



## **OCP Reports Earnings for Second Quarter and First Half 2019**

**CASABLANCA, Morocco, September 18, 2019** – OCP S.A. (“OCP” or the “Company”), a global leader in the fertilizer industry, today reported results for the second quarter and first half, ended June 30, 2019.

### **Management Commentary**

“OCP’s first half results continued to outpace the industry average, reflecting key competitive strengths that enable us to successfully navigate challenging market conditions. As we expected, lower raw material costs, high inventory levels in certain regions, and increased export from Chinese producers, were the primary drivers of lower product prices in the 2019 first half. Thanks to our industrial flexibility and commercial agility, OCP mitigated the impact of lower fertilizer pricing by adjusting its portfolio products mix to the demand. Additionally, as the industry’s low-cost producer, we were able to maintain margins during this period of declining prices.

“Year-to-date operating cash flow increased substantially from the prior year’s levels providing significant resources to support future growth and to further strengthen our cost leadership position. First half capital spending was aligned with our projections, and we continued to gain cost efficiencies from our well-executed projects,” noted Mr. Mostafa Terrab, Chairman and Chief Executive Officer.



## First Half 2019 Key Figures

- First half 2019 revenues increased to MAD 27,582 million (US\$ 2.87 billion), compared with MAD 26,599 million (US\$ 2.86 billion) in the first half of 2018.
- EBITDA was MAD 8,480 million (US\$ 883 million), up from MAD 8,008 million (US\$ 862 million) for the same period last year, and EBITDA margin improved to 31% from 30% in the comparable period last year.
- Capital expenditures totaled MAD 5,856 million (US\$ 610 million).

## Operating and Financial Results

In the first half of 2019, the main consuming regions of the world increased their imports compared to year-ago levels. In this context, OCP's revenues grew 4% year-over-year to MAD 27,582 million (US\$ 2.87 billion).

This growth was led by higher acid volumes and prices, which mitigated a lower performance in the rock and fertilizer segments, where softer prices for finished products were mainly correlated with reduced sulfur and ammonia prices.

OCP continued to consolidate its leadership position in Asia through strong exports of acid, particularly to India where demand was driven by increased local fertilizer production. Rock revenues benefited from slightly improved pricing effect in the period, but were largely offset by lower sales volumes resulting from reduced exports - mainly to Latin America. Both lower volumes and prices impacted fertilizer revenues during the first half of the year, induced by lower sales - namely in Asia.

Gross profit increased to MAD 17,837 million (US\$ 1.85 billion), compared with MAD 17,024 million (US\$ 1.83 billion), reflecting higher revenues and decreased raw material prices, primarily sulfur.

First half 2019 EBITDA improved to MAD 8,480 million (US\$ 883 million), compared to MAD 8,008 million (US\$ 862 million) for the same period in 2018. EBITDA margin was 31%, ahead of the 30% reported for first half 2018, benefiting as well from lower raw material costs.

First half 2019 operating profit amounted to MAD 3,828 million (US\$ 399 million), compared with MAD 4,114 million (US\$ 443 million), in 2018. The decrease in operating profit is mainly linked to depreciation impact linked to new projects coming in line.



## **Balance Sheet and Cash Flow**

Available cash and cash equivalents amounted to MAD 13,747 million (US\$ 1.44 billion) as of June 30, 2019.

Net financial debt was MAD 39,068 million (US\$ 4.08 billion), and the adjusted Net Financial Debt to EBITDA ratio, which compares to 2.02x at the end of 2018, was 2.15x as of June 30, 2019.

## **SECOND QUARTER 2019**

### **Key Figures**

- Second quarter revenues slightly decreased to MAD 15,061 million (US\$ 1.56 billion), from MAD 16,180 million (US\$ 1.72 billion) in the prior-year period.
- Gross profit was MAD 9,250 million (US\$ 960 millions), compared to MAD 10,412 million (US\$ 1.11 billion) in the second quarter of 2018.
- Second quarter EBITDA amounted to MAD 4,116 million (US\$ 427 million), compared to MAD 5,492 million (US\$ 589 million) in the year-ago period.
- Second quarter operating profit was MAD 1,292 million (US\$ 134 million), compared to MAD 2,955 million (US\$ 317 million) in the Q2 2018.

### **Summary and Outlook**

OCP's first half results represented positive year-on-year revenue and EBITDA comparisons during a period of softening prices and increased export volumes. The Company's ability to effectively navigate changes in market dynamics rests with its leadership position and the structural advantages of its business model.

First half market conditions were aligned with OCP's expectations, with a cautious outlook for the second half of the year. Lower pricing will drive higher consumption across the key importing regions, although high inventories, particularly in the U.S. and India, will constrain imports.

That said, OCP's cost competitiveness and operating efficiencies, combined with the expected decline in raw materials prices during the second half of this year, will enable the Group to continue to achieve industry-leading margins.