

Results as at 31 March 2012

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## **Sorfert Algeria Starts Production & OCI Reports Growth in Construction Backlog for the 4<sup>th</sup> Consecutive Quarter**

### **Summary of Consolidated Results for Q1 2012<sup>1</sup>:**

- Consolidated revenues increased 1.4% to US\$ 1,279.4 million (EGP 7,721.2 million) versus US\$ 1,261.6 million (EGP 7,383.3 million) in Q1 2011
- EBITDA decreased 23.6% to US\$ 255.8 million (EGP 1,543.3 million) versus US\$ 334.8 million (EGP 1,958.9 million) in Q1 2011 and was adversely affected by the following items:
  - Lower than targeted fertilizer sale volumes during the quarter despite full operating rates resulting in a favorable inventory position
  - US\$ 19.3 million related to increased selling, general & administrative expenses build-up for Sorfert Algeria and OCI Beaumont without the associated revenues
  - US\$ 17.8 million drop related to a 32% drop in melamine prices
  - US\$ 12.7 million drop related to lower net-back ammonia prices at Egypt Basic Industries Corporation (EBIC)
  - Provisioning on profit margins on certain construction contracts related to the non-issuance of variation orders
- Consolidated EBITDA margin of 20.0% and Construction Group EBITDA margin of 11.0% during Q1 2012
- Net income decreased 54.4% to US\$ 94.0 million (EGP 567.1 million) versus US\$ 206.3 million (EGP 1,206.3 million) in Q1 2011 and was adversely affected by the following items during the quarter:
  - The lower operating margins during the quarter
  - Elimination of the Gavilon Group, LLC's (Gavilon) investment income during the quarter since Gavilon has been reclassified as an investment held for sale. Investment income during the quarter was US\$ 3.8 million compared to US\$ 30.8 million during the same period last year
- Consolidated backlog as at 31 March 2012 grew to US\$ 6.49 billion reflecting an increase of 1.4% over the backlog as at 31 December 2011 and 15.5% over the same period last year
- New awards totaled US\$ 841 million during the quarter
- Infrastructure and industrial work constitute 61% of the Construction Group backlog as at 31 March 2012

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<sup>1</sup> Consolidated financial figures presented in this press release are unaudited

### Statement from the Chairman and Chief Executive Officer – Nassef Sawiris

Our first quarter results have been impacted by lower selling prices for ammonia and melamine and provisioning on profit margins on certain construction contracts related to the non-issuance of variation orders. In addition, during the quarter the Fertilizer Group had lower dispatches of urea, ammonia and urea ammonium nitrate despite full operating rates. As a result, we closed the quarter with a favorable inventory position and this should bode well for the Group since fertilizer prices have recovered in the second quarter. Moving forward, we expect to weather the impacts on the first quarter results with the resurgence in fertilizer prices during late March and increases in production rates from our new fertilizer plants. We expect a noticeable improvement in our financial results for the remainder of the year.

Since the first quarter ammonia prices have surged over 50% and urea prices have rebounded over 20% and we expect prices for both commodities to remain firm for the second half of the year. During the quarter, we witnessed a 32% decline in net-back prices for melamine however prices have started to bottom in the second quarter and we expect them to rebound in the second half of the year.

Since the start of the year, the Fertilizer Group has made significant progress on the commissioning of its capacity expansions especially in the United States and Algeria and continues on-track with its debottlenecking initiatives in Egypt and the Netherlands.

In the United States, OCI Beaumont sold 38 thousand tons of ammonia during the quarter and going forward, the plant is on-track to produce at a rate of 250 thousand tons of ammonia per year benefiting from favorable natural gas prices in the US. The plant's 750 thousand ton per year methanol line is slated to start production in June.

In Algeria, Sorfert Algeria has successfully started production runs for Line I urea and ammonia in May with its first commercial shipment scheduled in June. Line II starts production later this year. Sorfert adds 1.2 million tons of urea and 0.8 million tons of ammonia annually at full capacity.

On 29 May, the sale of Gavilon to Japanese trading house Marubeni Corporation (Marubeni) was announced valuing the equity of the business at US\$ 3.6 billion. OCI expects to receive cash proceeds in excess of US\$ 600 million for its 16.8% stake subject to the completion of the transaction. We had invested US\$ 340 million for our stake in the business in mid-2008 and we expect to use part of the proceeds to finance the Fertilizer Group expansion in North America and potentially invest in other opportunities under review. Part of the proceeds will be paid as dividends to shareholders.

The Construction Group reported a 1.4% growth in backlog over the previous quarter and 15.5% over the same time last year, showing positive growth for the fourth consecutive quarter. New work secured during the first quarter totaled a healthy US\$ 841 million, including a US\$ 363 million contract to build a 1,000 MW gas turbine power plant in Baiji, Iraq. The Group will continue its focus on Iraq's infrastructure development program including power generation, water, wastewater, hospital and large-scale oil and gas industries.

On 17 May, the Company received unanimous approval from shareholders during an Extraordinary General Meeting (EGM) in a record voting turnout on the planned demerger of the company's construction business from its fertilizer business. At present the General Authority for Investment (GAFI) is reviewing the demerger proposal. Our team is working closely with GAFI to expedite the process and we expect the demerger to be complete during the third quarter.

For additional information contact:

**OCI Investor Relations Department:**

Omar Darwazah

Email: [omar.darwazah@orascomci.com](mailto:omar.darwazah@orascomci.com)

Erika Wakid

Email: [erika.wakid@orascomci.com](mailto:erika.wakid@orascomci.com)

Hassan Badrawi

Director

Tel: +202 2461 1036/0727/0917

Fax: +202 2461 9409

**For additional information on OCI:**

[www.orascomci.com](http://www.orascomci.com)

OCI stock symbols: OCIC.CA / OCIC EY / OCICqL / ORSD / ORSCY

Orascom Construction Industries (OCI)

Nile City Towers – South Tower

2005A Corniche El Nil

Cairo, Egypt