

## EuroChem Group AG Reports IFRS Financial Information for 2014

	Q4 2014		Q4 2013		Chng	2014		2013		Chng
	US\$ m	RUB bn	US\$ m	RUB bn	Y-o-Y, %	US\$ m	RUB bn	US\$ m	RUB bn	Y-o-Y, %
Revenue	1,146	54	1,347	44	-15%	5,088	193	5,556	177	-8%
Gross Profit	457	22	462	15	-1%	2,014	77	2,014	64	-%
EBITDA	422	21	283	9	+49%	1,513	60	1,349	43	+12%
Cash from operations	177	11	305	10	-42%	964	38	1,137	36	-15%
Net Debt/ LTM <sup>(1)</sup> EBITDA <sup>(2)</sup>	31 December 2014					31 December 2013				
	1.77x					2.02x				

Russian rouble (RUB) figures are provided for the convenience of the reader and are not part of EuroChem Group AG audited financial statements.

<sup>(1)</sup>Last Twelve Months.

<sup>(2)</sup>Including net income from associates and joint-ventures.

**Zug, Switzerland, 11 February 2015** - EuroChem Group AG (hereinafter EuroChem, Group or Company) today reported consolidated revenues for the year ended 31 December 2014 of US\$ 5.09 billion (RUB 193bn) and earnings before interest, taxes, depreciation, and amortisation (EBITDA) of US\$ 1.51 billion.

While revenues were 8% lower than in the previous year, currency movements supported stronger profitability levels and lifted the Group's full year EBITDA by 12% year-on-year. Peaking at 37% in the fourth quarter, the Group's EBITDA margin for the year reached 30%, as compared to 24% in 2013. Net loss for 2014 amounted to US\$ 578m (2013: net profit of US\$ 387m) and was caused by a translation effect of c.US\$ 1.5bn which the significant weakening of RUB/US\$ exchange rate had on the US\$-denominated net debt of the Group.

Full-year own nitrogen and phosphates sales volumes of 10.6 MMT, excluding raw material mining and hydrocarbons, were stable year-on-year as higher nitrogen volumes mitigated slightly lower phosphates volumes. Sale volumes of iron ore, a co-product of phosphate rock beneficiation operations at the Kovdorskiy mine, reflected the year's weaker demand landscape and amounted to 5.5 MMT, representing a 6% decline on the 5.9 MMT of iron ore sold a year earlier. In addition to 10.6 MMT of fertilizers produced by EuroChem, the Group distributed 1.58 MMT of third party products, mainly Ammonium Sulphate (2013: 1.63 MMT).

"Our results once again show the advantages provided by our competitive cost base and vertically integrated model", commented EuroChem CEO Dmitry Strezhnev. "With substantial raw material and production capacity in Russia, EuroChem's global competitiveness is now stronger than ever."

## 2014 Market Overview<sup>1</sup>

Average market prices (US\$/tonne)	Q4-14	Q4-13	y-o-y chg%	2014	2013	y-o-y chg%	Last 12 Months	
							High	Low
Prilled urea (FOB Yuzhny)	\$315	\$312	+1%	\$318	\$341	-7%	\$371	\$293
Ammonia (FOB Yuzhny)	\$574	\$417	+38%	\$496	\$479	+4%	\$604	\$412
AN (FOB Black Sea)	\$283	\$277	+2%	\$281	\$288	-2%	\$319	\$248
MAP (FOB Baltic)	\$463	\$374	+24%	\$470	\$454	+3%	\$508	\$395
Iron ore (63.5% Fe, CFR China)	\$77	\$135	-43%	\$99	\$136	-27%	\$136	\$68

Averages are derived from weekly prices.

### Nitrogen

Despite unfavourable spring planting conditions across major agricultural regions, ideal summer growing conditions led to high grain yields in 2014. Expectations of a bumper crop applied constant pressure to soft commodity prices with rice pushed down by 25%, soybeans by 20% and corn by 4%, as compared to the previous year. Notwithstanding, increasing acreage and fertilizer affordability remained supportive of higher application rates by incentivizing farmers to maximize yields in light of lower crop prices.

Global nitrogen sales increased from 110.9 MMT nutrient tonnes (N) in 2013, to an estimated 111.8 MMT in 2014. Throughout 2014, nitrogen demand was generally stable, with more pronounced consumption growth observed in Asia, where the market is estimated to have grown 1.6% to reach 66 MMT (N) and Latin America, adding 2.6% to 8 MMT (N). Together, these two markets accounted for two thirds of global demand.

Global ammonia capacity increased by 2.7%, or 5.5 MMT, to reach 210.6 MMT, while an additional 2.2% of urea capacity was brought online, bringing global capacity to 207.8 MMT.

Continued natural gas supply restrictions in Trinidad and North Africa kept ammonia prices elevated at an average of US\$496/tonne (FOB Black Sea) through the year, with some pricing relief in the last months of the year.

China once again dominated fertilizer exports as the government introduced lower export tariffs for urea and phosphate fertilizers. Despite domestic lobbying pressure to curb exports, the lower year round export taxes incentivised approximately 13.6 MMT of urea exports in 2014, as compared to 8.3 MMT in 2013. While China accounted for 10% of global urea trade in 2011, the world's largest urea producer represented 24% of global trade in 2014.

The downward revisions to the urea export tax in China coupled with limited buyer activity in India had eroded urea prices to US\$300/tonne (FOB Black Sea) by April. Increasing export volumes from China effectively capped prices at this level until the third quarter. As demand returned with autumn application season, raw material supply disruptions in Ukraine, Trinidad and Northern Africa buoyed prices back to US\$330-340/tonne (FOB Black Sea). Despite the good demand levels and supply issues, average urea prices of US\$318/tonne (FOB Black Sea) remained 7% lower year-on-year as compared to 2013.

<sup>1</sup> Sources: International Fertilizer Association (IFA), Fertecon. Nutrient tonnes provided in N (ammonia), P2O5 (phosphoric acid) and K2O (MOP/SOP).

## Phosphates

In phosphates, despite continued demand growth in such emerging agricultural markets as Latin America, Eastern Asia, Africa, and Oceania, a reduction in demand in the key markets of Western Europe, North America, the Middle East and South Asia led to supply /demand imbalance. Preliminary data suggests global demand contracted by 1.3% in 2014, down to 41.6MMT (P2O5) from 42.1 MMT (P2O5) in 2013.

India remained the world's largest importer of DAP, buying 3.6 MMT, an increase of 3% on 2013, while China remained the largest global phosphates exporter with shipments of 4.9 MMT of DAP and 2.3 MMT of MAP in 2014, as compared to 3.8 MMT and 0.7 MMT respectively in 2013.

While phosphoric acid capacity grew 1.3 MMT to 55.6 MMT (P2O5) as compared to 2013, there was little or no growth in downstream MAP/DAP capacity.

Early in the year, healthy demand and logistical constraints lifted MAP prices from US\$ 400/tonne (FOB Baltic) in January to US\$ 480/tonne by late March. While the opening of the lower tax window in China brought additional product to market, prices remained firm and had reached US\$ 500/tonne by the third quarter before retreating lower on seasonality. Average MAP prices finished the year at US\$ 470/tonne (FOB Baltic), representing a 3% improvement on the previous year.

## Potash

In 2014, potash fertilizer consumption increased to 30.6 MMT nutrient tonnes (K2O), up from 30.1 MMT (K2O) in 2013 as demand growth in Latin America, Asia, Africa and Oceania, offset lower application in North America.

Globally, sales of potash fertilizers grew by 11% year-on-year to 61.3 MMT, with total exports of 47.3 MMT representing an increase of 13% over the previous year.

Despite a reduction in potash subsidies and a pronounced depreciation of the local currency, MOP imports to India grew significantly in 2014 and exceeded 4 MMT. Demand in China also grew to 13 MMT of MOP and required 8 MMT of imports, as compared to 6 MMT in 2013.

In 2014, total potash based products capacity increased to 87.1 MMT, including 82.6 MMT of MOP, compared to 78.5 MMT in 2013. The majority of additions came from North America (+1.3 MMT), the CIS (+410 KMT) and China (+200 KMT).

With increasing demand driving higher shipments and operating rates at producer levels, prices showed modest growth across major markets, increasing from US\$ 300-330/tonne to US\$ 320-350/tonne (CFR SE Asia) and US\$ 310-330/tonne to US\$ 350-380/tonne (CFR Brazil).

## Iron ore

The commissioning of additional lower-cost supply amidst substantially weaker domestic steel demand in China continued to pressure prices. From US\$ 136/tonne (63.5% Fe, CFR China) in January, prices moved to a low of US\$ 68/tonne in December. For the year, iron ore averaged US\$ 99/tonne, representing a 27% decline on its US\$ 136/tonne average of the previous year.

## BUSINESS SEGMENTS

Segment data (both volume and value) is shown gross and inclusive of intra-segment sales.

### Nitrogen segment<sup>2</sup>

Sales volumes including sales to other segments (KMT)						
NITROGEN	Q4-14	Q4-13	y-o-y chg%	2014	2013	y-o-y chg%
<b>Thousand tonnes</b>	<b>2,000</b>	<b>2,283</b>	<b>-12%</b>	<b>8,339</b>	<b>8,218</b>	<b>+1%</b>
Ammonia	56	66	-15%	215	161	+33%
Urea (granular)	286	254	+13%	1,137	1,066	+7%
Urea (prilled)	164	236	-30%	772	890	-13%
AN	424	483	-12%	1,654	1,717	-4%
AN (granular)	90	75	+20%	227	307	-26%
UAN	204	324	-37%	1,011	1,086	-7%
NPK/NP	360	395	-9%	1,588	1,532	+4%
CAN	274	301	-9%	1,206	959	+26%
Organic synthesis products	132	142	-7%	487	475	+3%
Melamine	10	7	+43%	41	25	+64%
Natural gas (mcm)*	218	222	-2%	855	830	+3%
Gas condensate	31	39	-21%	126	141	-11%

\*Sales within Nitrogen segment.

Full year nitrogen sales volumes increased by 121 thousand tonnes (KMT) to 8,339 KMT. The flexibility of our production chain allows us to switch quickly to a product mix which maximizes our contribution margins in a given market environment. While we decreased sales of urea, AN and UAN, which together retreated 265 KMT year-on-year, volumes in calcium ammonium nitrate (CAN) continued to grow. From 757 KMT in 2012 to 959 KMT in 2013, CAN sales volumes increased a further 26% to reach 1,206 KMT in 2014. The 4% pullback in AN volumes was the result of the reconfiguration of production units at Novomoskovskiy Azot in favour of higher-margin CAN production. The lower urea and UAN sales volumes, which declined 2% and 7%, respectively, were primarily incurred as we shifted deliveries within the CIS.

Although sales volumes improved, lower year-on-year average prices for key nitrogen products led to a slight decline in segment revenues. Amounting to US\$ 2.9 billion, full year nitrogen revenues were 3% behind the US\$ 3.0 billion recorded in 2013. Nevertheless, the devaluation of Russian rouble against the US dollar and the ensuing positive effects on our nitrogen cost base boosted segment EBITDA by 7% to US\$ 866 million.

While the Group's nitrogen operations in Belgium require ammonia to be sourced from the market, our operations in Russia benefit from integrated ammonia capacity as well as captive natural gas production further upstream. In Russia, natural gas prices remained unchanged in rouble terms following the introduction of a series of pricing reviews in late 2013. However, the weakening of the local currency against the US dollar yielded lower average natural gas prices in US\$/mmBtu.

<sup>2</sup> From 1 January 2014 the results of our EuroChem Agro distribution network were reallocated from Nitrogen and Other to the Distribution segment.

For the full year 2014, our Novomoskovskiy Azot nitrogen fertilizer facility paid an average natural gas price of US\$ 3.41/mmBtu as compared to US\$ 3.79/mmBtu in 2013, while further south our Nevinnomysskiy Azot facility paid an average price of US\$ 3.60/mmBtu, as compared to US\$ 4.03/mmBtu last year.

All else being equal, an average US\$/RUB exchange rate of 62, such as for the month of January 2015, translates into natural gas price of approximately US\$ 2.11/mmBtu and US\$ 2.23/mmBtu for our Novomoskovskiy and Nevinnomysskiy facilities, respectively. For the full year 2014, benchmark natural gas hubs had average prices of USD 4.35/mmBtu in the U.S. (Henry Hub) and USD 8.38/mmBtu in Western Europe (Zeebrugge)<sup>3</sup>.

Our Severneft Urengoy natural gas operations generated EBITDA of US\$ 41 million on revenues of US\$ 146 million. The 9% year-on-year decline was mainly the result of lower condensate sales.

## Phosphates segment

Sales volumes including sales to other segments (KMT)						
PHOSPHATES	Q4-14	Q4-13	y-o-y chg%	2014	2013	y-o-y chg%
<b>Thousand tonnes</b>	<b>529</b>	<b>593</b>	<b>-11%</b>	<b>2,277</b>	<b>2,414</b>	<b>-6%</b>
Including:						
MAP, DAP	423	458	-8%	1,864	1,849	+1%
NP	10	13	-23%	107	117	-8%
Feed phosphates	93	89	+5%	297	307	-3%
<b>Mineral raw materials</b>	<b>1,350</b>	<b>1,588</b>	<b>-15%</b>	<b>5,517</b>	<b>5,858</b>	<b>-6%</b>
Including:						
Iron ore	1,348	1,586	-15%	5,508	5,851	-6%

Our full year phosphates sales volumes amounted to 2,277 KMT of product, of which more than 4/5 was MAP/DAP. While an additional 15 KMT in DAP/MAP sales helped to partially offset lower NP and feed sales, total segment volumes came down 6% year-on-year as we consumed more apatite rock internally at our phosphoric acid units.

Amidst a backdrop of weak demand and rising supply, iron sales volumes declined 6% year-on-year with mineral raw material sales volumes finishing the year at 5,517 KMT.

Despite market prices for MAP/DAP products moving up 3% year-on-year, the significant decline in iron ore prices, which retreated 27% over the same period, coupled with 6% lower volumes, dragged our phosphates segment revenues down 13% to US\$ 1.6 billion. The continued weakening of the Russian rouble throughout the year offered some relief and significantly reduced phosphates costs, lifting full-year phosphates EBITDA by 9% to US\$ 476 million.

Within phosphates, our mining operations, which include apatite, iron ore and baddeleyite sales to third parties, provided 30% and 40% of 2014 phosphates segment revenues and EBITDA, respectively, as compared to 38% and 74% in 2013. The contribution from mining was less pronounced as average iron prices decreased from \$136/tonne in 2013 to below \$100/tonne in 2014, while average MAP/DAP prices moved in the opposite direction and gained 3% on their 2013 average.

<sup>3</sup> Average prices derived from weekly data points.

## Distribution segment

The Group's distribution segment is comprised of retail sales of EuroChem fertilizers as well as third-party products such as ammonium sulphate, seeds, and crop protection products.

A robust fourth quarter helped drive full-year distribution revenues up 26% to US\$ 2.3 billion, as compared to US\$ 1.8 billion in 2013. While less pronounced than in other segments, the devaluation of the Russian rouble also favourably impacted segment profitability as EBITDA increased 4% year-on-year to US\$ 90 million, US\$ 3 million higher than last year.

Our strong market presence in Europe allowed us to capitalise on favourable regional market dynamics for NPK, especially SOP-based products, while our global distribution reach pushed 2014 MAP/DAP sales volumes 529% above last year's total.

Good demand supported a 6% increase in NPK sales volumes for the year. The multi-nutrient fertilizers accounted for 20% of distribution volumes and generated sales of US\$ 594 million, representing 26% of distribution sales. MAP/DAP sales volumes registered impressive growth of 529%, while contributing US\$ 394 million to revenues. CAN sales volumes moved 30% year-on-year to 1,170 KMT.

Sales volumes of ammonium nitrate (AN) via our distribution segment recovered in the second half of the year following shifts in markets as the situation in Ukraine unfolded. With quarterly sales volumes declining from 200 KMT to 54 KMT over the first two quarters of the year, AN sales volumes had climbed to 218 KMT in the fourth quarter, bringing total volumes to 565 KMT.

## Potash segment

### ***EuroChem VolgaKaliy (Gremyachinskoe potash deposit, Volgograd region)***

Shaft sinking progressed at all three of the site's shafts with a combined 277 meters sunk in the fourth quarter of 2014, bringing VolgaKaliy's yearly tally to 1,019 meters. With freeze plants maintaining freeze walls up to a depth of 820 meters, we crossed a new milestone as the Skip Shaft #1 moved beyond the freeze zone, finishing 2014 at a depth of 849 meters. Real-time temperature monitoring and 3D modelling systems provided vital data sets as the sinking progressed from the freeze zone to a rock temperature of +26 Celsius. Above the shaft, we completed the installation and commissioning of the permanent hoist equipment.

As at 31 December, the installation of the permanent headframe for Skip Shaft #2 were completed and sinking operations, which were halted during assembly, had been resumed according to schedule. VolgaKaliy's Cage Shaft and Skip Shaft #2 had reached depths of -529 meters and -398 meters, respectively.

Construction crews continued working on a number of surface facilities, including the beneficiation plant (crushing, flotation and drying units), the ore and finished product storage buildings, as well as the permanent mine rescue and fire brigade stations and the site's wastewater treatment system. As previously announced, the 220 kV electrical substation was certified and obtained its commissioning permit earlier in 2014.

The development of social infrastructure in the town of Kotelnikovo, in close proximity to the VolgaKaliy site, progressed on schedule as we completed the construction and commissioned a hotel, sports complex, and additional apartment buildings over the course of the year. As well, continued on the town's freshwater and wastewater systems and the second phase of our utilities upgrade program, which takes into account the expected population growth as we move closer to starting operations at VolgaKaliy.

## ***EuroChem Usolskiy Potash (Verkhnekamskoe potash deposit, Perm region)***

With both of the site's shafts sunk most of the underground work has been centred on completing the back wall grouting and the installation of the shafts' permanent fixed guides, excavating for the loading and bin pockets, and the ventilation channels for the shafts.

On the surface, we began the excavation and pile work for the beneficiation plant foundations. Construction of the main hoist buildings started as well as the construction of the main administrative building. More work was done on the site's railway line, including on the highway by-pass and additional ground levelling work on the line to the Palasherskiy railway station and the junction line to the main sorting station. A major feature at the intersection of the highway and railway was completed with the opening of the highway overhead bridge. Additionally, both the gas pipeline and water pipeline system were nearing completion at year-end, as per schedule

In June 2014 EuroChem Usolskiy won the right to explore and produce potash from the Belopashinsky plot of the Verkhnekamskoe deposit. The 65 km<sup>2</sup> licence area is directly adjacent to the Palasherskiy plot, where Usolskiy is currently developing its mine. The new licence brought EuroChem Usolskiy's total licence area to 188 km<sup>2</sup> with proven and probable reserves of approximately 2.5 billion tonnes of ore, providing a useful mine life of at least 60 years, assuming today's planned annual production of 3.7 MMT of KCl.

As of 31 December 2014, the Group had spent an aggregate total of US\$ 2.4 billion on its two potash projects. Total project completion, including phase II brownfield expansions, was estimated at 22% for Usolskiy and 36% for VolgaKaliy.

## **FINANCIAL**

### **Income statement**

US\$m	Total sales						EBITDA					
	Q4 2014	Q4 2013	chng, %	2014	2013	chng, %	Q4 2014	Q4 2013	chng, %	2014	2013	chng, %
Nitrogen	663	738	-10%	2,915	3,009	-3%	208	157	+32%	866	808	+7%
Phosphates	346	435	-21%	1,592	1,833	-13%	149	89	+66%	476	435	+9%
Potash	-	-	n/a	-	-	n/a	-15	-9	n/a	-32	-24	n/a
Distribution	617	431	+43%	2,315	1,834	+26%	26	38	-30%	90	87	+4%
Other	253	253	-	940	940	-	106	8	n/a	194	48	+308%
Elimination	-733	-510	n/a	-2,675	-2,061	n/a	-53	-1	n/a	-82	-5	n/a
<b>Total</b>	<b>1,147</b>	<b>1,347</b>	<b>-15%</b>	<b>5,088</b>	<b>5,556</b>	<b>-8%</b>	<b>422</b>	<b>283</b>	<b>+49%</b>	<b>1,513</b>	<b>1,349</b>	<b>+12%</b>

EuroChem Group AG consolidated revenues for the twelve months ended 31 December 2014 amounted to US\$ 5.09 billion, as compared to US\$ 5.56 billion in the same period a year ago. The effects of a weaker Russian rouble on our predominantly rouble-denominated cost base coupled with higher volumes and utilization rates, more than offset the materially adverse iron ore backdrop and yielded robust EBITDA growth. Boosted by a strong fourth quarter, which was characterised by a sharp weakening of the rouble, the Group's EBITDA for the year jumped 12% year-on-year to US\$ 1.51 billion.

Geography of sales	2014	2013	Change in percentage points
Europe	38%	32%	+6
Russia	20%	19%	+1
Asia	14%	18%	-4
North America	10%	10%	-
Latin America	10%	9%	+1
CIS	6%	8%	-2
Africa	2%	3%	-1
Australasia	-%	1%	-1

With our distribution platform firmly in place we continued to grow our sales to Europe. For the full-year 2014, sales to Europe represented 38% of total Group sales, up 6 percentage points over the previous year. With production support from our operations in Belgium enhanced by the deep market coverage provided by our EuroChem Agro distribution platform, the European market contributed US\$ 1.9 billion to Group sales in 2014. While the Russian market remain stable with a contributions of US\$ 1.0 billion to full-year revenues, sales from the CIS reflected the regional developments in neighbouring Ukraine and declined to US\$ 313 million, as compared to US\$ 447 million a year earlier. The sharp decline in Group sales to Asia mirrored the global contraction in iron ore demand and pricing. Coming in US\$ 302 million lower than a year ago, the Group's sales to Asia declined 31% year-on-year to US\$ 688 million.

Despite sales volumes remaining stable, the significant exposure of the Group's cost base to the Russian rouble, resulted in a 13% reduction in cost of sales. For the full-year 2014, costs of sales amounted to US\$ 3.1 billion, which was US\$ 468 million lower than US\$ 3.5 billion in 2013.

Raw materials costs, which accounted for 46% of costs in 2014 (2013: 44%), decreased 9% to US\$ 1.4 billion. Cost of goods for resale declined 10% to US\$ 387 million. The matching revenue from sales of third party products amounted to US\$ 439 million (2013: US\$ 488m).

We recognized other operating income of US\$ 156 million in 2014, against other operating expenses of US\$ 13 million the previous year. The main items behind this reversal were operating foreign exchange gains of US\$ 120 million (revaluation of foreign currency cash balances of the Group's Russian subsidiaries) versus losses of US\$ 12 million in 2013.

Below the operating profit line, we recognized unrealized financial foreign exchange losses of US\$ 1.1 billion and unrealized financial losses from currency forwards and swaps of US\$ 0.5bn of a similar nature, as compared to losses of US\$ 185 million in 2013. Both reflect the RUB 23.6 decline in value of the US\$/RUB exchange rate during 2014 (from 32.7 to 56.3) on the mostly US\$ denominated financial debt of the Group. At the end of 2014, out of a total financial debt of US\$ 3.1 billion, US\$ 3.0 billion was denominated in US\$ either contractually or synthetically through swaps and forward contracts. As a matter of policy, the Group borrows in currencies for which expected net cash flows over the term of the borrowing materially exceed the amounts required to service and repay the debt.



## Balance sheet

As part of the re-domiciliation of the Group's corporate headquarters, during the fourth quarter of 2014 we received consent from lenders and executed the novation of over 70% of external debt to EuroChem Group AG level (the new top holding company of the Group). Starting from 30 September 2014, the Group's debt covenants are calculated with reference to the US\$-denominated consolidated accounts of EuroChem Group AG. Given the sharp depreciation of the Russian rouble, as at 31 December 2014 the Group had a net debt (US\$ 2.68bn) to 12-month rolling EBITDA (US\$ 1.51bn) ratio of 1.77x.

In the fourth quarter of 2014, both S&P and Fitch Ratings assigned EuroChem Group AG a "BB" rating with stable outlook and affirmed Russia-based JSC MCC EuroChem at "BB" with stable outlook. The ratings are underpinned by the Group's high degree of self-sufficiency in raw materials, strong market presence in Europe and Russia, product diversification, and commitment to maintaining a moderate financial policy.

### *Cash flow*

Group operating cash flow as per the financial statements was US\$ 964 million as compared to US\$ 1,137 million in 2013.

Total capex spending for the year amounted to US\$ 1.1 billion, of which US\$ 439 million was allocated to the Group's expansion into potash with the development of VolgaKaliy and Usolskiy sites as well as work on new deposits. In nitrogen we invested US\$ 340 million including, among others, such projects as the increase of ammonia capacity at Nevinnomysskiy Azot to 1,980 KMT per day and the installation of a low-density ammonium nitrate (LDAN) production line at the Group's Novomoskovskiy Azot facility. We realized capital expenditures of US\$ 282 million in phosphates, where investments were mainly directed at the development of a phosphate rock deposit in Kazakhstan and the expansion of the Kovdorskiy GOK mining area.

With around 60% of Group capex denominated in roubles, the weakening of the Russian currency against the US dollar has significantly enhanced the economics of our investment projects in Russia. As for operational expenditures, given that approximately 40% of the Group's opex is incurred in roubles (forecasted at RUB 69 billion for 2015), any prolonged currency weakness is expected to further decrease Group costs.

### *Project Finance*

In August 2014, the Group signed a US\$ 750 million non-recourse project finance facility agreement for the financing of its Usolskiy Potash project located in Russia's Perm region. In January 2015, the Group utilised the first loan under the Project Finance facility for an amount of US\$ 39.9 million.

## OUTLOOK

In nitrogen, China's removal of seasonal tax windows for urea in favour of a constant yearlong export tax should not lead to any substantial increases in volumes given the already high export volumes of the last few years coupled with an increasing domestic demand. However, additional capacity on the horizon in the Middle East and North Africa and potential downward revisions to the nitrogen subsidy system in India could lead to increased competition in the Eastern Hemisphere.

In the CIS, ammonia, urea and nitrogen-based fertilizer supplies are expected to remain limited for as long as unrest persists in Ukraine. On the cost side, the weakening of the Russian currency has significantly increased the competitiveness of Russia-based ammonia and nitrogen fertilizer production with natural gas prices, delivered to plant, now hovering around US\$ 2.0/mmBtu.

In phosphates, prices are showing positive momentum ahead of peak season in the Western Hemisphere. Low inventory levels across key markets, especially India, should provide support to prices over the next quarters with any shift in Indian subsidies from nitrogen to phosphates likely to provide further upward traction to pricing. Additionally, as for urea, the absence of a seasonal export tax for Chinese phosphate products should limit pricing volatility and provide greater market visibility.

In potash, healthy inventory levels and the further erosion of supply-side discipline will likely delay the signing of this year's potash supply contracts. In the meantime, any attempt to raise prices is likely to be met by strong buyer resistance

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EuroChem is a leading global agrochemical company, producing primarily nitrogen and phosphate fertilizers, as well as certain organic synthesis products and iron ore. The Group is vertically integrated with activities spanning from mining and hydrocarbons extraction to fertilizer production, logistics, and distribution. EuroChem is currently developing two sizeable potash deposits in Russia with its VolgaKaliy and Usolskiy Potash greenfield projects. Headquartered in Zug, Switzerland, the Group operates production facilities in Belgium, Lithuania, and Russia and employs more than 22,000 employees globally.

*This EuroChem publication contains forward looking statements concerning future events, these statements are based on current EuroChem information and assumptions concerning known and unknown risks and uncertainties.*

Consolidated audited financial accounts are available at:  
<http://www.eurochemgroup.com/investors/results-centre>

For more information, please visit [www.eurochemgroup.com](http://www.eurochemgroup.com) or contact:

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