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EuroChem Group AG Reports IFRS Financial Information for the First Quarter of 2015

	Q1 2015	Q1 2014	Chng	Q4 2014	Chng
	US$ m	US$ m	Y-o-Y, %	US$ m	Q-o-Q, %
Revenue	**1,235**	**1,414**	*-13%*	**1,146**	*+8%*
Gross Profit	**585**	**566**	*+3%*	**457**	*+28%*
EBITDA	**461**	**405**	*+14%*	**422**	*+9%*
Cash from operations	**344**	**134**	*+157%*	**177**	*+94%*
Net Debt/ LTM(1) EBITDA(2	1.57x	2.11x		1.77x	

(1)Last Twelve Months.
(2)Including net income from associates and joint ventures.

Zug, Switzerland, 20 May 2015 - EuroChem Group AG (hereinafter EuroChem, Group or Company), a leading global agrochemical company, today reported consolidated revenues for the first three months of 2015 of US$ 1.24 billion and EBITDA of US$ 461 million. While the 13% decline in revenues reflected the lower pricing environment for fertilizer and mining products, efficiency gains and favourable currency movements lifted EBITDA 14% higher than in the first quarter of 2014. Carried by the year-on-year increase in profitability, the Group's EBITDA margin expanded 9 percentage points to 37%. For the first quarter of the year, the Group registered a net profit of US$ 339 million, as compared to a net loss of US$ 28 million for the same period last year.

Excluding raw material mining products and hydrocarbons, we achieved first-quarter sales of 2.8 million tonnes (MMT) of nitrogen and phosphates products. The 2% increase over the 2.7 MMT realised in the first three months of 2014 was primarily the result of higher nitrogen volumes, which grew 3%. With an additional 11 thousand tonnes (KMT) sold, as compared to the first quarter of last year, phosphates sales showed a 1% year-on-year increase.

Sale volumes of iron ore, which, along with baddeleyite concentrate, is a co-product of phosphate rock beneficiation operations at our Kovdorskiy GOK mine in northern Russia, increased 4% year-on-year to 1.4 million tonnes. Additionally, the Group distributed 513 KMT of third party products, comprised mainly of 375 KMT of ammonium sulphate.

“Another strong quarter for EuroChem with high operating profitability levels driving robust cash flow generation”, commented EuroChem CEO Dmitry Strezhnev. “In parallel to the development of our potash projects, we secured further hydrocarbon resources and launched additional phosphate mining capacity. These initiatives, coupled with improvements in our cost base, provide EuroChem with exceptional growth prospects.”

Note: Figures may not recalculate exactly due to rounding. Percentage changes are calculated based on whole numbers, not the rounded numbers presented.

Market Overview

Average market prices (US$/tonne)	Q1-15	Q1-14	*y-o-y chg%*	Q4-14	*q-o-q chg%*	Last 12 Months High	Last 12 Months Low
Ammonia (FOB Yuzhny)	$409	$437	-6%	$574	-29%	$604	$401
Prilled urea (FOB Yuzhny)	$295	$339	-13%	$315	-6%	$336	$261
AN (FOB Black Sea)	$275	$307	-10%	$283	-3%	$293	$248
MAP (FOB Baltic)	$481	$464	+4%	$463	+4%	$507	$444
MOP (FOB Baltic, spot)	$287	$283	+1%	$294	-2%	$298	$282
Iron ore (63.5% Fe, CFR China)	$63	$123	-49%	$77	-18%	$118	$55

Averages derived from weekly prices.

The first quarter of the year saw mixed activity levels across fertilizer markets as forecasts of another strong harvest continued to press down on soft commodity prices.

Despite supply constraints in the CIS and Northern Africa, prices for prilled urea stayed low on the back of higher exports from China following this year’s downward revisions to the urea export tax. With an average of US$ 295/tonne, Black Sea prices for prilled urea (FOB Yuzhny) were 13% below their first quarter 2014 average of US$ 339/tonne. Ammonium nitrate (FOB Black Sea) was 10% lower year-on-year, averaging US$ 275/tonne in the first quarter of 2015.

Low inventory levels across major phosphate markets provided support to prices with MAP (FOB Baltic Sea) averaging US$ 481/tonne in the first three months of the year, which was 4% higher than in the same period a year ago and trending 4% higher than the fourth quarter of 2014.

In potash, the apparent loss of producer discipline kept average MOP (FOB Baltic Sea) spot prices close to flat year-on-year at US$ 287/tonne, with the appreciation of the US dollar against CIS currencies supporting the marketing strategies adopted by FSU producers.

High inventory levels and significant supply growth amidst stalling demand drove average iron ore prices to seven-year lows with falling US$ costs adding further pressure to pricing. In the first quarter of the year, iron ore prices (63.5% Fe, CFR China) averaged US$ 63/tonne, representing a 17% decline on an average of US$ 77/tonne during the fourth quarter of 2014, and roughly half of last year’s first quarter price level.

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EUROCHEM GROUP AG FINANCIAL RESULTS

Income statement

While EuroChem historically reported its operating results according to key product groups (nitrogen, phosphates, potash, distribution), the Group has been optimising its management and organisational structure and implementing a new economic model based on business divisions. Starting from January 2015, the Group's business is conducted by five operating divisions aggregated in five reportable segments identified as Oil & Gas, Mining, Fertilizers, Logistics, and Sales. Although the information provided on pages 6-8 of this press release is based on product groups, the Group presents both reporting approaches in its financial accounts.

	Total sales			EBITDA		
US$m	**Q1-15**	**Q1-14**	***chng,%***	**Q1-15**	**Q1-14**	***chng,%***
Nitrogen	516	590	*-13%*	255	224	*+14%*
Phosphates	542	615	*-12%*	166	124	*+34%*
Potash	-	-	*n/a*	-8	-7	*n/a*
Distribution	710	661	*+7%*	51	33	*+54%*
Other	131	218	*-40%*	-8	36	*n/a*
Elimination	-663	-670	*-1%*	5	-4	*n/a*
Total	**1,235**	**1,414**	***-13%***	**461**	**405**	***+14%***

EuroChem Group AG consolidated revenues for the first quarter of 2015 amounted to US$ 1.24 billion, as compared to US$ 1.41 billion for the same period a year ago. We recorded 19% of first quarter sales in roubles and sales in US$ and EUR accounted for 39% and 37% respectively, of Group revenues for three-month period ended 31 March 2015. Despite the rouble rallying against the US$ in the second half of the quarter, the effects of a generally weaker Russian rouble on our predominantly rouble-denominated cost base generated a robust 14% growth in EBITDA. For the first quarter of 2015, Group EBITDA amounted to US$ 461million, as compared to US$ 405 million in Q1 2014.

Geography of sales	Q1-15	Q1-14	Change in percentage points
Europe	49%	42%	+7
Russia	19%	20%	-1
North America	10%	10%	-
Asia Pacific	9%	12%	-3
Latin America	6%	6%	-
CIS	6%	8%	-2
Africa	1%	2%	-1

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First-quarter sales to Europe expanded 7 percentage points year-on-year and accounted for 49% of total Group sales. The Group's strong European foothold, secured by our EuroChem Agro distribution network, generated US$ 598 million in the first three months of 2015. While the share of sales to Russia registered a slight 1 percentage point slip, sales decreased 17% to US$ 239 million on lower realised product prices. First-quarter sales to North America represented 10% of sales and contributed US$ 123 million. Significantly lower iron prices carried first-quarter sales to the Asia Pacific region 35% lower to US$ 106 million, as compared to US$ 164 million during the same period a year ago.

Excluding the cost of goods for resale, currency movements yielded a 45% decrease in natural gas costs in Russia and supported a 28% year-on-year decline in the Group's costs of sales, which decreased from US$ 723 million a year ago to US$ 522 million in the first quarter of 2015. Representing 57% of costs (excl. goods for resale), total raw material expenditures decreased by 15%, from US$ 368 million to US$ 312 million.

The net result from our distribution of third party products, which is the difference between revenues of US$ 156 million and costs of goods for resale of US$ 128 million, was US$ 27 million, a 13% change over the same period last year.

Amounting to US$ 35 million, our first-quarter energy costs declined 43% year-on-year and accounted for 5% of our cost structure (6% if excluding the cost of goods for resale). Though some savings stemmed from the commissioning of additional internal power generation capacity at our Phosphorit facility, the main driver remained the weakening of the Russian rouble.

First-quarter labour costs, including contributions to social funds, declined 35% year-on-year to US$ 57 million.

We recognized other operating expenses of US$ 8 million (Q1 2014: US$ 3 million) from the heightened RUB/US$ volatility observed in the first three months of 2015.

Below the operating profit line, we realised financial foreign exchange gains of US$ 16 million and gains of US$ 5 million on currency forwards and swaps, as compared to losses of US$ 278 million in the first quarter of 2014. Foreign exchange gains and losses, as well as gains and losses from currency translation, should be excluded from the analysis of the underlying operating performance of the Group.

Balance sheet

The Group's main balance sheet categories – total net debt, including an off-covenants portion (US$ 2.85 billion), net working capital (US$ 702 million) and net non-current assets (US$ 4.42 billion) – declined by 7%, 1% and 2% respectively.

Total net debt, including an off-covenants portion, decreased 7% on the back of several factors, including from repayments exceeding new borrowings, a change in the fair value of financial derivative contracts and an increase in cash and cash equivalents.

Net working capital declined 1% as increases in trade receivables did not fully offset the decrease in inventories and matching increase in payables.

The 2% decrease in net non-current assets was generated through a mix of depreciation and the effects of currency translation.

As at 31 March 2015, the Group had a covenant net debt (US$ 2.46 billion) to 12-month rolling EBITDA (US$ 1.57 billion) ratio of 1.57x, as compared to 1.77x as at the end of 2014.

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Cash flow

For the first three months of 2015, Group operating cash flow increased to US$ 344 million, or 75% of EBITDA, as compared to US$ 134 million (33% of EBITDA) in the corresponding period a year ago.

Total capex spending for the quarter amounted to a modest US$ 142 million, as compared to US$ 186 million in Q1 2014, with the bulk of spending following the Group's strategy to expand its degree of vertical integration. While the first quarter is traditionally less capex intensive, this year's lower outlay also reflected the effects of a stronger US$ on RUB-denominated capex components.

We invested US$ 66 million for our potash projects in Russia, including US$ 37 million at VolgaKaliy and US$ 29 million at Usolskiy, as well as performed additional geological work on other deposits.

In phosphates, which saw investments of US$ 38 million, we continued with the development of a phosphate rock deposit in Kazakhstan and completed the construction of a new apatite-staffelite ore processing plant at our Kovdorskiy mining facility. Once operating at full capacity, the new plant will boost Kovdorskiy's total output by 948,000 tonnes of apatite concentrate and 130,000 tonnes of iron ore concentrate per year.

We allocated US$ 28 million of capex to our nitrogen operations, primarily targeting efficiency improvements and the construction of a low-density ammonium nitrate (LDAN) production unit at the Novomoskovskiy Azot facility. Additionally, we secured further hydrocarbon reserves in Russia with the completion of our purchase of 100% interest in Astrakhan Oil and Gas Company – see *corporate developments*, below.

Project Finance

In 2014, the Group signed an 8-year US$ 750 million non-recourse project finance facility agreement for the financing of its Usolskiy Potash project located in Russia's Perm region. During the first quarter of 2015, the Group obtained two tranches for an aggregate US$ 66 million.

Corporate developments

On 30 March 2015, the Group completed the acquisition of 100% of OJSC Astrakhan Oil and Gas Company. Registered in Russia, the company holds a licence for the development of the right-bank section of the Astrakhan gas condensate field, with reserves amounting to around 220 bcm of category C1+C2 gas. This acquisition effectively allows the Group to hedge risks related to the rise in gas prices in southern Russia over the long term, where EuroChem has two production facilities.

With the optimisation of its management and organisational structure, the Group has established an oil and gas division to develop projects related to the exploration, production, and processing of hydrocarbons. In 2012, EuroChem acquired LLC Severneft-Urengoy, a gas producer providing EuroChem with around 1 bcm of gas per annum or up to 25% of the Group's annual consumption. EuroChem also holds two licences for the exploration and production of hydrocarbons in the Saratov Region of Russia.

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PRODUCT GROUPS

Volumes and values are shown gross and inclusive of intra-group sales.

Nitrogen

Sales volumes including intra-group sales (KMT)			
NITROGEN	**Q1-15**	**Q1-14**	***y-o-y chg%***
Thousand tonnes	**1,717**	**1,663**	***+3%***
Ammonia	93	51	*+82%*
Urea (granular)	306	266	*+15%*
Urea (prilled)	154	171	*-10%*
AN	454	428	*+6%*
ANF	81	54	*+50%*
UAN	214	244	*-12%*
CAN	284	329	*-14%*
Organic synthesis products	121	113	*+7%*
Melamine	11	7	*+57%*
Natural gas (mcm)*	210	223	*-6%*
Gas condensate	30	36	*-18%*

*Sales within Nitrogen.

For the first quarter of 2015, the Group's nitrogen sales increased by 3% year-on-year, to reach 1.7 million tonnes as strong growth in ANF sales (+50%), coupled with additional AN and granular urea volumes, mitigated lower UAN and CAN deliveries.

First-quarter nitrogen revenues of US$ 516 million trailed the US$ 590 million achieved in the first three months of 2014. Despite the impact of the first quarter's softer nitrogen pricing environment, the weakening of the RUB against the US$ generated significant currency tailwinds. Lower natural gas prices and operating costs, in US$ terms, pushed EBITDA 14% higher year-on-year to US$ 255 million, expanding nitrogen EBITDA margin to 50% (Q1 2014: 38%).

Excluding internal natural gas supplied from the Group's Severneft Urengoy gas operator, first-quarter average natural gas prices at the Group's two nitrogen fertilizer facilities in Russia were US$ 2.01/mmBtu (Novomoskovskiy Azot) and US$ 2.22 (Nevinnomysskiy Azot). At both facilities, the favourable currency movements generated savings of US$1.72 per mmBtu as compared to the first quarter of 2014. For comparison, Q1 2015 average natural gas prices at benchmark hubs were US$ 2.9/mmBtu in the U.S. (Henry Hub) and USD 7.0/mmBtu in the Netherlands (TTF)[1].

[1] *Average prices derived from weekly data points.*

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Phosphates fertilizers

Sales volumes including intra-group sales (KMT)			
PHOSPHATES	**Q1-15**	**Q1-14**	***y-o-y chg%***
Thousand tonnes	**1,085**	**1,073**	+1%
Including:			
MAP, DAP	501	508	-1%
Complex (NP, NPK)	502	491	+2%
Feed phosphates	82	70	+17%
Mineral raw materials	**1,383**	**1,326**	+4%
Including:			
Iron ore	1,380	1,323	+4%

First-quarter 2015 phosphates fertilizers sales volumes inched up 1% to represent 1,085 KMT of deliveries, as compared to 1,073 KMT during the same period in 2014. Sales of complex fertilizers (NK, NPK) added 11 KMT while feed products gained 12 KMT, together offsetting a slight 1% (7 KMT) dip in MAP/DAP sales. In the face of fading Chinese demand, iron ore sales volumes from our Kovdorskiy GOK mining operations nevertheless increased 4% year-on-year, or by 57KMT, as we focused on redirecting product to the Russian market.

Despite phosphates volumes and prices both moving higher year-on-year, the 49% collapse in iron ore prices weighed on our performance. Accordingly, for the first quarter of the year, phosphates fertilizers revenues declined 12% year-on-year to US$ 542 million, trailing the first quarter 2014 results by US$ 73 million. With the Group's phosphates cost base significantly skewed to the Russian rouble, favourable currency movements alleviated the impact of iron ore and buoyed first-quarter phosphates fertilizers EBITDA to US$ 166 million, which represented a 34% increase on EBITDA of US$ 124 million in Q1 2014.

As aforementioned, the subdued iron ore environment considerably lessened the contribution from raw material mining operations, which include apatite, iron ore and baddeleyite sales. For the first quarter of 2015, mining operations contributed 13% and 23% of phosphates fertilizers revenues and EBITDA, respectively, as compared to 34% and 48% in the first quarter of 2014.

Potash projects

EuroChem VolgaKaliy (Gremyachinskoe potash deposit, Volgograd region)

Sinking operations continued at all three of the site's shafts with an aggregate 265 meters sunk in the first quarter (Q4 2014: 277 meters). Skip shaft #1 had reached a bottom depth of -903 meters by April. The installation of a water seal, which prevents water and brine inflow into the mine through the shaft, and hitch, a support element which distributes the load throughout the shaft, were completed in February. A shaft sinking machine used at the Usolskiy site supported sinking efforts on the skip shaft #2 at VolgaKaliy, which finished the first quarter at -493 meters. As at 31 March, the cage shaft had been sunk to -645 meters.

The construction and installation of numerous surface facilities continued as scheduled, including the main beneficiation building, finished product storage building, ore storage building, crushing building, mine rescue building, and fire station.

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In the neighbouring town of Kotelnikovo, we continued investing in residential and social infrastructure as well as utilities to accommodate VolgaKaliy's future workers and their families. With the construction of a hotel, sports complex and 3 five-story apartment buildings completed, first quarter efforts were focused on completing the construction water distribution and sewerage infrastructure.

EuroChem Usolskiy Potash (Verkhnekamskoe potash deposit, Perm region)

With both phase 1 cage and skip shafts sunk, first-quarter underground work was centred on the construction and installation of the shafts' guide systems, a tail ropes' maintenance platform and ventilation channels.

On the surface, the construction of the main hoist buildings and the site's administrative building progressed well. Work on the gas pipeline and gas distribution stations continued on schedule and we moved further with the site's railway link. This is in addition to the massive effort of driving piles and excavating the areas for other various buildings, including but not limited to, the raw ore storage, product storage, and main mill beneficiation buildings.

As of 31 March 2015, the Group had spent an aggregate total of US$ 2.4bn on its two potash projects (with the RUB portion measured at historic exchange rates). Total project completion, including phase I and phase II brownfield expansions, was estimated at 28% for Usolskiy and 41% for VolgaKaliy with both sites remaining on track for first ore production in 2017.

OUTLOOK

The overall outlook for nitrogen is stable; with good domestic demand for urea in China limiting export volumes as market activity improves in other regions. Although these factors should support prices through June, we expect to see pricing pressure building up as output from additional capacity in close-to-market regions comes online starting from summer. In Europe, CAN prices appear stable over the short-term, although their strong premium (c.60% over urea) could lead to increasing substitution and imports of urea.

In phosphates, where hand-to-mouth buying patterns have thinned global inventory levels, we see positive supply/demand developments supporting prices through Q3 as India increases its market presence.

Relatively high levels of potash inventory coupled with currency fluctuations and the absence of producer discipline on the lower end of the cost base are likely to cap prices at current levels until fall application emerges.

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EuroChem Group AG

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, China, Kazakhstan and Russia and employs more than 22,000 people 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 financial accounts are available at:
http://www.eurochemgroup.com/investors/results-centre

For more information, please visit www.eurochemgroup.com or contact:

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