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EuroChem Reports IFRS Financial Information for 2012

	Q4 2012		Q4 2011		*RUB Chng*	2012		2011		*RUB Chng*
	RUB bn	**USD m**	**RUB bn**	**USD m**	***Y-o-Y, %***	**RUB bn**	**USD m**	**RUB bn**	**USD m**	***Y-o-Y, %***
Revenue	**41.7**	1,342	33.0	1,058	*+26%*	**166.5**	5,354	131.3	4,468	**+27%**
EBITDA	**10.3**	331	12.6	403	*-18%*	**49.2**	1,581	49.7	1,690	**-1%**
Net profit	**8.0**	257	7.8	248	*+3%*	**32.6**	1,047	32.0	1,090	**+2%**
Cash from operations	**5.2**	167	8.1	261	*-36%*	**38.9**	1,250	36.0	1,226	**+8%**

	31 December 2012	**31 December 2011**
Net Debt/ LTM(1) EBITDA	1.53x(2)	1.35x

Average RUB/USD exchange rate for the period: Q4 2012: 31.08; Q4 2011: 31.23; 2012: 31.09; 2011: 29.39

(1) Last Twelve Months

(2) Including estimated EBITDA for EuroChem Antwerpen and EuroChem Agro for the period prior to their respective acquisition

Moscow, 7 February, 2013 - EuroChem Mineral and Chemical Company ("EuroChem") today announced full year 2012 revenues according to IFRS of RUB 166.5bn (US$ 5.4bn), which represented a 27% increase on the RUB 131.3bn (US$4.5bn) reported in 2011. Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to RUB 49.2bn, while the Group's EBITDA margin for the twelve months ended 31 December 2012 was 30%**.**

Full year fertilizer sales volumes for our Nitrogen and Phosphate segments, excluding sales of mining co-products, grew 1,801 thousand tonnes (KMT) to 9,835 thousand tonnes (KMT), representing a 22% increase on the 8,034 KMT sold in 2011.

Much of the annual growth in revenues stemmed from the consolidation effect of EuroChem Antwerpen, EuroChem Agro and Severneft Urengoy. Without the contribution of the assets acquired in 2012, revenues and EBITDA would have amounted to RUB 135.8bn and RUB 45.6bn respectively. On the volumes side, EuroChem Antwerpen and EuroChem Agro together sold a combined 2.5 MMT of fertilizers since their first-time consolidation in Q2 2012 and Q3 2012, respectively.

CEO Dmitry Strezhnev commented: "On balance, 2012 will be remembered as an average year for the fertilizer sector. For us at EuroChem, this past year was all about the strategic steps taken to further entrench us across key markets and bring added depth to our vertical integration. We head into 2013 confident in our ability to capitalize on our recent and ongoing investment initiatives. "

2012 Market Conditions

Macroeconomic concerns continued to hover above fertilizer markets throughout the year. While inventories remained lean across much of the fertilizer supply chain, early and robust planting seasons in the Americas had a rippling effect across other large markets. Riding the wave of elevated soft commodity prices, nitrogen and phosphate demand remained healthy throughout the first half of the year up to the opening of the Chinese low export tax windows. Even so, despite record annual Chinese exports, persistent demand for nitrogen products coupled with capacity constraints sustained prices at comfortable levels through December. Prilled urea (FOB Yuzhny) Averaged US$ 408/tonne in 2012 or 4% below its 2011 average of US$ 425/tonne. With a 2012 average of US$ 302/tonne, ammonium nitrate (FOB Black Sea) displayed a 3% decrease on its 2011 average of US$ 311/tonne.

Phosphate prices took a more abrupt trajectory in the second half of the year as lackluster appetite from India failed to prevent inventory buildup at producer levels. DAP (FOB Baltic Sea) prices finished the year down 13% with an average of US$ 552/tonne, as compared with their 2011 average of US$ 633/tonne.

The global potash market failed to find a solid footing and remained broadly characterized by a tug of war between producers and buyers. Supported by major production cutbacks in the second half of the year, spot prices finished the year at an average of US$ 467/tonne, 5% above the previous year average. 2012 MOP (FOB Baltic Sea) contract prices were 11% above the previous year with an average of US$ 424/tonne.

Iron ore (63.5% Fe, China CFR) spot prices averaged US$ 133/tonne in 2012, as compared to an exceptionally strong average price of US$ 175/tonne in 2011.

BUSINESS SEGMENTS

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

Nitrogen segment

As stated above, the addition of nitrogen production and distribution capacity in Western Europe was the major growth driver for the Group in 2012. The new assets spurred a 31% year-on-year jump in Nitrogen segment sales which grew from 5,647 KMT to 7,380 KMT (5% up on a like-for-like basis). The bulk of the volumes increase came from increases in NPK and CAN sales of Antwerp product. These two product segments added 1,242 KMT to sales volumes in 2012, or 72% of the year-on-year increase. Ammonium nitrate, urea and UAN grew 12%, 10% and 7%, respectively, and together accounted for 25% of the 2012 growth in nitrogen sales volumes.

The consolidation and commissioning of new nitrogen capacity lifted 2012 segment revenues by 47%. With contributions from EuroChem Antwerpen starting from late March, followed by EuroChem Agro in the second half, our nitrogen revenues for the year climbed from RUB 63.1bn in 2011 to a record RUB 92.5bn in 2012. Nitrogen segment EBITDA for the year grew 20% to RUB 30.6bn as compared to RUB 25.5bn in 2011.

Reflecting some of the changes in our operational landscape, sales to Europe which represented 14% of nitrogen segment sales in 2011, surged 178% to RUB 24.2bn and accounted for 26% of total nitrogen sales in 2012. Russia, our other domestic market, was our second largest nitrogen market and accounted for 22% of sales. Rounding up the top 5 sales markets for our nitrogen segment were North America (17%), Latin America (15%) and Asia (9%).

For the year, our Novomoskovskiy Azot and Nevinnomysskiy Azot ammonia facilities paid average natural gas prices of RUB 3,432 and RUB 3,594 per 1,000m3 respectively (c. US$ 3.43 and US$ 3.60/mmBtu), as compared to average prices of RUB 3,179 and RUB 3,330 per 1,000m3 respectively (c. US$ 3.37 and 3.53/mmBtu) the previous year. On the whole, the 15% annual Russian domestic gas price increase effective 1 July, yielded an increase of 8% in Rouble terms in the annual average gas cost. In US dollar terms, the 6% year-on-year depreciation of the Rouble capped the increase at around 2%.

For its first year within the Group, our Severneft-Urengoy (SNU) natural gas subsidiary provided RUB 1.9bn and RUB 423m to Nitrogen revenues and EBITDA, respectively, on a physical output of 562 million m^3 of natural gas and 114 thousand tonnes of gas condensate. As previously announced, daily natural gas production is being ramped-up to a rate equivalent to approximately 1.0bn m^3 per year and amounted to approximately 2.1 million m^3/day at the date of this release. As of 1 January 2013, all of SNU's gas output is sold to our Novomoskovskiy Azot ammonia facility in accordance with prices set by the Russian Federal Service for Tariffs (FST). Along with the increased production rate, the full output sale to Novomoskovskiy Azot will further deepen our upstream vertical integration in nitrogen.

Phosphate segment

Our full year Phosphate sales volumes, excluding mining co-products, increased 3% to 2,455 KMT. This 68 KMT increase was achieved as higher NP and feed phosphate sales volumes more than compensated a 2% slip in MAP/DAP sales volumes. Following the third quarter inventory buildup, iron ore sales volumes rallied 21% in the fourth quarter to close the year just 3% down on the previous twelve months.

Phosphate segment revenues for 2012 decreased 5% and amounted to RUB 60.8bn. Despite reallocations within our production mix to higher margin products, the phosphate segment EBITDA was dragged down in the wake of September's abrupt iron ore correction and the fourth quarter's pronounced weakness in phosphate prices. As a result, the Phosphate segment finished the year with an EBITDA of RUB 16.2bn as compared to RUB 24.0bn in 2011.

Average iron ore prices retreated 24% year-on-year from what were very high levels, mostly as China continued facing economic headwinds. Accordingly, the contribution of our mining operations to the phosphate segment performance was slightly muted when compared to previous years. Iron ore and baddeleyite, the co-products of our apatite mining operations, together accounted for 31% and 51% of Phosphate segment revenues and EBITDA, respectively. This compares to revenue and EBITDA contributions of 36% and 55% respectively in 2011.

The evolution of our Phosphate sales geography reflected the year's record soybean acreage in Latin America while highlighting EuroChem's strong foothold in Russia. Boosted by strong grain and oilseed crop planting, phosphate fertilizer sales to Latin America jumped 79% and accounted for 12% of sales in 2012 (2011: 6%). Lower iron ore prices and volumes diluted the share of Asia in our Phosphate sales geography from 32% to 27%. With a more predictable performance, revenues from Russia increased 2% and accounted for 24% of total 2012 phosphate sales. (2011: 22%).

Potash segment

Over the last twelve months we continued moving closer to our goal of broadening our raw material base and product offering with potash. Despite the previously reported delays brought on by a former contractor at our Gremyachinskoe project, the skip and cage shafts at EuroChem-VolgaKaliy were readied for the final freezing stage, while our sinking operations at the Verkhnekamskoe deposit reached the haulage level junction.

Both shafts at the Gremyachinskoe deposit (EuroChem-VolgaKaliy) are being readied for their final sinking phases. Ground freezing is underway and sinking is set to resume late in the first quarter. As at the date of this publication, the phase I skip shaft was 570 meters below ground while the cage shaft was at the 100 meter mark as a result of the above mentioned setback.

Sinking operations at our project located in the Verkhnekamskoe deposit (EuroChem-Usolskiy) passed a major milestone by successfully tapping the first potash layer in November. At a depth of 430 meters, the phase I skip shaft remains but 100 meters away from total completion, including the haulage level, which is scheduled for November 2014. A little higher, sinking operations on the cage shaft were down to 306 meters, with full completion (including haulage level) scheduled for October 2014.

Capex spending on both our potash projects amounted to RUB 13.6bn for the year. This compares to total investments of RUB 10.6bn in 2011. As of 31 December 2012, an aggregate RUB 45bn had been invested in the development of our potash segment.

Distribution segment

Our distribution segment comprises the sale of fertilizers and services via a number of retailers located within Russia and the CIS. Since its inception in 2007, our strategy to provide our clients with “yields, not just fertilizers” has been a story of growth. From the RUB 1.4bn in revenues achieved then, we saw revenues for the segment reach RUB 17.1bn in 2012 or more than 10% of our total sales. Following a similar curve, the distribution segment EBITDA continued expanding and amounted to RUB 1.0bn in 2012.

FINANCIAL

Income statement

Our expanding global footprint lifted our consolidated revenues for the twelve months ended 31 December 2012 by 27% to RUB 166.5 bn with the growth in nitrogen sales providing the support needed to mitigate the deteriorating phosphate and iron ore environments of the second half of the year. To a lesser extent, our 2012 financial results also received extra support from the 6% year-on-year depreciation of the Rouble against the US dollar as it moved from a 2011 average of 29.39 roubles to the US dollar to an average of 31.09 in 2012.

The Group’s total cost of sales for 2012 pushed ahead of the 27% growth in revenues and increased 54% year-on-year to RUB 97.8bn. The additional costs were mainly generated by acquisitions as well as increases in the costs and tariffs for key raw materials such as natural gas, phosphate rock, ammonia, and energy. Accordingly, materials and components used or resold grew to RUB 64.6bn and represented 66% of the costs of sales structure for 2012, as compared to 64% in 2011. A discussed above, the rise in domestic natural gas prices in Russia resulted in an 8% increase in natural gas costs for fertilizer production.

Although production output increased considerably, restricted tariff increases, as well as their deferred introduction, relieved some of the accompanying cost pressure. While the Group’s energy costs inched up 4% from RUB 6.7bn in 2011 to RUB 7.0bn in 2012, their share in the cost structure shed 4 percentage points to 7%.

As a result of acquisition-related personnel increases and a salary indexation from January, labour costs (within costs of sales), which include contributions to social funds, increased 22% to RUB 9.8bn. Despite their year-on-year growth in absolute terms, labour costs came down 3 percentage points within the cost structure and accounted for 10% of costs of sales in 2012.

Total distribution costs increased 23% to RUB 23.3bn in 2012 as compared to expenses of RUB 19.0bn in the previous year. A RUB 2.3bn uptick in transportation costs was the main contributor to the RUB 4.3bn increase in distribution costs. The growth was mainly brought on by the Group’s acquisitions of panamax and handymax vessels and our subsequent preference for CIF and CFR shipping arrangements as opposed to more FOB-based seaborne contracts in 2011. Despite increasing 14% year-on-year, transportation costs came down from 84% to 78% of total distribution expenses over the same period.

General and administrative (G&A) expenses moved up 20% in 2012 as compared to 2011 (6% excluding the impact of acquisitions). However, labour costs, which accounted for 52% of G&A expenses last year, increased at a slower pace. While labour costs rose 12% year-on-year to RUB 2.7bn, these comprised 49% of 2012 G&A expenses. For the twelve months ended 31 December 2012, total staff costs (including social expenses) amounted to RUB 14.4bn (2011: RUB 11.6bn).

In 2012 we recognized other operating income of RUB 371m against other operating expenses of RUB 191m in 2011. Among the factors behind this reversal was the inclusion of RUB 137m in operating income from EuroChem Antwerpen and Agro linked to the early termination of certain contracts which were made redundant through our acquisition of these companies.

Interest expenses increased from the series of long-term facilities we secured in late 2011 as well as our acquisitions. Expenses grew from RUB 3.1bn in 2011 to RUB 4.3bn in 2012. The Group recognized other financial gains of RUB 2.5bn on gains of RUB 2.1bn in favorable changes in the fair value of non-deliverable forward contracts while cross currency interest rate swaps yielded a further RUB 562m.

Balance sheet

Combined with higher prices for raw materials, our acquisitions led to higher working capital needs in 2012 due to higher inventory volumes and debtors. Net working capital increased from RUB 17.0bn in 2011 to RUB 23.9bn as at 31 December, 2012.

The Group's portfolio of borrowings was significantly reshaped in 2012.

In March, the Group signed a US$ 83.3 million credit line agreement with a European commercial bank, bearing a floating interest rate based on 1-month Libor and maturing in August 2015. In November 2012 the credit limit was increased up to US$ 94.1 million and the facility was fully utilised. Other major floating interest rate debt facilities are the US$ 1.3bn 5-year club loan at 1 month Libor +1.8% obtained in August 2011 (US$ 1.3bn outstanding as at 31 December 2012).

The Group made a return to the debt capital markets following the redemption of its US$ 290m Eurobonds in March. On 7 December 2012 the Group issued US$ 750 million in loan participation notes bearing a coupon of 5.125% p.a. and maturing in December 2017. In addition to the September 2011 RUB 20bn 5-year loan agreement with a leading Russian bank, the Group's other fixed rate debt is solely comprised of two domestic bond issues of RUB 5bn each placed in July and November 2010, both due in 2018, with a 5-year put option and coupon of 8.90% p.a. and 8.25%p.a., respectively (the latter was swapped into a 3.85% p.a. fixed rate US$ liability in December 2010).

The Group's US$ 250 million 5-year credit line agreement with a European commercial bank signed in August 2010 was fully repaid in December 2012.

In April 2012, following the termination of the construction contract, the unutilised part of the 10-year US$ 261m ECA-backed facility secured for the construction of the Gremyachinskoe potash deposit cage shaft was cancelled and as at 31 December 2012, the outstanding amount was US$ 109.5 million (31 December 2011: US$ 109.5 million). This amount will be repaid within 84 months from June 2013.

As at 31 December 2012, our investment in the German potash and salt producer K+S Group (K+S) represented a fair value of RUB 2.8bn. Following our disposal of c.13.5 million shares in early 2012, EuroChem held 2,005,434 shares, or 1.048% of the issued share capital of K+S as at 31 December 2012.

Despite the year's major acquisitions and the increases in borrowings, as at 31 December 2012, the Group's net debt to 12-month rolling EBITDA ratio remained at a comfortable level of 1.53x.

Cash flow

Operating cash flow for the twelve months ended 31 December 2012 remained within range of the previous year. Amounting to RUB 38.9bn, the 8% year-on-year increase was linked to our acquisitions.

2012 corporate developments

On 20 January 2012, EuroChem completed the acquisition of 100% of the share capital of Severneft-Urengoy, a natural gas operator in Russia's Yamalo-Nenets Autonomous Region.

On 31 March, 2012, we completed our acquisition of 100% of BASF's nitrogen fertilizer assets located in Antwerp, Belgium. These assets, subsequently renamed EuroChem Antwerpen, have the capacity to produce over 2.2 MMT of specialty and straight-N fertilizers. In a follow-on transaction linked to the acquisition of assets in Antwerp, on 2 July 2012 we acquired K+S Nitrogen a global distributor of nitrogen fertilizers, comprising distribution companies operating in Germany, France, Spain, Italy, Mexico, Singapore, China, Greece, and Turkey, as well as certain intellectual property. Subsequently renamed EuroChem Agro, the acquisition included recognized brands and technology for the production and marketing of stabilized fertilizers with performance enhancing inhibitors.

Fair value of purchase consideration for these two transactions in Western Europe, net of cash acquired, amounted to RUB 36.8bn.

Claim against Shaft Sinkers (Pty) Ltd.

In October 2012 the Group filed a claim against Shaft Sinkers (Pty) Ltd., a company involved in the construction of the Gremyachinskoe potash deposit under a contract which was terminated in April 2012. Over the course of the year, as a result of the discontinued relationship with the contractor, an outstanding advance of RUB 485m had to be written-off (2011: nil). Due to the failure of the grouting technology employed in the cage shaft, previously capitalised construction expenses of RUB 3.1bn and an additional RUB 85m related to other debtors were also written off.

OUTLOOK

The last few months have seen export supply cutbacks from Trinidad, Egypt and Iran supporting ammonia prices well above their traditional off-season lows. These upstream curtailments should keep the nitrogen market fairly tight in the run-up to what is expected to be another record spring planting in North America and other key nitrogen markets, as farmer economics and cash positions remain robust. However, while agricultural commodity prices are supportive of demand, drought remains an unpredictable factor as limitations to barge activity in the US and any further logistical constraints during peak season could drive farmer input costs higher.

With no clear sign of interest, the short-term outlook for the phosphate market remains range-bound. While demand from North American buyers is picking-up and providing some comfort to producers, inventory levels remain a concern. A shake-up in activity levels in other major markets will be needed for sentiment to materially improve across the phosphate landscape.

After a remarkably strong rebound in January, the iron ore market is likely to see downward pressure on prices as the Chinese restocking season closes.

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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 natural gas extraction to production, logistics, and distribution of fertilizers. EuroChem is currently developing the Gremyachinskoe and Verkhnekamskoe greenfield potash projects in Russia, which have an aggregate planned annual capacity of over 8 million tonnes per year.

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 information for the twelve month period ended 31 December 2012 is available at: http://www.eurochem.ru/investors/results-center/

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