, Industry Publications, Swiss Arco July 2022 .

# Agricultural Fundamentals Supports Robust Nitrogen Demand at Least Until 2024

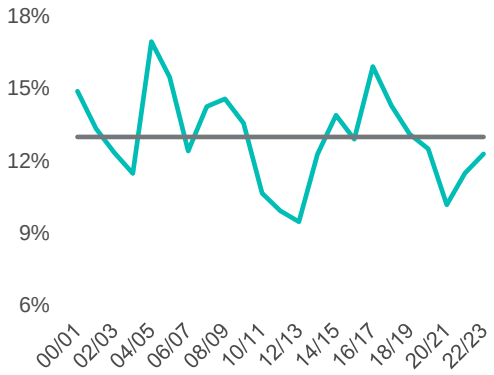
## Crop prices supported by stocks : use ratio at 10 year lows, requiring at least until 2024 to replenish

*Crop price index, Jan 2006 = 100* *Global grain and oilseed stocks:use ratio (ex-China), %*

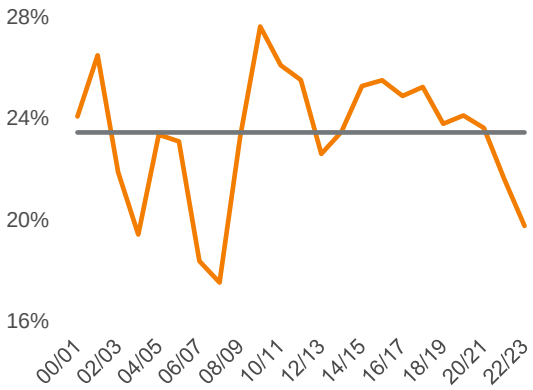



## Tight grain stocks for corn and wheat at further risk given dry weather in the Northern Hemisphere and protectionist measures

*Global corn STU ex. China, %*

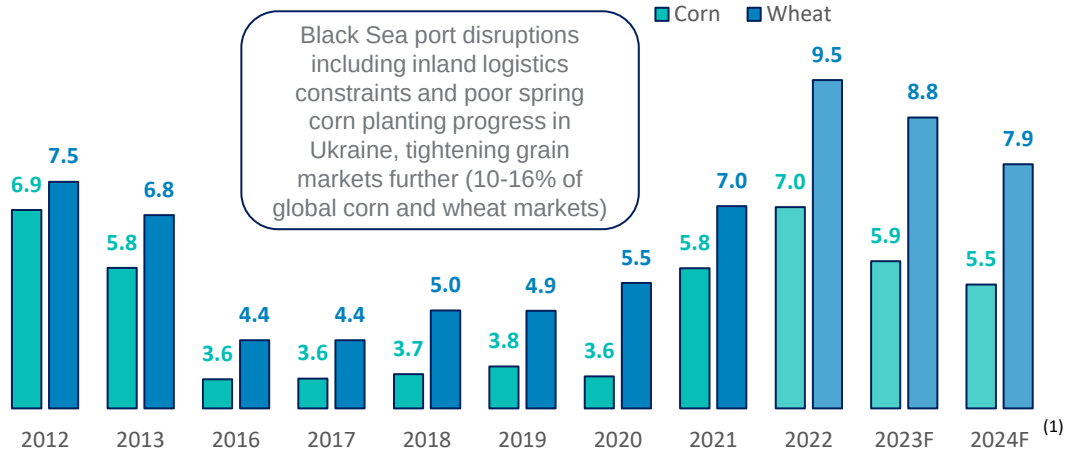



*Global wheat STU ex. China, %*



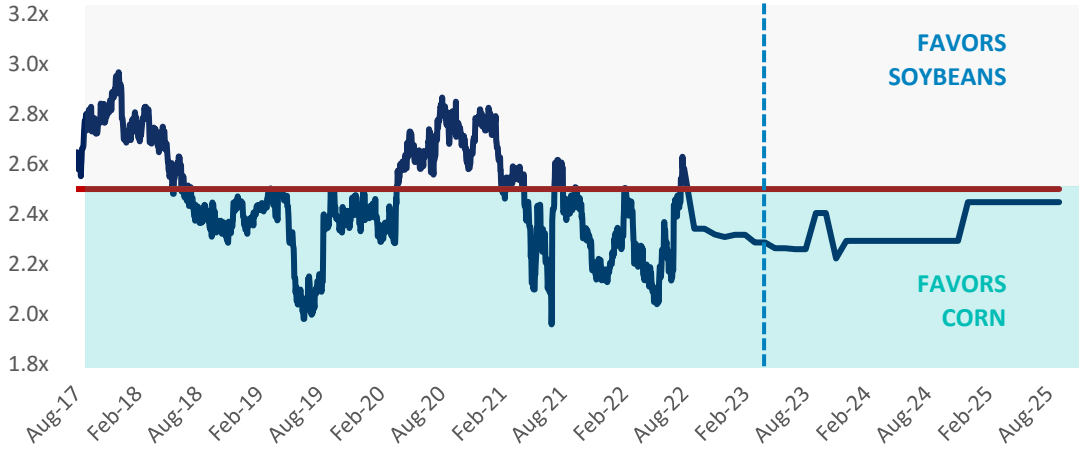

## Medium-term crop prices supported and incentive to plant corn

*US Corn and wheat prices, $ / bushel*




## US farmers incentivised to plant nitrogen intensive corn over soybeans

*US CME Soybean to corn ratio*

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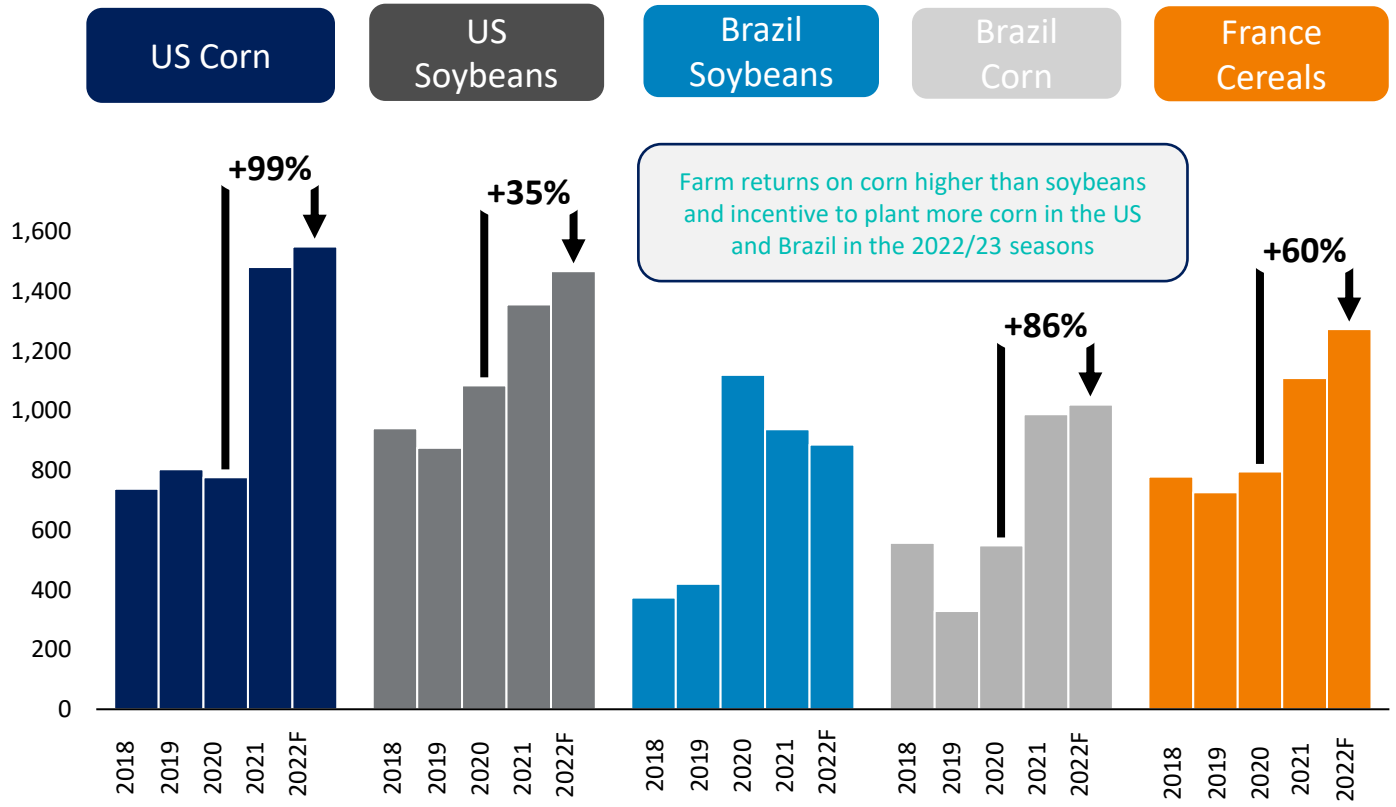
*Source: Company information, CRU, Bloomberg, CME, USDA. Notes (1) 2023 and 2024 grain prices based on December futures*

# High Farm Incomes Supportive Of Demand

## Farm operating margins (revenue above operating costs), USD/ha




Higher crop futures reflective of tight market conditions

Higher profitability: Higher farm revenues exceed higher fertilizer and operating costs

Incentivised increased planted acreage of all crops and nitrogen demand to maximise yields until 2024

### 1 Supportive farm incomes in 22/23 :

**Farm margins are attractive in grain exporting regions** as input costs have been offset by higher crop prices, incentivising farmers to plant more acres across all crops. **High forward grain prices is supportive of sustaining farm incomes and strong demand until at least 2024**.

### 2 Inelastic nitrogen demand:

**Demand for nitrogen is inelastic compared to other fertilizers**. Farmers cannot cut nitrogen application by more than 10% without realising an immediate loss in yields as evidenced in the 21/22 season with limited demand destruction in grain exporting countries . Additional upside with switching to more nitrogen use in India

### 3 Farmers locking in input costs:

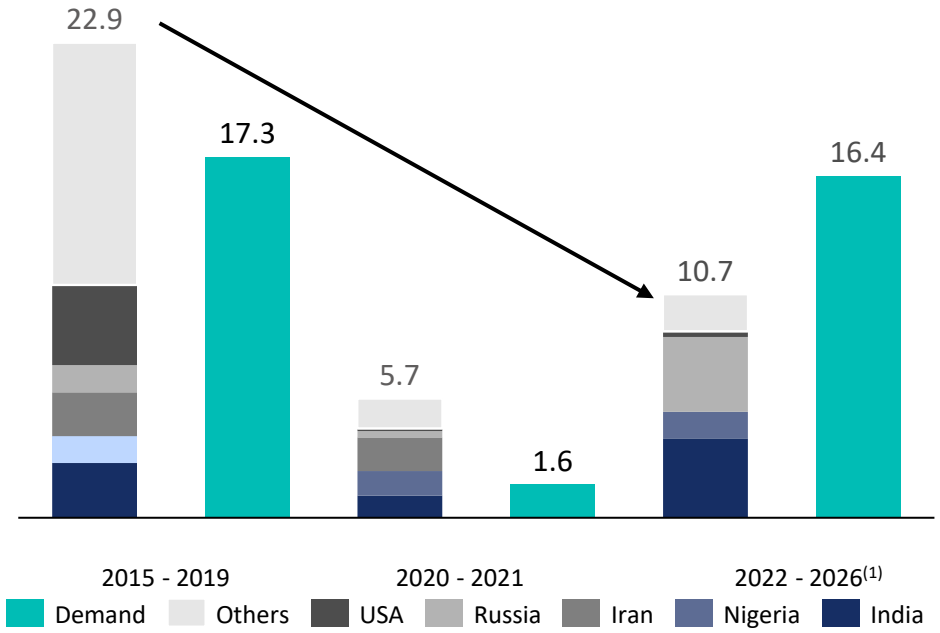
Farmers in US, Europe and Brazil are **hedging their operating margins, by selling forward their new crop at high forward grain pricing. At the same time, they are incentivised to purchase nitrogen** and lock in margins. This is supportive of nitrogen demand and pricing

OCI

*Source: Company information, CRU, Bloomberg, CME, USDA*

# Attractive Nitrogen Dynamics With Demand Expected To Exceed Capacity Additions

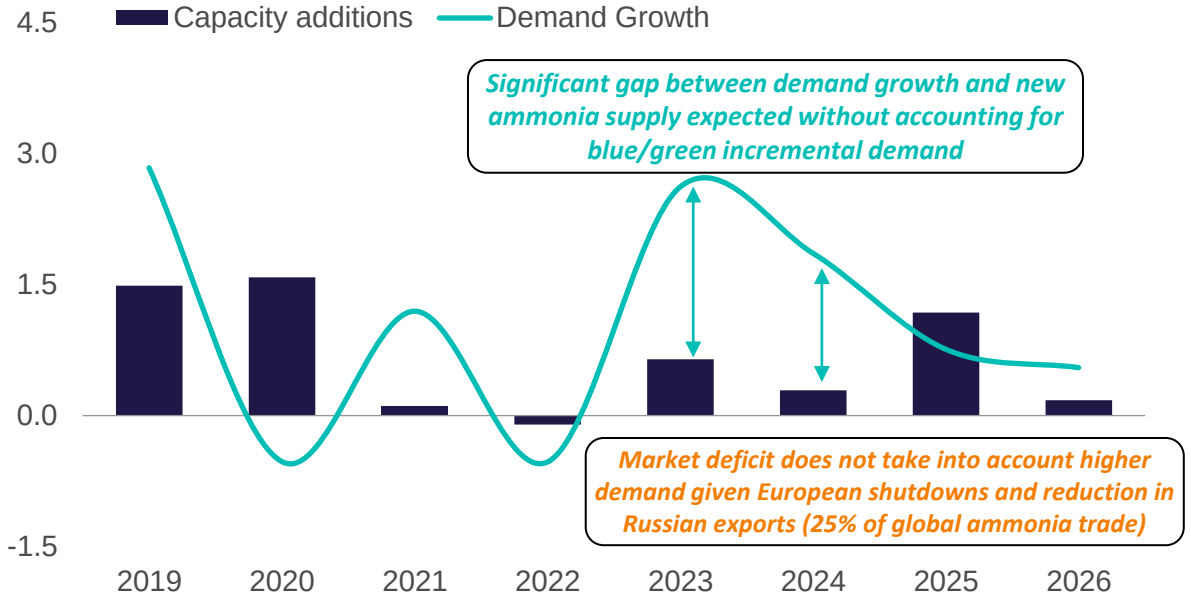
## Ex-China urea capacity additions slow relative to 2015-19, Mt




- ✓ *Demand growth expected to exceed supply growth, new supply subject to delays and utilization rates expected to be slow to ramp up, limiting the impact on the traded market*
- ✓ *Significant reversal in market dynamics from over-supply in the last down cycle (2015 – 2019) of 5.6 million Mt to a surplus of c.6 million Mt*
- ✓ *11 million Mt new capacity additions 2022 – 2026 includes 3.6 million Mt of capacity in Russia which is at risk of delays*
- ✓ *Increased focus on the environment is a barrier to enter this industry, limiting "grey" capacity additions in the US, EU, China and elsewhere*
- ✓ ***Good visibility on supply additions given 4-6 years lead time to build a new plant***

## Merchant ammonia market structurally tightening

*Global ammonia net capacity additions and demand growth, ex-China ex-urea, Mt*




- ✓ *Given high feedstock costs and gas supply availability concerns in Europe, 7Mt of ammonia capacity is currently shut, with more expected as gas in Europe expected to remain tight, upside for ammonia imports in Europe and pricing*
- ✓ *Structural tightening in ammonia with limited net capacity additions more than offset by higher demand growth, resulting in a supply deficit of 4 million Mt compared to a net surplus of 7.5 million Mt in 2015 – 2019, providing a strong market backdrop for forward ammonia pricing above high marginal cost floors*
- ✓ *Further upside for ammonia from the expected incremental demand for clean ammonia in new applications across a range of sectors including marine fuel and power, and as a hydrogen carrier*

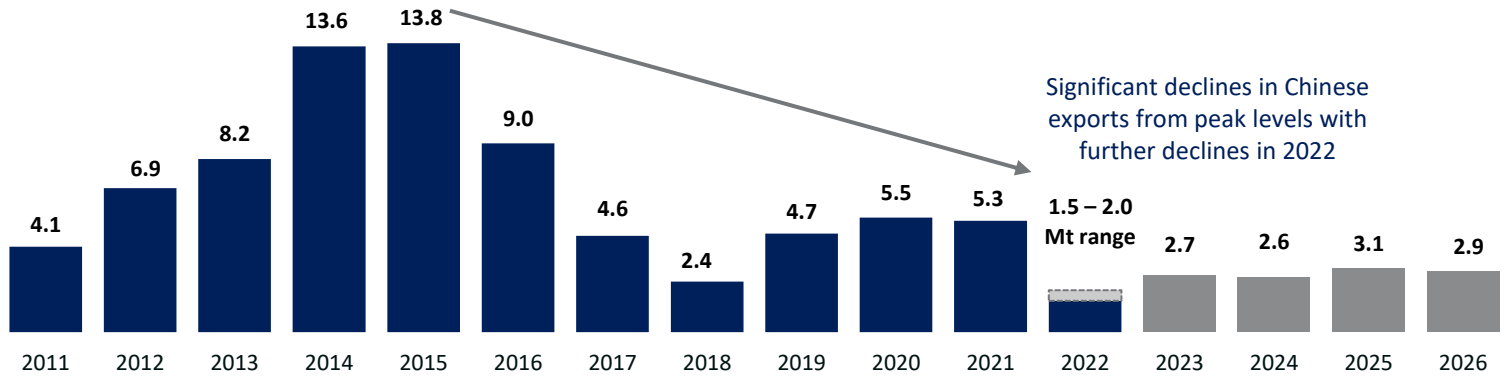
*Source: CRU, Company Information. (1) Based on trend demand growth of 1.8% from OCI analysis for the period 2023 – 2026.*

# Lower Chinese Exports And Robust Indian Imports Supportive Of Nitrogen Prices

- **Chinese market balances supported by**:
  - **Government measures to curb exports until at least H2 2023 and prioritise domestic supply** including mandatory stocking requirements. This is expected to cap 2022 exports to ~ 1.5 Mt
  - **High domestic crop prices and government emphasizing food security** is supportive of crop expansion and robust fertilizer demand in 2022 and 2023
  - **Capacity closures** due to environmental regulations contributing to lower exports in 2022 and beyond
  - **Medium-term** exports expected to fall to ~3 mt over the medium-term given environmental policy impacts and prioritization of energy for domestic use

**Chinese Exports Curtailed on Domestic Demand and Closures**

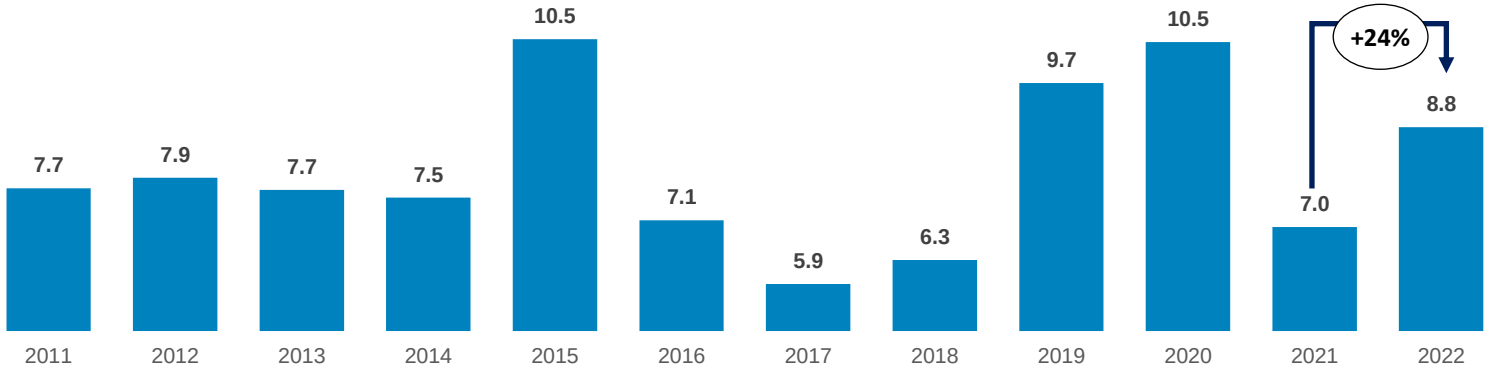
*China urea exports, Mt*




- Despite the commissioning of three world-scale plants in India over 2017-2021, **domestic production has been relatively flat** and decreased c.600 kt in 2021
- **Capacity additions in India are subject to delays** and not expected to commission in line with published government timelines, supporting imports.
- Short-term, **India is expected to issue follow-up tenders to replenish inventories,** ahead of Rabi season starting in October. High wheat prices, demand for Indian wheat given Russia-Ukraine conflict and good monsoons, will be supportive of urea demand through H2 2022.
- Further upside for Indian import demand in 2023 given growth in crop area and subsidies favoring urea expected to result in increased substitution from P&K

**Indian Supply Has Remained Flat Despite New Capacity Commissioning and Robust Demand Supportive of Imports**

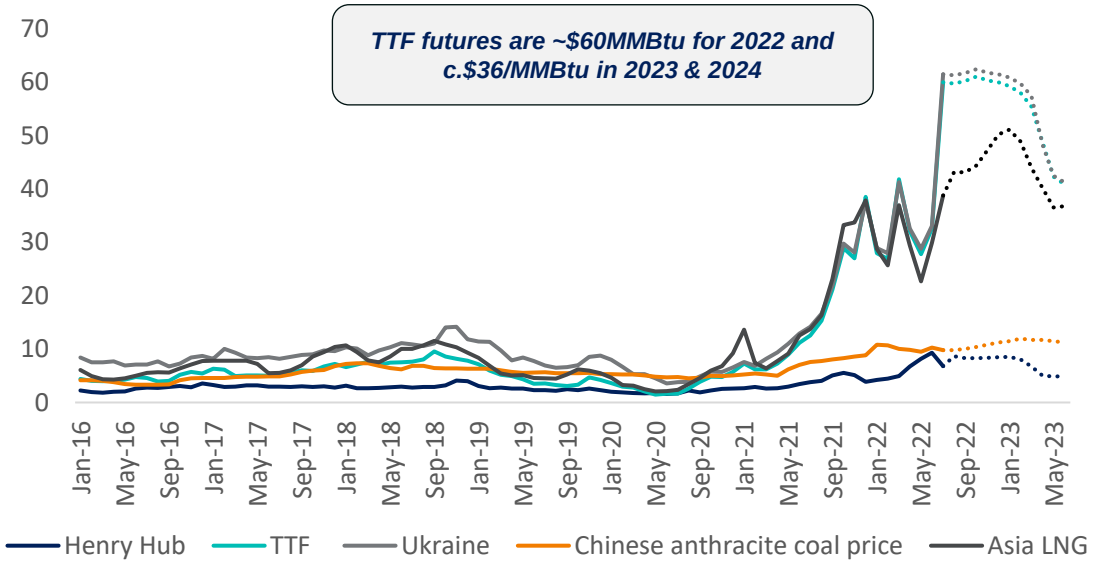
*India imports, Mt*



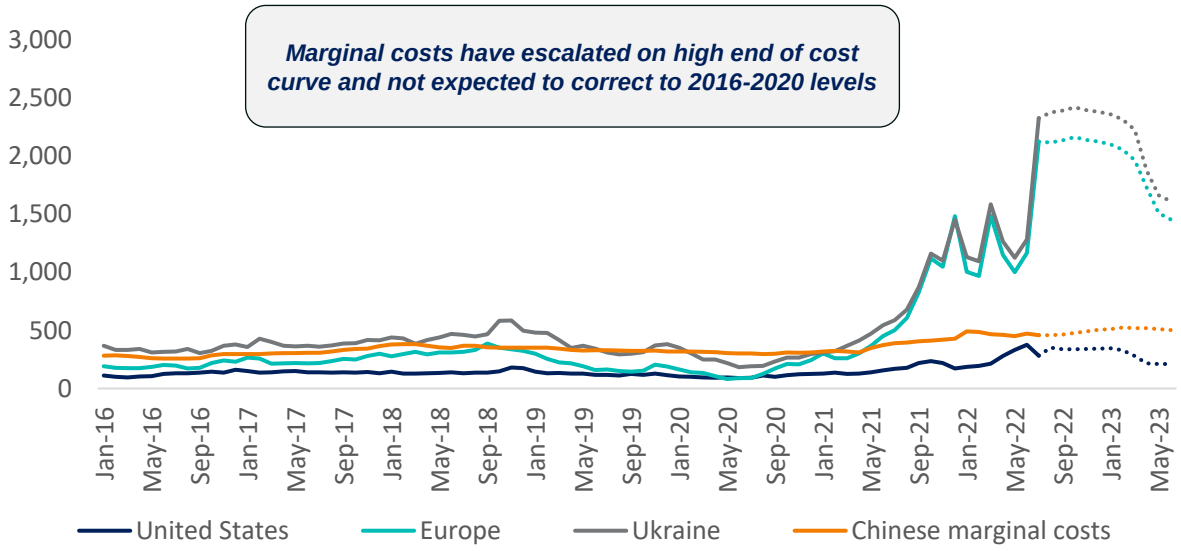

*Source: CRU, China Customs, Company Information.*

# Higher Costs for Marginal Producers Supportive of Nitrogen Prices

## Global Feedstock Prices 2017-2022F, $/MMBtu




## Cash Costs per ton of Ammonia 2017-2022F, $/t



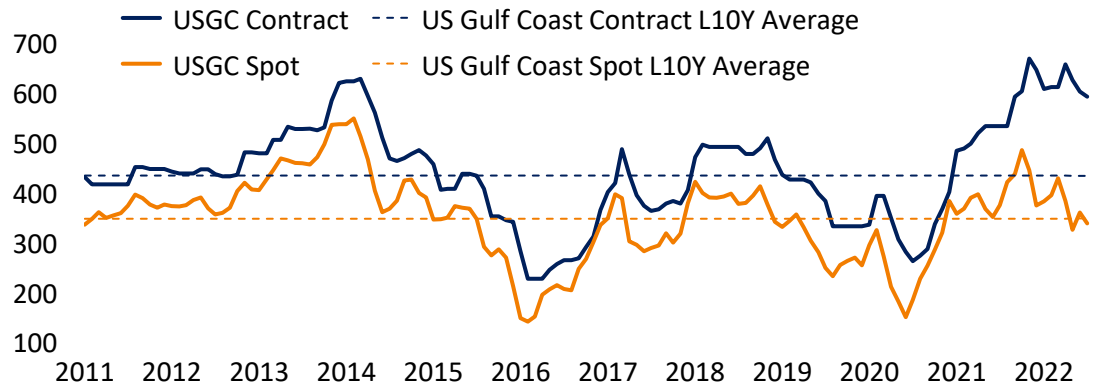

- **Surge in gas prices has been driven by limited Russian gas flows, lower than average storage levels in Europe and higher global demand for gas resulting in highly volatile gas markets**
  - ✓ **TTF futures point towards gas prices of c.$60/MMBtu for the rest of 2022 and $36/MMBtu in 2023/2024,** compared to $5/MMBtu in 2015 – 2019
  - ✓ Gas prices are expected to remain volatile and significant upwards pressure expected given risks around Russian gas and coal flows into Europe, reduced US LNG exports in the short-term and tight coal and power markets
  - ✓ **Europe is now the marginal producer for nitrogen** and at current forward gas prices, marginal variable ammonia costs excluding $CO_2$ are above $2,000/t for H2 2022 and $1,300/t for 2023/2024. 19 Mt of European ammonia capacity, 10 Mt of urea and 34 Mt of nitrates capacity at risk of being permanently shut if pricing remains below costs for a sustained period
- **Higher marginal costs have steepened the global cost curves and provide support for nitrogen and methanol pricing into 2023 and beyond**

*Source: Bloomberg, CCTD, CRU, OCI, Gas futures as of 28 July 2022. (1) Cash costs includes feedstock costs, and variable costs such as labour, SG&A, power. It does not include debt servicing or maintenance capex.*
*(2) Average North American production assumed to be 37.2 MMBtu per ton of ammonia for feedstock; Average European production assumed at 37.8 MMBtu per ton of ammonia for feedstock; Average Ukrainian production assumed at 38 MMBtu per ton of ammonia for feedstock; Chinese production assumed to be 1.12 tons of coal for feedstock.*

# Methanol Market Fundamentals Are Supportive, with Significant Long-term Upside

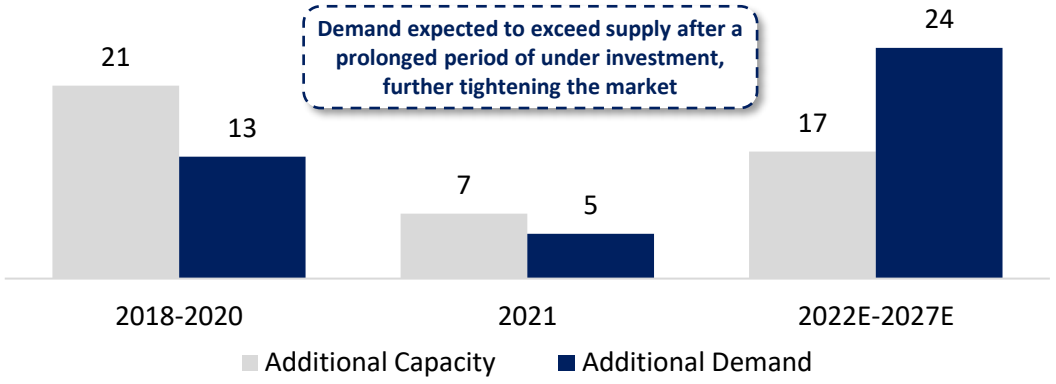
## Methanol spot and contract prices

*Methanol contract and spot US prices, USD per metric ton*




## Methanol supply & demand balance tightening

*Methanol capacity vs. demand growth, Million Mt*




- **Methanol market fundamentals remain healthy,** with strong downstream demand from a diversified customer base and high crude and coal providing price floor support
  - In the US, the contract price for August 2022 settled at $592/t from $597/t in July 2022 and spot pricing in the US has been further supported by unplanned outages
  - Operating rates for major derivatives segments (formaldehyde, acetic acid, MMA) are reported to be at healthy rates in the US and Europe
- **Near to medium term demand growth:** Fuel consumption in China picking up with higher oil prices supportive of methanol substitution for other fuels, traditional demand remaining firm, and MTO economics stemming from high energy and olefins prices in China supporting MTO operating rates above 80%. Downside risks being monitored given the volatile macro economic environment and consequent impact on industrial production, but this should be partially offset by higher demand for gasoline blending
- **Strong visibility on medium term pricing environment** with incremental demand expected to exceed new supply by ~7mtpa through 2027
- **Robust long term demand growth for methanol** from driven by growth in existing applications, with **significant upside demand potential** from the hydrogen transition, notably for road and marine fuels application

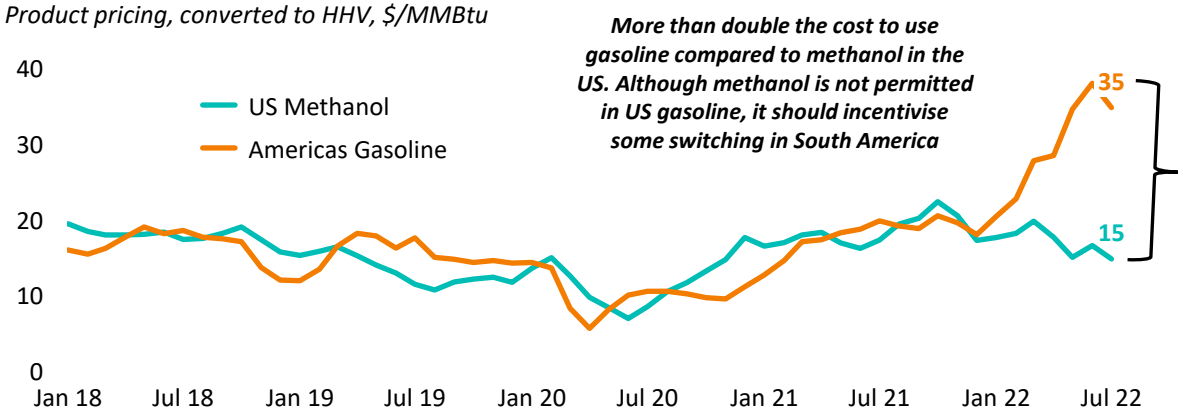
*Source: Company information, MMSA, Argus*

# Methanol Uniquely Positioned as Alternative Fuel in Energy Mix

- **Methanol is positioned as an economically advantageous fuel compared to alternatives**
  - ✓ **Crude oil futures point towards oil prices of $90+/bbl** for 2023 and oil pricing is expected to remain volatile, supporting methanol into gasoline blending
  - ✓ **High LNG prices** support utilization of methanol for fuel and energy applications. For example, many new boilers in China are designed to consume methanol instead of coal or natural gas. Similar uptake of methanol should happen in Europe, as methanol is half the cost of gasoline and differentials expected to widen given the EU energy crisis.
  - ✓ Methanol burns more cleanly as a fuel and has low SOx emissions paving the way for low carbon methanol uptake and this provides additional opportunities for OCI as a global leader in bio-methanol production

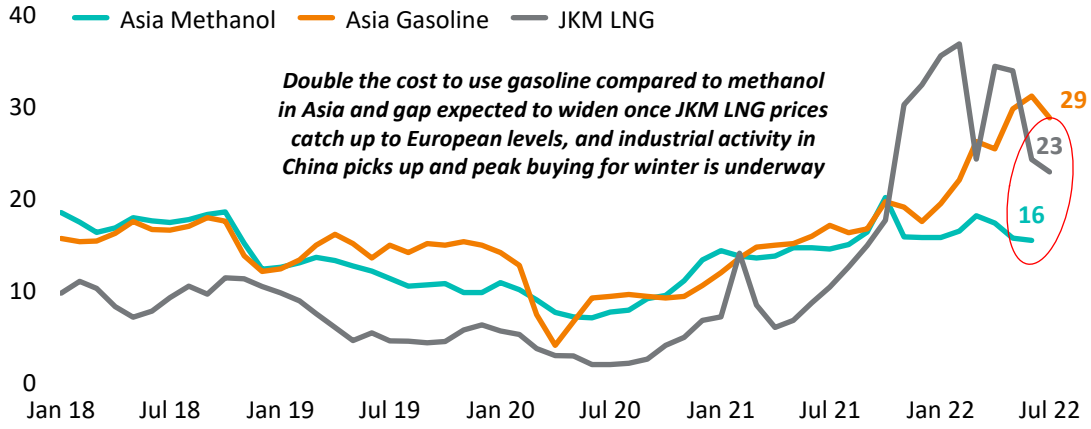
## Gasoline Blending Supported in the United States

*Product pricing, converted to HHV, $/MMBtu*



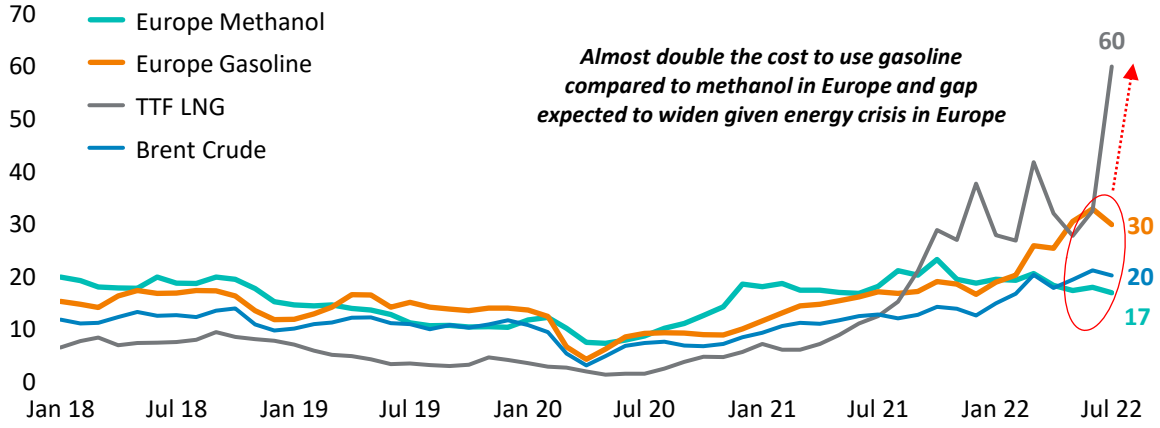

## Energy and Gasoline Applications supported in Asia

*Product pricing, converted to HHV*




## Fuel Use and Gasoline Blending Supported in Europe

*Product pricing, converted to HHV, $/MMBtu*




*Source: Company information, CME, Argus, Chemical Market Analytics*

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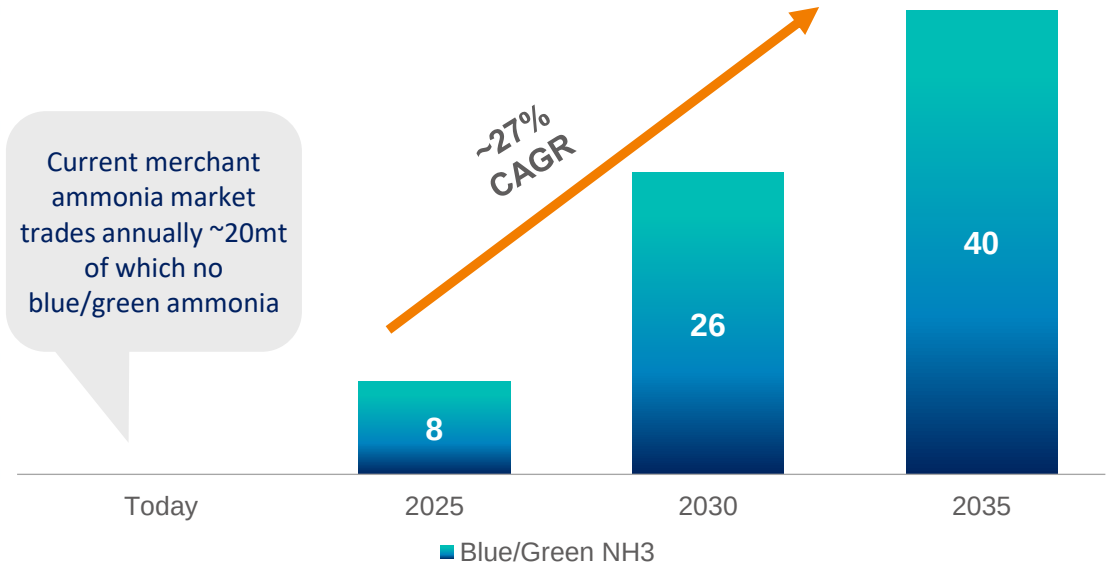
# Significant Incremental Ammonia Demand From New Clean Energy Applications

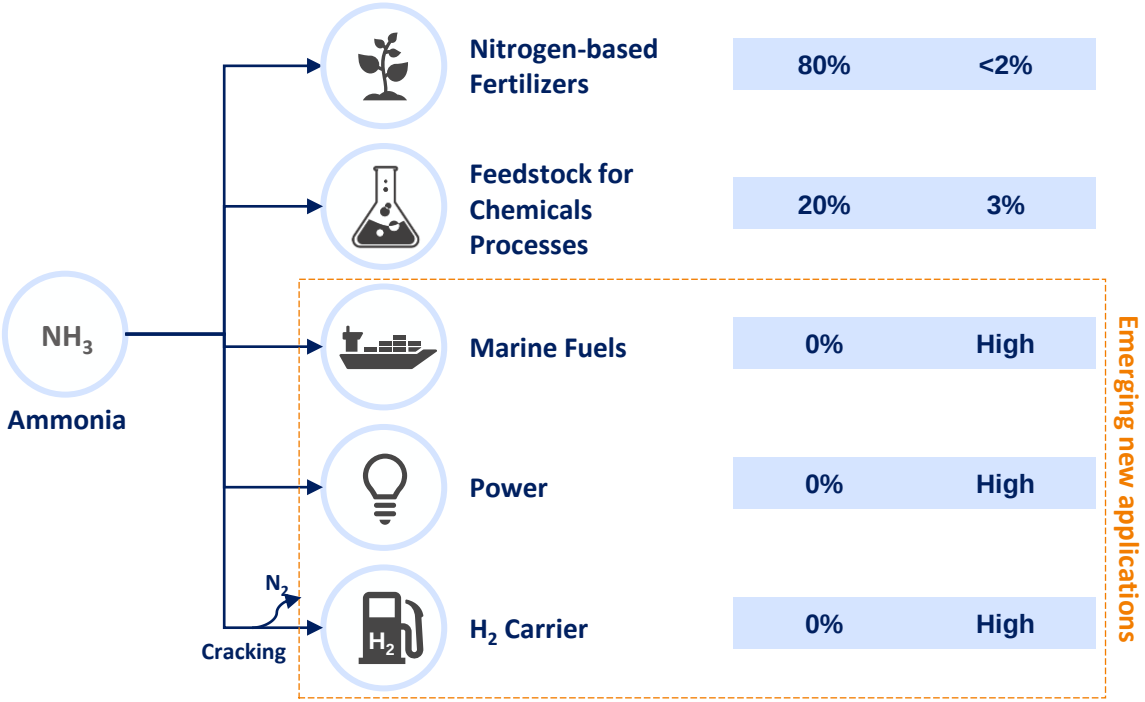
## Clean Hydrogen is strongly positioned to lead the world's energy transition, and ammonia is the key enabler

- Clean hydrogen use in energy applications will be a major contributor to emission reduction across industries where abatement is difficult (e.g. power and shipping)
- **Ammonia is one of the most efficient ways to transport and store clean hydrogen**, as hydrogen is difficult to store and transport due to low boiling temperature (-252 C)
- On the back of this transition, **several new applications are emerging** which individually would create an end market multiple times as large as the current ammonia merchant
- Incremental demand for clean ammonia is expected to tighten the conventional market further as grey capacity is decarbonized to cater to the new clean ammonia demand

### Blue/Green Ammonia to Make Up ~50% of Merchant Market vs Zero Today

Incremental blue / green ammonia demand, Mt



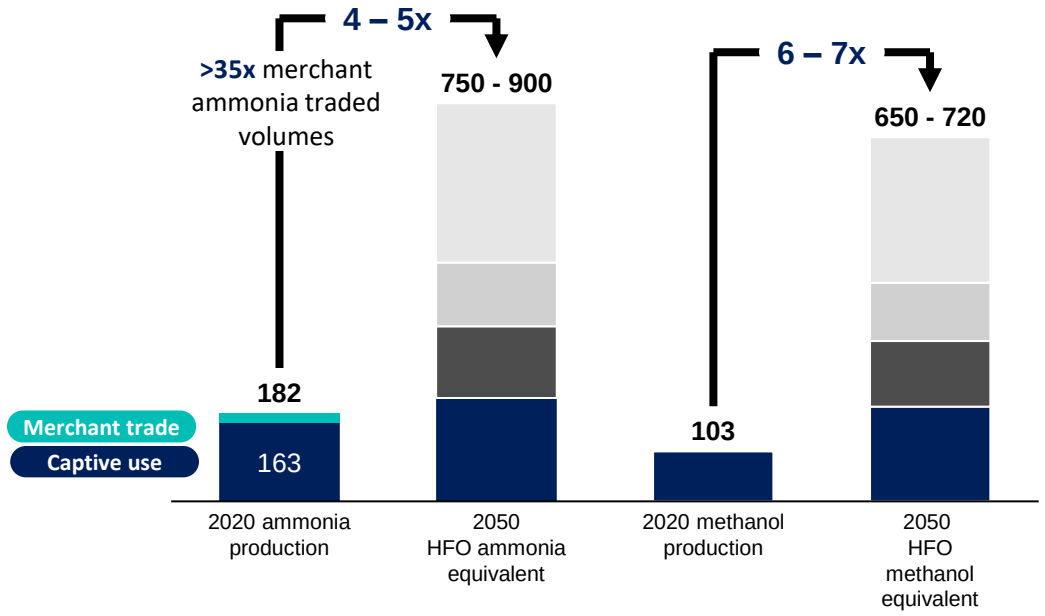

| | Today % | Annual Growth |
|---|---|---|
| Nitrogen-based Fertilizers | 80% | <2% |
| Feedstock for Chemicals Processes | 20% | 3% |
| Marine Fuels | 0% | High |
| Power | 0% | High |
| $H_2$ Carrier | 0% | High |

*Source: Hydrogen Council, MMSA, CRU, IEA, Argus, Strategy Consultant, EU Commission, Fertecon.*

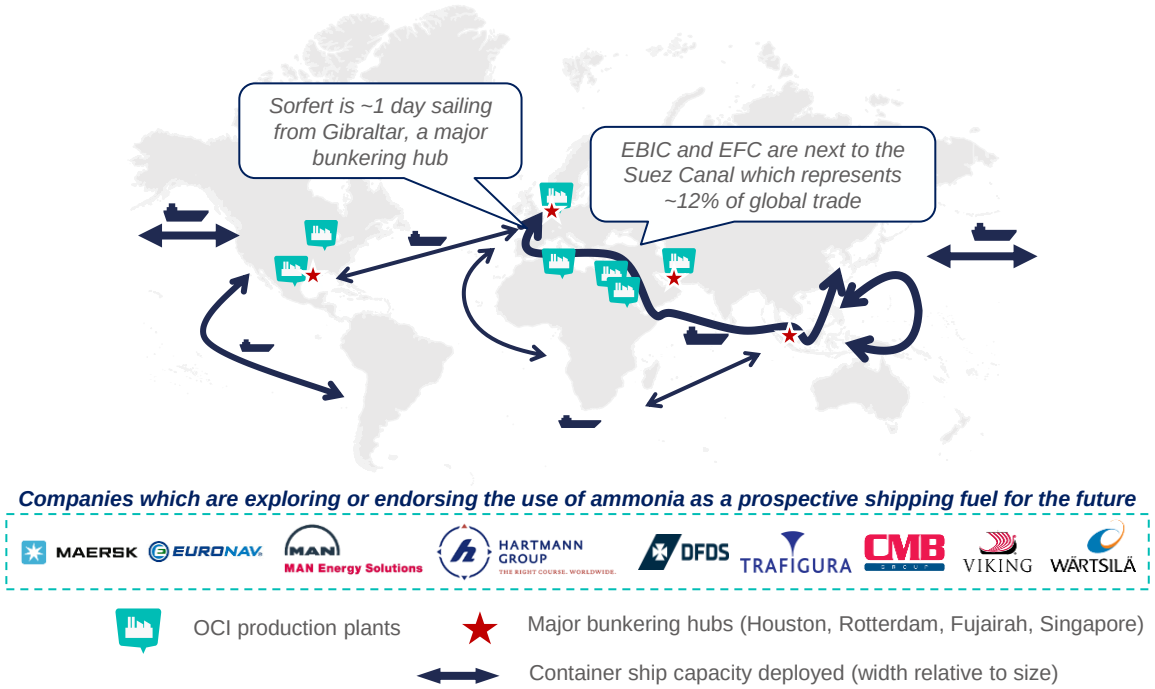
# Marine fuel represents a substantial market opportunity for OCI

- **Ammonia and methanol are the only practical alternatives for long-distance shipping, even without decarbonization technologies, since they have a lower environmental footprint than HFO**
  - Ammonia burns cleanest when used as energy source vs other fuels, therefore using blue ammonia in a ship would potentially result in >50% GHG reduction
- **Maritime HFO fuel demand is expected to grow to ~430 Mt by 2050, translating in ammonia and methanol equivalents of 650 - 900 Mt** while the current combined global production is ~290 Mt
- The existing footprint creates **strategic potential for bunkering stations stopovers, with limited investment** for ammonia and methanol-fueled ship engines
- **Major ship owners, engine manufacturers and ports, are all endorsing the use of ammonia and methanol as the shipping fuel of the future**

**2050 Outlook potential for Ammonia and Methanol in the Marine Fuels Industry as a substitute for HFO, Mt[1,2]**



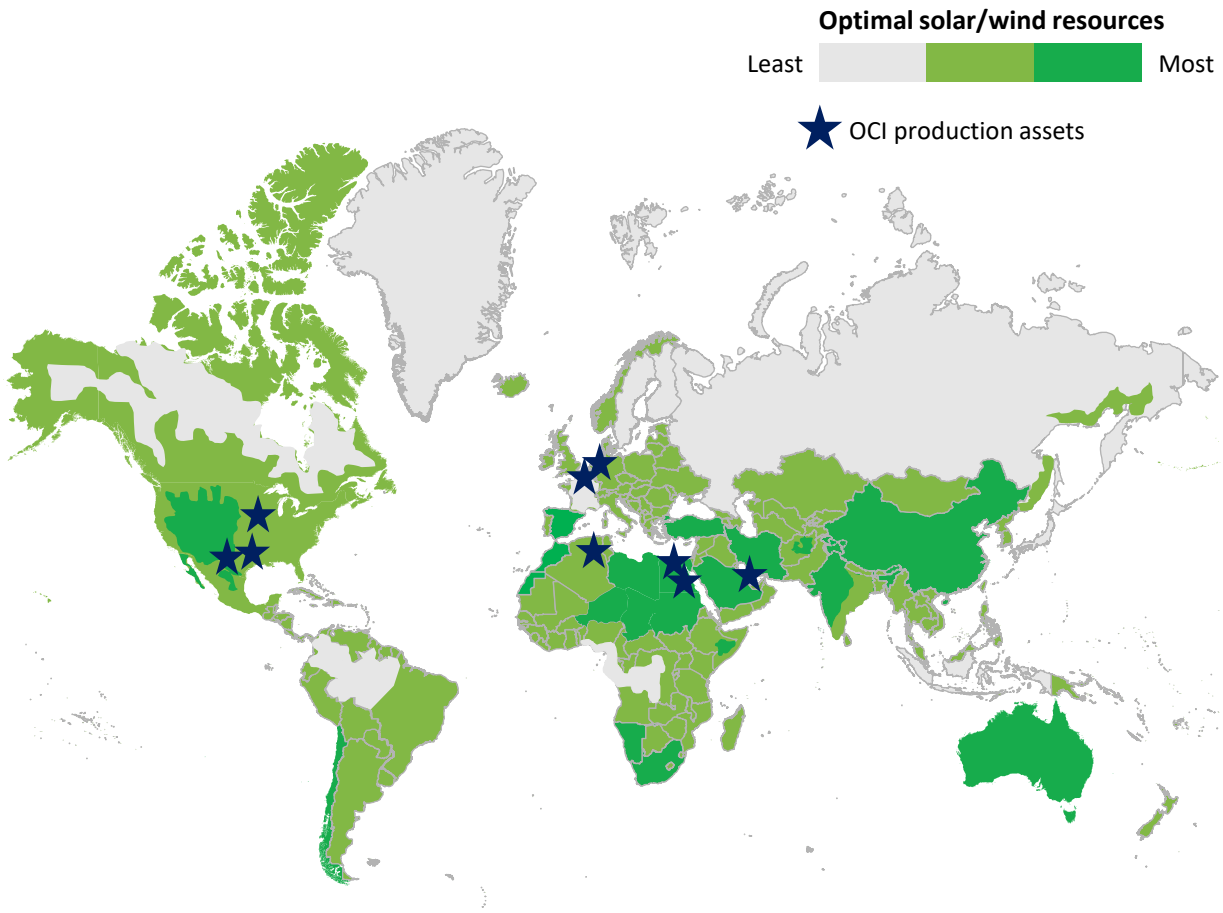

**OCI's Network Located at Key Bunkering Hubs on Major Shipping Lanes**




*Source: Hydrogen Council, MMSA, CRU, IEA, Argus, Strategy Consultant.*
*Notes: (1) HFO refers to heavy fuel oil (2) Lower end when burned in more efficient fuel cells, higher end of the range when burned in internal combustion engines (3) Other includes cruise, ferry, tugs, offshore, car carriers, etc.*

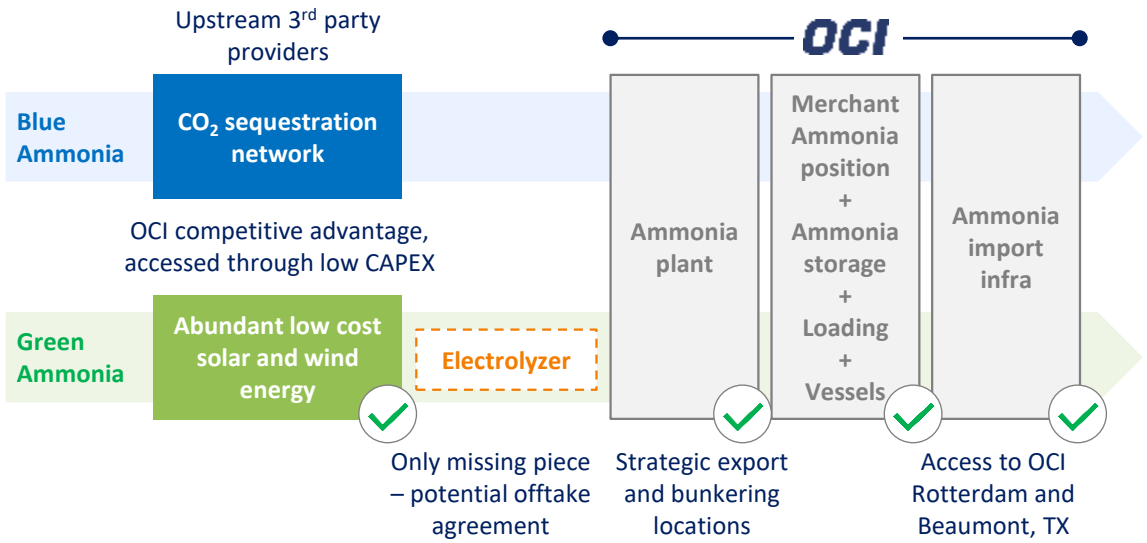
# OCI is Very Well Positioned to Capture the Hydrogen Potential

## Located in Proximity to Renewable Energy Sources and Shipping Hubs




***Plants with ample access to low cost solar and wind sources and located on the busiest shipping lanes in the world***

## Asset Base with Existing Access to the Entire Hydrogen Supply Chain




- OCI is evaluating and developing a number of lower carbon projects across its global asset base
- OCI is a plug-and-play for low carbon ammonia, with significant competitive advantages in comparison to other greenfield projects
- Ready to benefit from blue and green ammonia opportunities with practically all critical necessary pieces in place
- Can use electrolyzers incrementally with variable output to ammonia synthesis in line with typical renewable feedstocks

***Minimal capex required to add green/blue hydrogen capacity compared to greenfield projects***

*Source: Derived from IEA hydrogen cost from hybrid solar PV and onshore wind systems in the long term.*

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# Appendix

*Q2 and H1 2022 Results*

# Reconciliation of adjusted EBITDA and adjusted net income

## Reconciliation of Reported Operating Income to Adjusted EBITDA

| $ million | Q2 '22 | Q2 '21 | H1 '22 | H1 '21 | Comment / Adjustment in P&L |
|---|---|---|---|---|---|
| Operating profit as reported | **1,082.7** | **342.3** | **1,872.4** | **622.9** | |
| Depreciation, amortization and impairment | 146.5 | 160.4 | 292.5 | 310.6 | |
| **EBITDA** | **1,229.2** | **502.7** | **2,164.9** | **933.5** | |
| APM adjustments for: | | | | | |
| Natgasoline | 39.0 | 40.4 | 76.1 | 64.7 | *OCI's share of Natgasoline EBITDA* |
| Unrealized Result Natural Gas Hedging | 23.8 | (6.6) | 7.3 | (9.9) | *(gain) / loss at OCIB, IFCo and OCI NV* |
| Provisions & other | (2.1) | (1.1) | 11.7 | (1.1) | |
| **Total APM adjustments at EBITDA level** | **60.7** | **32.7** | **95.1** | **53.7** | |
| **Adjusted EBITDA** | **1,289.9** | **535.4** | **2,260.0** | **987.2** | |

## Reconciliation of Reported Net Income to Adjusted Net Income

| $ million | Q2 '22 | Q2 '21 | H1 '22 | H1 '21 | Adjustment in P&L |
|---|---|---|---|---|---|
| **Reported net profit attributable to shareholders** | **476.7** | **146.3** | **886.4** | **244.9** | |
| **Adjustments for:** | | | | | |
| Adjustments at EBITDA level | 60.7 | 32.7 | 95.1 | 53.7 | |
| Add back: Natgasoline EBITDA adjustment | (39.0) | (40.4) | (76.1) | (64.7) | |
| Result from associate (unrealized gas hedging Natgasoline) | 17.9 | (18.9) | (31.4) | (23.1) | *Finance income / expense* |
| Forex (gain) / loss on USD exposure | (54.4) | (4.2) | (86.6) | (4.4) | *Finance income / expense* |
| Expenses related to refinancing | 65.2 | 4.1 | 66.1 | 12.1 | *Finance expense* |
| NCI adjustment | 12.0 | (1.3) | 27.2 | 2.0 | *Minorities* |
| Accelerated depreciation and impairments of PP&E | 6.0 | 9.2 | 12.5 | 9.2 | *Depreciation & impairment* |
| Other adjustments | (4.4) | - | (4.4) | - | *Finance income / expense* |
| Tax effect of adjustments | (13.2) | (2.4) | (7.1) | (2.2) | *Income tax* |
| **Total APM adjustments at net profit level** | **50.8** | **(21.2)** | **(4.7)** | **(17.4)** | |
| **Adjusted net profit attributable to shareholders** | **527.5** | **125.1** | **881.7** | **227.5** | |

# Reconciliation of EBITDA to free cash flow and change in net debt

| $ million | Q2 '22 | Q2 '21 | H1 '22 | H1 '21 |
|---|---|---|---|---|
| **EBITDA** | **1,229.2** | **502.7** | **2,164.9** | **933.5** |
| Working capital | 46.5 | 57.3 | (149.9) | 37.0 |
| Maintenance capital expenditure | (45.1) | (29.5) | (89.3) | (85.4) |
| Tax paid | (82.1) | (20.9) | (139.5) | (36.8) |
| Interest paid | (53.0) | (90.9) | (67.7) | (109.7) |
| Lease payments | (14.1) | (12.6) | (23.8) | (21.9) |
| Dividends from equity accounted investees | 1.4 | 2.6 | 1.4 | 2.6 |
| Dividends paid to non-controlling interest and withholding tax | (250.1) | (33.7) | (316.8) | (33.7) |
| Other | 95.7 | 22.7 | 158.4 | 37.7 |
| **Free Cash Flow** | **928.4** | **397.7** | **1,537.7** | **723.3** |
| **Reconciliation to change in net debt:** | | | | |
| Growth capital expenditure | (29.0) | (1.2) | (36.2) | (2.2) |
| Methanol Group 15% sale (net) | - | - | 373.7 | - |
| Other non-operating items | 15.0 | (2.2) | 12.7 | (18.4) |
| Net effect of movement in exchange rates on net debt | 26.9 | 3.7 | 19.0 | 15.0 |
| Debt redemption cost | (65.2) | (4.1) | (66.1) | (12.1) |
| Other non-cash items | (3.2) | (3.6) | (7.9) | (8.9) |
| OCI dividend paid to shareholders | (320.4) | - | (320.4) | - |
| **Net Cash Flow / Decrease (Increase) in Net Debt** | **552.5** | **390.3** | **1,512.5** | **696.7** |

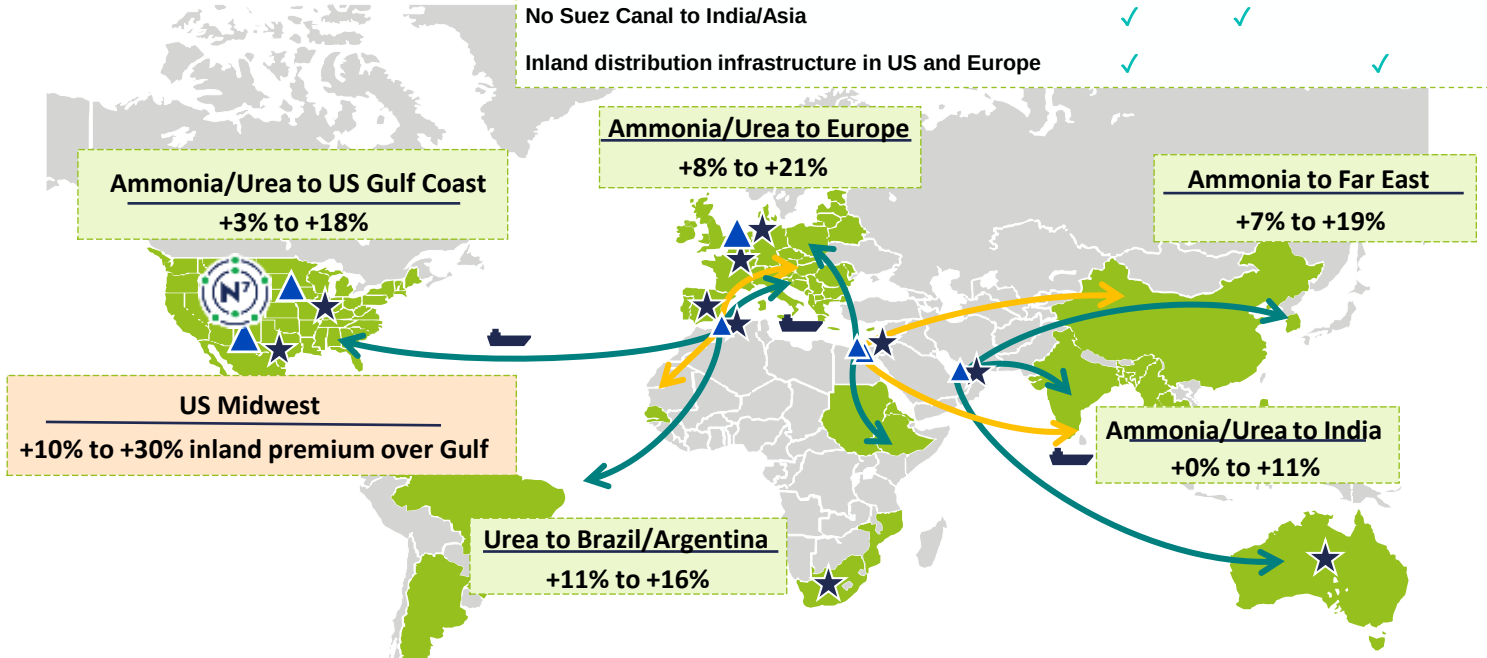
# Appendix

*OCI: Structurally higher netbacks and profit optimization*

# Structurally Higher Realised Netbacks in OCI

## Low-freight Costs, Duty-free Access, Direct-to-customer Strategy and Inland Distribution in US and Europe Enables Structural Netback Advantages

| | OCI | GCC Producer | Baltic Producer | Black Sea Producer |
|---|---|---|---|---|
| No import duties into Europe/South America | ✓ | | | |
| No Suez Canal charges to Europe/Americas | ✓ | | ✓ | ✓ |
| No Suez Canal to India/Asia | ✓ | ✓ | | |
| Inland distribution infrastructure in US and Europe | ✓ | | ✓ | |




Production Facilities
Storage Footprint
OCI Ammonia Vessels
Ammonia Trade Flows
Urea Trade Flows
Key Exports Markets
OCI's / Fertiglobe's Price Advantage Relative to Other Exporting Regions[1]
OCI's Inland Distribution Advantage in the US Mid West [2]

*Source: CRU, Company Information. Notes: (1) OCI illustrative realized price differential vs. peers in key exports markets (as of 2021 including Duties, Freight rates, Suez Canal fees and trader margin). Illustrative netback premiums compared to typical Russian and Middle East producers for all markets. Premium ranging from second closest exporters to widest gap. (2) Premium calculated based on Gulf versus Midwest pricing for ammonia, urea and UAN benchmark pricing in 2021*

## Structural advantage supplemented by strong in-house capabilities and trading platform

- ✓ Low-freight costs, duty-free access to key importing markets and direct-to-customer strategy
- ✓ Advantage compared to peers even if duties to Europe are removed given freight and business model advantage
- ✓ **Extensive inland storage and distribution infrastructure** in the US with N-7 JV and in Europe
- ✓ OCI as both the **producer and the trader always targets value creation**
- ✓ Ability to **generate strong trading margins and move third party product**
- ✓ Flexible approach to allocate volumes to the **highest netback markets**
- ✓ **Diversified customer base, distribution reach in 50+ countries** with established logistics for export at each site with extensive storage capacity
- ✓ **Footprint expansion** in the US, Europe, Latin America and Asia

# Flexible production capabilities to maximize returns

| Max. Proven Capacities[1] ('000 metric tons) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plant | Country | Ammonia (Gross) | Ammonia (Net)[3] | Urea | UAN | CAN | Total Fertilizer | Melamine[4] | DEF | Total Nitrogen | Methanol | Total[2] OCI NV |
| Iowa Fertilizer Company[5] | USA | 926 | 195 | 438 | 1,832 | - | **2,465** | - | 1,019 | **3,484** | - | **3,484** |
| OCI Nitrogen[5] | Netherlands | 1,196 | 350 | - | 730 | 1,560 | **2,640** | 219 | - | **2,859** | - | **2,859** |
| Egyptian Fertilizers Company | Egypt | 876 | — | 1,714 | - | - | **1,714** | - | 350 | **2,064** | - | **2,064** |
| Egypt Basic Industries Corp. | Egypt | 748 | 748 | — | - | - | **748** | - | — | **748** | - | **748** |
| Sorfert Algérie | Algeria | 1,606 | 803 | 1,259 | - | - | **2,062** | - | — | **2,062** | - | **2,062** |
| Fertil | UAE | 1,205 | — | 2,100 | - | - | **2,100** | - | 100 | **2,200** | - | **2,200** |
| OCI Beaumont | USA | 365 | 356 | - | - | - | **356** | - | - | **356** | 1,004 | **1,360** |
| BioMCN | Netherlands | - | - | - | - | - | - | - | - | - | 991 | **991** |
| Natgasoline LLC | USA | - | - | - | - | - | - | - | - | - | 1,807 | **1,807** |
| **Total MPC** | | **6,922** | **2,452** | **5,511** | **2,562** | **1,560** | **12,085** | **219** | **1,469** | **13,773** | **3,802** | **17,575** |
| Excluding 50% of Natgasoline | | - | - | - | - | - | - | - | - | - | (904) | **(904)** |
| **Total MPC with 50% of Natgasoline** | | **6,922** | **2,452** | **5,511** | **2,562** | **1,560** | **12,085** | **219** | **1,469** | **13,773** | **2,898** | **16,671** |

[1] Capacities are maximum proven capacities (MPC) per line at 365 days. OCI Beaumont's capacity addition is an estimate of 2,853 tpd x 365 and BioMCN's M2 capacity is an estimate based on 1,250 tpd x 365 days; [2] Total capacity is not adjusted for OCI's ownership stakes or downstream product mix limitations (see below), except OCI's 50% stake in Natgasoline; [3] Net ammonia is estimated sellable capacity based on a certain product mix; [4] Melamine capacity split as 164 ktpa in Geleen and 55 ktpa in China. OCI Nitrogen owns 49% of a Chinese melamine producer, and exclusive right to off-take 90%; [5] OCI Nitrogen and IFCo each cannot achieve all downstream production simultaneously (i.e.: OCI Nitrogen cannot maximize production of UAN, CAN and melamine simultaneously, and IFCo cannot maximize production of UAN, urea and DEF simultaneously)

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