EUROCHEM GROUP AG

First Quarter 2016
IFRS Results

Highlights

First quarter 2016 net profit of $321 million
VolgaKaliy: skip shaft 2, second shaft to reach salt layer

EUROCHEM

EuroChem Group AG
Alpenstrasse 9, Zug 6300, Switzerland
Tel: + 41 (41) 727 16 00 Fax: +41 (0) 41 727 7606
www.eurochemgroup.com

Highlights

	Q1 2016	Q1 2015	chng.	Q4 2015	Chng
	US$m	US$m	Y-o-Y, %	US$m	Q-o-Q, %
Sales	**1,255**	1,235	*+2%*	1,050	*+20%*
Gross Profit	**517**	585	*-12%*	428	*+21%*
EBITDA	**384**	461	*-17%*	360	*+7%*
Cash from operations	**273**	344	*-21%*	36	*+669%*
Net Debt/ LTM[(1)] EBITDA[(2)]	**2.06x**	1.57x		1.97x	

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

Zug, Switzerland, 17 May 2016 - EuroChem Group AG (hereinafter EuroChem, Group or Company), a leading global agrochemical company, today reported consolidated sales for the first quarter of 2016 of $1.26 billion, as higher sales volumes offset the considerably lower product pricing environment and positively impacted sales. First-quarter Group sales were up 2% from the $1.24 billion in sales realised in the first three months of 2015.

Despite continued, albeit less pronounced, support from favorable currency movements, first-quarter earnings before interest, taxes, depreciation and amortization (EBITDA) declined 17% year-on-year. Pulled down by lower fertilizer and iron ore prices, EBITDA for the first three months of 2016 amounted to $384 million, as compared to $461 million in the corresponding period of 2015. Nonetheless, the Group's first-quarter EBITDA margin remained strong at 31%. For the first quarter of the year, the Group realised a net profit of $321 million.

Excluding raw material mining products and hydrocarbons, we realised first-quarter nitrogen sales of 2.0 million tonnes (MMT) and phosphates sales of 1.2 MMT. The 3.2 MMT sold in the first three months of 2016 surpassed by 13% the 2.8 MMT achieved in the first quarter of 2015 as nitrogen sales expanded 18% and phosphate sales grew 6% Additionally, reflecting our acquisition of the US-based Bentrei distribution company, third-party product sales for the first quarter of the year grew to 937 thousand tonnes (KMT), representing a 448 KMT year-on-year increase on the 488 KMT sold in the first quarter of 2015. The Group also sold 1.3 MMT of iron ore and baddeleyite concentrates.

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Market Overview

Average market prices (US$/tonne)	Q1-16	Q1-15	y-o-y chg%	Q4-15	q-o-q chg%	Last 12 Months High	Last 12 Months Low
Ammonia (FOB Yuzhny)	$269	$409	-34%	$359	-25%	$404	$262
Prilled urea (FOB Yuzhny)	$206	$295	-30%	$250	-17%	$295	$194
AN (FOB Black Sea)	$185	$275	-33%	$206	-10%	$241	$174
MAP (FOB Baltic)	$353	$481	-27%	$423	-17%	$479	$337
MOP (FOB Baltic, spot)	$250	$287	-13%	$278	-10%	$300	$242
Iron ore (63.5% Fe, CFR China)	$49	$64	-23%	$48	+3%	$67	$40

Averages derived from weekly prices.

Against an uncertain economic backdrop, the first quarter progressed without the market visibility and pricing support traditionally offered by peak application season across developed markets. In light of the inventory build-up, market participants favored a hand-to-mouth approach to purchasing.

Nitrogen prices remained pressured by the temporary supply/demand mismatch on the back of new capacity launches. Prilled urea (FOB Yuzhny) averaged $206/tonne, trailing by 30% its first quarter 2015 average of $295/tonne. At $185/tonne, average ammonium nitrate (AN) (FOB Black Sea) prices were 33% lower than in the first three months of 2015, while average UAN (FOB Black Sea) prices shed 37% to 155$/tonne.

Phosphate prices did not fare much better with first quarter pricing largely following a slow downward trend amidst difficult trading conditions. Average MAP and DAP (FOB Baltic Sea) prices for the first three months of 2016 were $353/tonne and 366$/tonne, respectively, trailing their first quarter 2015 average prices by 27%for MAP and 25% for DAP.

In potash, the introduction of production curtailments to support prices showed subdued results. First quarter average MOP (FOB Baltic Sea, spot) decreased 13% to $250/tonne, while average MOP contract prices moved 8% higher to $282/tonne, as compared to the first quarter of 2015.

Iron ore prices continued to grapple with high inventory levels, weak demand and oversupply. For the first three months of 2016 iron ore (63.5%Fe, CFR China) averaged $49/tonne, which, while 3% above the previous quarter’s average, was 23% below the first quarter 2015 average of $64/tonne.

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Income Statement

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 in this press release is based on product groups, the Group presents both reporting approaches in its financial accounts.

US$m	Total sales			EBITDA		
	Q1 2016	Q1 2015	Chng, %	Q1 2016	Q1 2015	Chng, %
Nitrogen	456	516	-12%	182	255	-29%
Phosphates	476	542	-12%	119	166	-28%
Potash	-	-		-12	-8	
Distribution	813	710	15%	13	51	-75%
Other	176	131	35%	65	-8	
Elimination	-667	-663	1%	17	5	236%
Total	**1,255**	**1,235**	**2%**	**384**	**461**	**-17%**

Buoyed by stronger sales volumes, EuroChem Group AG consolidated sales for the first quarter increased 2% year-on-year to $1.26 billion, as compared to $1.24 billion over the same period in 2015. While the effects of a slightly weaker Russian rouble continued to generate profitability tailwinds, these were muted by the substantially weaker product prices. As a result, Group EBITDA for the first quarter was 17% lower year-on-year, down to $384 million, as compared to $461 million over the same period a year ago.

The Group realised 49% and 29% of its first-quarter sales in dollars and euro, respectively, while rouble denominated sales accounted for 16% of total sales. We believe that economically, practically all of our sales are dollar-denominated since global fertilizer pricing trends are dollar-based.

Geography of sales	Q1 2016	Q1 2015	Change in percentage points
Europe	41%	48%	-7
North America	20%	10%	+10
Russia	16%	19%	-3
Asia Pacific	10%	9%	+1
CIS	7%	6%	+1
Latin America	4%	6%	-2
Africa	2%	1%	+1

Highlighting the effects of our acquisition of the Bentrei distribution company in the fourth quarter of 2015, sales to the North American market doubled to represent 20% of total sales in the first quarter of 2016. North America generated $253 million in sales during the first quarter of 2016.

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With a strong presence across key US agricultural regions, the Bentrei platform relies on a system of privately managed river warehouses to ensure customers benefit from just-in-time seasonal delivery and improved access to EuroChem's complete product range. The higher sales to North America and weaker product prices diluted the share of sales to Europe and Russia. Contributing $508 million, the European market accounted for 41% of total Group sales during the January-March 2016 period, while sales to Russia declined 16% to $202 million, as compared to $239 million in the first quarter of 2015. Despite the lower iron prices, stronger fertilizer deliveries drove a 19% increase in Asia Pacific sales with the region contributing $127 million to the Group's first quarter sales.

When coupled with substantial production in Russia and a dollar-based revenue stream, first quarter rouble/US$ currency dynamics continued to alleviate the Group's cost base. Despite strengthening during the quarter, the Russian currency traded at an average exchange rate of 75 in the first quarter of 2016, as compared to an average rate of 62 in the first three months of 2015.

Excluding the cost of goods for resale, currency movements and deeper vertical integration together supported an 11% decline in the Group's first quarter costs of sales, which amounted to savings of $59 million. Representing 54 % of cost of sales, raw material costs declined 14% to $269 million, as compared to $312 million in the first quarter of 2015.

The Group received contributions of $8 million from its participation in associates and joint ventures, as compared to $6 million in the first three months of 2015.

Balance sheet

As at 31 March 2016, the Group's covenant net debt stood at $3.1 billion. With 12-month rolling EBITDA of $1.50 billion, we ended the first quarter with leverage of 2.06x. The ratio was slightly higher than in the previous quarter. The Group expects - and is prepared for - some fluctuation in leverage as the industry progresses though the current downturn in the cycle.

Lifted by the seasonal increase in sales, net working capital increased 8% to $840 million, as compared to $778 million as at 31 December 2015.

In January 2016, Fitch affirmed the Group's rating at BB and revised the outlook to negative. In April 2016, against the backdrop of deteriorating fertilizer prices, S&P downgraded several fertilizer companies, including EuroChem, which it revised to BB- with a stable outlook.

In April 2016, MCC EuroChem JSC, a wholly-owned subsidiary of the Group, completed the placement of a 3-year RUB 15 billion bonds issue priced at 10.6% per annum. The proceeds were used to optimize the Group's debt structure.

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Cash flow

Higher working capital pulled first-quarter operating cash flow 21% lower year-on-year to $273 million, as compared to $344 million in the corresponding period a year ago.

Total capex spending for the three month period ended 31 March 2016 amounted to $224 million, 58% higher than the $142 million spent in the first three months of 2015.

The Group invested $96 million in potash, of which $44 million at its VolgaKaliy project and $52 million at its Usolskiy project, as well as performed additional geological work on other deposits. An update on the Group's two potash projects is provided in the Potash Project Section of this release.

We allocated $87 million to our nitrogen operations, the bulk of which ($68m) related to the construction of a new ammonia facility in Russia. The construction of EuroChem Northwest, which once completed will have an annual ammonia production capacity of 1 MMT, is part of EuroChem's strategy to obtain greater control over its raw materials base.

Investments in phosphate operations slowed down following the commissioning of new beneficiation unit at Kovdor and the start of phosphate rock shipments from Kazakhstan last year. Consequently, the Group had $15 million in capital expenditure for its phosphate operations in the first quarter of 2016.

Project Finance

In December 2015, the Group's EuroChem Northwest subsidiary signed a EUR 557 million loan agreement with a club of banks for the project financing of an ammonia plant in Russia. The first drawdown is expected in June 2016.

In 2014, the Group secured project financing for its Usolskiy potash project in Russia's Perm region. As at 31 March 2016, the Group had utilised an aggregate $345 million from the $750 million non-recourse facility.

Corporate developments

On 28 January 2016, the Group announced it had entered into an equity investment and two strategic collaboration agreements with Agrinos AS, a global leader in biological crop nutrition products. These investments will enhance our product portfolio with innovative specialty products and environmentally friendly crop enhancing solutions.

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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)	Q1 2016	Q1 2015	Y-o-Y chng, %
Total Nitrogen	**2,022**	**1,717**	**+18%**
Ammonia	58	93	-38%
Urea (granular)	331	306	+8%
Urea (prilled)	237	154	+54%
AN	475	454	+5%
ANF	134	81	+65%
UAN	386	214	+81%
CAN	280	284	-2%
Acetic acid	30	33	-8%
Methanol	77	88	-12%
Melamine	13	11	+24%
Natural gas (mcm)*	195	210	-7%
Gas condensate	24	30	-18%

*Sales within Nitrogen.

First-quarter nitrogen sales increased 18% year-on-year to 2.0 million tonnes, setting a new quarterly record for the Group. Lower market prices spurred healthy demand for UAN and prilled urea with sales of these two products increasing 81% and 54%, respectively. The Group increased ANF production as weaker demand for CAN materialised. Sales of ANF increased 65%year-on-year to 134 KMT. Good AN demand in the CIS helped first-quarter volumes remain stable year-on-year.

While stronger sales volumes helped to partially mitigate the weaker product prices, first-quarter nitrogen sales of $456 million were 12% lower year-on-year as average prices for key products, including urea and AN declined more than 30% from their first quarter 2015 averages. Pulled down by the lower prices and reflecting shifts in product mix, first-quarter nitrogen EBITDA declined 29% year-on-year to $182 million.

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 $1.80/mmBtu at Novomoskovskiy Azot and $1.98/mmBtu at Nevinnomysskiy Azot. Despite an 8% price increase in July 2015, the devaluation of the rouble kept first-quarter 2016 natural gas prices 10% lower year-on-year. Average natural gas prices at benchmark hubs were $1.95 /mmBtu in the U.S. (Henry Hub) and $4.10/mmBtu in the Netherlands (TTF)[1].

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

Phosphates

Sales volumes including intra-group sales (KMT)	Q1 2016	Q1 2015	Y-o-Y chng, %
Total Phosphates	**1,153**	**1,084**	+6%
Including:			
MAP, DAP	517	501	+3%
Complex (NP, NPK)	532	502	+6%
Feed phosphates	88	82	+8%
Mineral raw materials	**1,336**	**1,383**	**-3%**
Including:			
Iron ore	1,334	1,380	-3%

Phosphates fertilizer sales volumes increased 6% year-on-year to 1.15 million tonnes, as compared to 1.08 million tonnes in the first quarter of 2015 on the back of good demand for NPK and feed products in Europe and MAP in North America. In light of considerably lower iron ore demand in Asia, a stronger focus on the Russian market provided some support to first quarter volumes. With sales of 1.33 million tonnes, iron ore sales volumes for the first three months of the year remained within 3% of last year's first quarter sales of 1.38 million tonnes.

The significant deterioration in prices for the Group's key phosphates products, including MAP/DAP and iron ore, while partially offset by additional volumes, pushed sales 12% lower to $476 million, down from $542 million in the same period last year. The lower product prices overshadowed the positive effects from currency shifts and additional raw material capacity and dragged Q1 2016 phosphates EBITDA 28% lower year-on-year to $119 million.

Potash Projects

EuroChem is currently developing two potash deposits in Russia. The Group's Usolskiy Potash project in the Verkhnekamskoe potash deposit (Perm region) and VolgaKaliy project in Gremyachinskoe deposit (Volgograd region) form a key component of its long-term strategy. Slated to provide in excess of eight million tonnes of annual potash capacity once fully operational, the projects are widely expected to be amongst the lowest cost potash operations globally. As of 31 March 2016, the Group had spent an aggregate total of US$ 2.93 billion on its two potash projects in Russia (at historic RUB/US$ exchange rates).

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EuroChem VolgaKaliy (Gremyachinskoe potash deposit, Volgograd region)

Construction activity remained strong throughout the first quarter of the year with nearly 3,200 people on site participating in the construction of the future mining operations. Underground, all three shafts continued to be surrounded by freeze walls.

With the skip shaft #1 having reached the salt layer in the third quarter of 2015, work centered on developing the haulage sections and loading bins. Crews are currently working at close to -1,100 meters.

At the cage shaft, which suffered manageable water inflow in the second half of 2015, an extensive grouting program was implemented in the first quarter of 2016 to eliminate the water inflow, thus preventing further sinking. At the time of this release, crews were working at a depth of approximately -815 meters. The shaft is being closely monitored to ascertain when to remove the bottom plug. The Mining team continued to evaluate various solutions to resume sinking. Due to this water inflow, adjustments have been made in the development of the mine using the other two shafts to mitigate the effects to the mine's production schedule. The Group currently expects ore to be available from late 2017, but start-up to continuous production to be later in 2018.

These changes to the production plan to overcome potential delays caused by the cage shaft were in no small part due to the great progress in the third shaft, skip shaft #2, which hit another milestone by reaching the salt layer in April 2016.

Surface construction and installation continued to progress, including on the main beneficiation building, the 250 KMT finished product storage building, and the ore storage, crushing and mine ventilation buildings. Several other surface facilities have already been completed, including, but not limited to, the main electrical substation, mine rescue building, equipment storage building, water wells and treating facilities.

EuroChem Usolskiy Potash (Verkhnekamskoe potash deposit, Perm region)

The Usolskiy site teams advanced with the construction of the main beneficiation mill and the remaining concrete and steel work.

Work continued to progress for both the cage and skip shafts' permanent headframes. In addition, construction of the freeze system for the third shaft, a combination skip and cage shaft was progressing. Additional work was performed on several buildings, such as the mine administration, main electrical substation, canteen, boiler house, reagents, and raw ore storage and product storage buildings, with the latter being fitted with glulam beams.

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The dual feeder high voltage power lines are essentially complete and waiting to be tied-in later this year. The main water lines (process and potable) are in place with the process water feeder system now under construction.

Further progress was also achieved on the site rail network, including the main rail station which is has approximately 46 km of rail now in place. The main tracks are scheduled to be completed and tested by locomotive this summer.

Underground work is on hold and pending the completion of one of the headframes, following which mining equipment will be lowered to begin the development of the mine, a milestone which is expected later this year. The hoist buildings are complete and the large Koeppe-style hoists are now in place as well.

Over 3,770 workers, comprised of both EuroChem and contractors, are currently on site.

MARKET OUTLOOK

We expect to see additional pressure on global urea markets with the end of the Chinese domestic season, which kept product inland. Product availability will also increase as the US season comes to an end and new capacity comes online.

While China is expected to set pricing direction and pace, producers with capacity within markets or in close proximity to customers, such as EuroChem, will remain best positioned. With global pressure on urea prices, we see limited price upside on nitrates as the new buying season gets underway. AN supply is increasing and while Brazilian demand is expected to rise, buyers appear to be mostly on the sidelines.

Phosphate prices are expected to continue gradually easing, despite producer efforts to support pricing. The next pricing catalyst lies with Latin American demand, but will remain subject to Middle Eastern and Chinese supply.

In potash, prices remain fragile with buyers awaiting the outcomes of supply contracts. While more aggressive supply curtailment decisions have recently been taken, the commissioning of new capacity over the next 18 months will once again test producer discipline.

Iron ore prices appear to have found more stable levels and should continue trending sideways over the next quarter.

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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.

About 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 and distribution facilities in Belgium, China, Kazakhstan, Lithuania, the United States and Russia and employs more than 23,400 people globally. For more information, please visit www.eurochemgroup.com or contact:

Investors

Olivier Harvey
Head of Investor Relations
olivier.harvey@eurochemgroup.com

Media

Vladimir Torin
Head of Public Relations
vladimir.torin@eurochemgroup.com

FTI Consulting
eurochem@fticonsulting.com