FY 2019 IFRS Results

Strong financial performance despite global fertilizer markets fluctuations

Sales	EBITDA	FCF	Potash produced
$6.2BN	$1.5BN	$297MN	1.14MMT
+11%	+2%		

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Highlights:

- Sales **11% up** in 2019 y-o-y with a **7%** increase in volumes
- EBITDA **2% up** on the back of softened prices for major fertilizers
- Free cash flow (FCF) positive in 2019, landing at **US$297 million**
- Potash sales reached **1,104 KMT** and constituted **9%** of fertilizer revenues

Key Indicators	2019	2018	Change, y-o-y
Sales, US$ mn	6,184	5,577	11%
Sales, KMT	23,624	21,978	7%
EBITDA, US$ mn	1,547	1,517	2%
EBITDA margin, %	*25%*	*27%*	*-2 pp*
Net Income, US$ mn	1,018	538	89%
Cash flow from operations, US$ mn	1,190	982	21%
CAPEX, US$ mn	950	1,111	-15%
Free cash flow, US$ mn	297	-94	n/a

Leverage	2019	1H 2019	2018
Net Covenant Debt, US$ mn	4,201	3,417	3,455
Net Covenant Debt/Covenant LTM EBITDA*	2.82x	2.09x	2.29x

* Including net income from associates and joint ventures

Zug, Switzerland, February 5, 2020 – EuroChem Group AG (hereinafter "EuroChem" or the "Group"), a leading global fertilizer company, today reported consolidated annual sales of US$6.2 billion for 2019, 11% higher than a year ago, as a result of a 7% increase in sales volumes and a more favorable price environment in the first six months.

The full-year performance took EuroChem Group EBITDA to US$1.55 billion, 2% above the level achieved in 2018. EBITDA growth was driven primarily by sales improvements and the positive effects of foreign exchange rates for rouble-denominated costs (the average RUB/US$ exchange rate was 64.7 in 2019; compared to 62.7 in 2018), though slightly below expectations due to a pricing dip in the second half of the year. Notwithstanding the challenging environment in 2019, EBITDA margin was only 2 percentage points down, year-on-year.

For the year ending December 31, 2019, the Group generated cash flow from operating activities of U$1.2 billion, 21% higher than in 2018, with positive free cash flow of US$297 million, compared with a net funding requirement of US$94 million in 2018. Capital expenditure in 2019 reached US$950 million, which was 1.3x covered by operating cash flow and was 15% below last year's figure. The investment cycle has eased following the opening of EuroChem Northwest ammonia plant in June 2019 and continuous ramp-up of Usolskiy Potash project over the last 18 months.

"We have delivered strong full-year results despite the subdued pricing in global fertilizer markets. The beauty of our business model is that it can deliver strong results at almost any point of the commodity industry cycle and that is clearly shown here," said Petter Østbø, EuroChem Group's Chief Executive Officer. "2019 was a busy year with a number of major milestones, including the opening of our ammonia plant at Kingisepp, the launch of our updated business strategy, and the continued development and expansion of our distribution platform and new logistics infrastructure. We face the future with great confidence."

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

EuroChem Group AG IFRS Financial Information for 2019.

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Market overview

Average Market Prices, US$/t	**2019**	**2018**	**Change,** y-o-y	**MAX** 2019	**MIN** 2019
Ammonia (FOB Yuzhny)	233	286	-18%	277	203
Prilled urea (FOB Yuzhny)	239	251	-5%	274	210
MAP (FOB Baltic sea)	339	413	-18%	411	260
MOP (FOB Baltic sea, spot)	265	256	3%	278	239
Iron Ore (63,5% Fe, CFR China)	96	71	34%	129	74

Note: Average fertilizer prices are derived from weekly market prices, as reported by trade publications. Average iron ore prices are obtained from daily spot price index

2019 proved challenging for the fertilizers sector due to difficult weather conditions that impacted the application season and led to stocks increase for various products in China, India and Brazil. A low pricing environment for natural gas and sulphur combined with supply-side pressures to add to pricing tensions.

In 2019 **ammonia** FOB Yuzhny prices softened by 18% in 2019. The announcement of facility closures by other companies at the end of 2018 did little to support prices. Modest prices for natural gas in Western Europe and heavy rains in the United Stated also negatively impacted the ammonia market.

Global **urea** prices, meanwhile, were more stable in 2019 despite a subdued demand across key markets, new capacity additions and a lacklustre application season in the Americas and Europe. In the first half of the year, the pricing environment was influenced by shipments from Iran at discounted levels. Prilled Urea FOB Yuzhny prices were 5% down, year-on-year.

The **phosphates** market was under pressure from anticipated new capacity ramp-up and tougher competition from marginal Chinese producers on the back of cheaper raw materials. Together with low import demand in the US, Latin America and Asia, and the traditional end of year buying lull, phosphate prices fell to 12-year lows. Year-on-year prices dropped by 18%.

Potash prices, on the other hand, were reasonably stable during the year and posted a 3% rise compared to 2018. A healthy supply-demand balance in the first half of the year leaned toward oversupply in the second half, due to stock build-ups in China, which was partly offset by production curtailments in the fourth quarter of the year by several major potash producers, as well as the concluded Indian contract.

The **iron ore** market boomed in 2019, especially in the first half of the year, reaching highs not seen since 2014 at a maximum level of US$129 per tonne for 63.5% Fe, CFR China. Prices calmed in the second half of the year on the back of ongoing US-China trade tensions and prospects of a slowing Chinese economy. Nonetheless, iron ore prices in average registered a 34% increase compared to the same period in 2018.

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Sales

EuroChem & 3rd Party Products	2019	2018	Change, y-o-y	2019	2018	Change, y-o-y
	KMT			US$m		
Nitrogen products, including:	8,652	7,813	11%	2,071	1,838	13%
Nitrogen fertilizers	*8,637*	*7,797*	*11%*	*2,068*	*1,835*	*13%*
Phosphate products & complex fertilizers, including:	6,228	5,685	10%	2,461	2,318	6%
Phosphate fertilizers	*2,542*	*2,379*	*7%*	*1,021*	*1,044*	*-2%*
Complex fertilizers	*3,297*	*2,907*	*13%*	*1,268*	*1,097*	*16%*
Potash fertilizers	1,104	632	75%	423	236	79%
Total fertilizer sales	**15,984**	**14,130**	**13%**	**4,955**	**4,392**	**13%**
Mining products, including:	5,622	5,977	-6%	488	422	16%
Iron ore concentrate	*5,486*	*5,844*	*-6%*	*442*	*382*	*16%*
Industrial products	2,018	1,871	8%	620	632	-2%
Other sales	n/a	n/a	n/a	121	132	-8%
TOTAL, including:	**23,624**	**21,978**	**7%**	**6,184**	**5,577**	**11%**
3rd party products	*4,833*	*4,096*	*18%*	*1,651*	*1,320*	*25%*

In 2019 the Group reported fertilizer sales of 16 million metric tonnes (MMT), a 13% increase year-on-year. In monetary terms, sales were also 13% ahead, and totaled US$5 billion.

Sales volumes rose across all fertilizer segments, with nitrogen fertilizers sales volumes up 11% year-on-year, phosphate and complex fertilizers 10% ahead in total and potash gaining 75% as new capacity at Usolskiy came online.

Urea is the major product in EuroChem's nitrogen fertilizers portfolio, accounting for 43% of nitrogen segment sales in 2019. Urea sales were 16% up, year-on-year. In late 2019 the European Union switched a preliminary 34% antidumping duty on EuroChem's **UAN** to a fixed level of EUR27.77 per tonne. That resulted in a 43% decrease of UAN shipped to Europe. Even so, the share of UAN in nitrogen sales remained almost flat year-on-year, as the Group successfully redirected the product to other regions, chiefly to the Americas and Russia. Overall UAN sales in volume terms increased by 4% year-on-year. EuroChem sold about 240,000 metric tonnes of **ammonia** from its new 1 MMT/year plant in Kingisepp, Russia, to third parties.

Against a backdrop of historically low prices, **phosphate** sales were 2% down, year-on-year. At the same time, NPK sales in the complex fertilizers segment, which are more resilient to cyclical price fluctuations, moderated the pressure on phosphate markets, rising 16% year-on-year in monetary terms.

With the Group's Usolskiy Potash project continuing to ramp up, **potash** fertilizers sales almost doubled and reached 1,104 KMT, representing 9% of total fertilizers sales versus 5% the previous year. EuroChem's potash distribution spanned the globe, with the majority shipped to the Americas, where the Group is expanding its already strong distribution capabilities.

Iron ore sales volumes decreased by 6% in 2019. Sales were buoyant, however, due to a favorable price environment not seen since 2014, and increased 16% on 2018. Positive sentiment for iron ore saw the Group decrease the proportion of product shipped to domestic markets in favor of more marginal Asian one, and as a result almost doubled external sales in 2019.

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Geography of Sales	2019	2018	Change, y-o-y	2019	2018
	US$m			% of total	
Europe	1,632	1,600	**2%**	26%	29%
Latin America	1,522	1,154	**32%**	25%	21%
Russia	1,056	1,063	**-1%**	17%	19%
North America	991	842	**18%**	16%	15%
Asia Pacific	618	527	**17%**	10%	9%
CIS	261	262	**-1%**	4%	5%
Africa	104	130	**-20%**	2%	2%

A breakdown of EuroChem's sales by region showed strong geographical diversification in key global agricultural regions. Europe and the CIS remained the Group's most significant markets reflecting their geographic proximity to its main production sites. In 2019 there was a slight dip in the Russian market's contribution to total sales, mainly due to the redirection of iron ore volumes to Asian markets.

The Americas continue to be strategically important markets for EuroChem, where the Group has been expanding its distribution capabilities through both retail M&A activity that has brought a diversified product portfolio and investments to the regions, which have strengthened the company's sound market footholds. Sales to Latin America increased by almost a third while sales in North America were 18% up in 2019, year-on-year.

Leverage

As of December 31, 2019 net covenant debt amounted to US$4.2 billion with net leverage ratio of 2.82x. The 22% increase in debt in 2019 was primarily due to the leveraged buy-back of a 10% minority stake from the Group's former CEO. EuroChem's debt portfolio remains well diversified with bank borrowings amounting to 50% of all outstanding obligations, bonds issues to 40% and 10% non-recourse off-covenant project finance.

In 2019 EuroChem successfully tapped both the international and Russian debt capital markets. Bond issues were all highly oversubscribed, enabling the Group to build upon its sound financial footing in the eyes of the investor community. Through 2019 the Group increased the share of public debt instruments in its debt portfolio by 6.8 percentage points, enabling to significantly diversify its investor base.

In 2019 the Group made the last available disbursement from its non-recourse project finance which was sourced for the financing of the EuroChem Northwest Ammonia plant in Kingisepp, and started to gradually amortize the loan, which matures in 2029. With its official opening in June 2019, EuroChem Northwest has already begun to generate profits and has become fully self-sufficient in ammonia. All that contributed to raw material cost reduction by 3.3%, year-on-year.

Corporate developments

Corporate news

In June 2019 Petter Østbø, former Executive Vice-President and CFO of Yara International, joined the company as Group CEO. With the new strategy in place, EuroChem will focus even more on safety performance, operational productivity and sustainable growth with the goal of pushing the company to the top of the industry over the next years.

In August 2019 EuroChem Group celebrated the 18th anniversary of its foundation. In that short space of time, EuroChem has been transformed into a top global player in the fertilizer industry, ranked in the top five worldwide by sales and one of only three companies with production capacity in in all three primary nutrients.

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As of January 1, 2020 Samir Brikho, who has served on the Group's Board of Directors since 2018, was appointed as Chairman of the Board. He replaces Alexander Landia, who left the Board after more than six years' service but continues in other roles within AIM Capital SE, the holding company of EuroChem Group AG.

In 2019 the Group's credit ratings were confirmed at the same level by all three international rating agencies: BB-positive by Standard and Poor's, Ba2 stable by Moody's, BB stable by Fitch Ratings.

Commercial highlights

In line with Group's strategy to expand its global footprint in September 2019 a multi-year agreement was signed with American Plant Food for the supply of various fertilizers to its blending business in the United States.

In June 2019 EuroChem opened a third new fertilizer blending plant in Brazil to facilitate its growing distribution business in Latin America and to enable it to enter the important south-eastern region of the country.

Production update

EuroChem officially opened its **ammonia plant** in Kingisepp, Russia, and became fully self-sufficient in ammonia. The facility, with an annual capacity of 1 million tonnes, operates within the first quartile of the global trade ammonia cash cost curve and is one of the most efficient in terms of natural gas consumption. The project's capital expenditure amounted to just over US$900 million and was constructed over the course of just 42 months.

EuroChem's **Usolskiy potash project** continues its successful ramp-up and produced 1.14 MMT in 2019, in line with expectations. The four flotation trains at the plant are now running at full capacity. The maximum design capacity for 2020 is estimated at 2.3 MMT and the aim is to utilize this capacity at full scale.

At the **VolgaKaliy potash project** the Group focus on mine development continued, while the market experienced production curtailments by other major global potash producers amid sluggish global market conditions. In 2020 EuroChem plan to double the speed of underground operations by developing 18 kilometers of mine workings. The plant is ready for final commissioning and is working in test mode to assure grades and quality from ore accumulated during mine development. Complex technical solutions are being addressed to enable the sinking of the third shaft, which is currently protected from water inflow by a freeze wall and is not connected to the first two shafts.

Market outlook

In **Urea**, incremental Indian imports at the end of 2019 supported the market. Strong seasonal import demand in the United States and Europe in the first quarter and in Brazil and India in the second quarter is likely to further improve the pricing environment, despite the overall seasonal softer market balance. Following the introduction of anti-dumping duties by the European Union last year on **UAN** from Russia, the United States and Trinidad, trade flows changed, with new supply to the EU now coming mostly from Belarus and Lithuania, and decreased levels, especially to France, from Russia, which redirected its volumes to the Americas and Australia. The UAN market is expected to get support from US and Russian domestic demand in the short-term and further demand in Argentina and Australia. **AN** and **CAN** prices remain stable, backed up by recent strong Russian demand and an expected seasonal surge of interest from Brazilian and other Latin American consumers in the second quarter.

Strong import demand for **phosphate fertilizers** is expected in the US and Europe in the first quarter, supported by excellent nutrient affordability and signs that stocks, mainly in the US, are being depleted. Continued affordability will support strong levels of import demand in Brazil and India in the second quarter, while supply competition may contribute to some seasonal price softening.

A series of supply curtailments announced late in 2019 are supporting a return towards a more balanced market position in the **potash segment**. The agreement on the China potash import contract is assumed to take place in late first quarter or early in the second quarter of the year, which should add more clarity to market direction in Asia. Globally, improved potash affordability will drive strong import demand in the US and Brazil. The strong recovery in palm oil prices will be particularly supportive to demand in the Asian region. However, high Chinese inventories and sturdy supply competition may restrain reported spot prices.

After unsustainably high levels through 2019, **iron ore** prices have been in the range of USD 90-100 per tonne. These levels are expected to be maintained in the first half of the year, with the possibility of a subsequent slide. The environment remains favorable, with slowed down shipments to China, mainly from Brazil, on the back of

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reduced production guidance and no announcements to increase production. Recent turbulence with revoking and transferring mining licenses in India on the back of growing internal demand has the effect of changing domestic trade flows and supporting global iron ore prices.

About EuroChem Group AG

EuroChem is a leading global producer of nitrogen, phosphate and potash fertilizers. The Group is vertically integrated with activities spanning mining to fertilizer production, logistics, and distribution. EuroChem began test production at its Usolskiy potash mine in early 2018, and continues to develop a second greenfield site at VolgaKaliy in Russia. Headquartered in Zug, Switzerland, the Group operates production facilities in Europe, Asia and the CIS, employing more than 27,000 people.

For more information, please visit www.eurochemgroup.com. Any media or analyst enquiries should be directed to the appropriate EuroChem Group contact, as listed below:

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