Open Joint Stock Company «Mineral and Chemical Company «EuroChem»
53 bld. 6, Dubininskaya str, Moscow, 115054, Russia; tel.: +7 (495) 795-2527, fax: +7 (495) 795-2532
www.eurochem.ru, e-mail: info@eurochem.ru

EuroChem Reports IFRS Financial Information for Q1 2012

	Q1 2012		Q1 2011		*Chng*	Q4 2011		*Chng*
	RUB bn	**USD m**	**RUB bn**	**USD m**	***Y-o-Y, %***	**RUB bn**	**USD m**	***Q-o-Q, %***
Revenue	**35.8**	1,182	**31.2**	1,067	*+15%*	33.0	1,058	*+8%*
EBITDA	**11.3**	374	**11.6**	395	*-2%*	12.6	403	*-10%*
Net profit	**13.7**	454	**11.3**	388	*+21%*	7.8	248	*+77%*
Cash from operations	**11.0**	363	**9.7**	331	*+15%*	8.1	261	*+36%*

	31 March 2012	31 March 2011	31 December 2011
Net Debt/ LTM[(1)] EBITDA	1.23x [(2)]	0.71x	1.35x

Average USD/RUB exchange rate for the period: Q1 2012: 30.26; Q4 2011: 31.23; Q1 2011: 29.27

[(1)]Last Twelve Months

[(2)]Including estimated pro-forma EBITDA of EuroChem Antwerpen for the 12 month period ending 31 March 2012

Moscow, 22 May, 2012 - EuroChem today reported a consolidated IFRS net profit for the first three months of 2012 of RUB 13.7 bn, which represents a 21% increase on the RUB 11.3 bn obtained in the first three months of 2011. First quarter 2012 EBITDA slipped just 2% to RUB 11.3bn from a very strong RUB 11.6bn the previous year. The EBITDA margin for the first three months of the year was 32%.

Fertilizer sales volumes increased by 4% to 2,265 thousand tonnes (KMT) in the first quarter of 2012, compared to 2,179 KMT in the first quarter of 2011. Iron ore and baddeleyite sales volumes were also up, increasing 6% to 1,390 KMT, compared with 1,317 KMT in Q1 2011.

CEO Dmitry Strezhnev commented: “Once again, the fundamentals of the fertilizer industry continued to trump macroeconomic concerns as comfortable farmer economics and favorable planting conditions in key markets set the stage for another robust quarter. To complement our first quarter performance and further entrench our competitiveness we completed our acquisitions of EuroChem Antwerpen and Severneft Urengoy. Combined with the completion of our first potash shaft in less than twelve months, we have more than ever paved the way to sustainable value creation”.

The results for Q1 2012 include the effects of the recently made acquisition of EuroChem Antwerpen, including the payment for this asset in the amount of EUR 702.4 million effected on 30 March 2012 and the calculation of Net Debt / LTM EBITDA. EuroChem Antwerpen was consolidated into EuroChem’s financial information from 31 March, 2012.

First Quarter Market Conditions

The year began against a backdrop of uncertainty with the macroeconomic concerns of the last few quarters emphasizing the traditional seasonal slowdown in fertilizer demand. Still, a combination of unusually mild weather and lean inventories across the supply chain provided much welcomed support to nitrogen demand and prices following their late 2011 correction.

An early start to the western hemisphere's planting season coupled with encouraging corn prices and the prospects of higher acreage saw positive momentum quickly return to nitrogen products. Prilled urea (FOB Yuzhny), despite trailing the previous quarter average by 13%, rebounded from its December lows to average USD 391/tonne, representing an increase of 11% on the first quarter of 2011. Ammonium nitrate (FOB Black Sea) was steady, averaging USD 304/tonne in the first quarter of 2012, versus USD 306/tonne and USD 299/tonne in Q4 and Q1 2011, respectively.

Given the high inventory buildup in key markets, phosphates remained under pressure throughout most of the quarter. Major producers answered by adjusting production output to alleviate pricing pressure. Phosphate prices were nonetheless dragged down by the weaker demand. DAP (FOB Baltic Sea) averaged USD 553/tonne in Q1 2012, down 14% quarter-on-quarter and 6% year-on-year.

A similar scenario played out in potash where the gradual introduction of production curtailments in the previous quarter provided positive traction to prices. The volumes over price strategy benefited prices in the first three months of 2012. First quarter average MOP (FOB Baltic Sea contract) increased 30% to USD 423/tonne, while average MOP spot prices climbed 24% to USD 479/tonne, as compared to the first quarter of 2011.

Following the previous quarter's sharp contraction to below USD 130/tonne, average iron ore spot prices stabilized at an average USD 147/tonne (63.5%Fe, China CFR), as compared to USD 185/tonne in the first quarter of 2011.

According to AzotEcon, nitrogen and phosphate fertilizer production in Russia during the first quarter of the year amounted to 2,952 KMT (Q1 2011: 2,976 KMT) of nutrients, comprising 2,119 KMT of nitrogen fertilizers and 833 KMT of phosphate fertilizers. According to the same source, for the first three months of 2012, EuroChem had a 24% share of the Russian nitrogen and phosphate fertilizer market.

BUSINESS SEGMENTS

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

Nitrogen segment

In the first quarter of 2012, sales volumes for our Nitrogen segment inched up 1% or by 16 thousand tonnes, from 1,510 KMT in Q1 2011 to 1,526 KMT. NPK sales volumes increased 34% from 96 KMT in Q1 2011 to 129 KT in the first quarter of 2012.

Improvements in pricing and in the Nitrogen segment product mix in favor of higher-margin products lifted Q1 2012 revenues to RUB 17.1bn, a 12% increase on the RUB 15.2bn of the first quarter of 2011. During the same period, Nitrogen EBITDA increased 3% to RUB 6.1bn.

Exceptionally warm weather across much of the U.S and Canada helped double our revenues from North America. For the first quarter of 2012, North America represented 19% (Q1 2011: 10%) of Nitrogen segment sales, second to Russian and the CIS which together accounted for 46% of Q1 2012 sales (Q1 2011: 45%).

The postponement of the 15% increase in Russian gas prices by half a year to July 2012 provided our Novomoskovskiy Azot and Nevinnomysskiy Azot nitrogen fertilizer facilities with average natural gas prices of RUB 3,183 and 3,318 per 1,000m^3 respectively (c. USD 3.27 and 3.41/mmBtu), for the three month period ended 31 March 2012, compared to RUB 3,180 and 3,340/1,000m^3 (c. USD 3.38 and

3.55/mmBtu) in the first three months of 2011. This compares with Q1 2012 averages of USD 2.44/mmBtu in the US (Henry Hub), USD 8.98/mmBtu in Europe (spot), and an estimated USD 12.94/mmBtu for Ukrainian producers (delivered to plant). External sales of hydrocarbons from Severneft Urengoy, which was consolidated from Q1 2012, generated RUB 469m.

Phosphate segment

Phosphate segment fertilizer sales volumes were up 11% to 739 KMT in the first quarter of 2012 as compared to 669 KMT in the first quarter of 20 11. This increase was mainly the result of higher MAP/DAP and feed phosphate sales which increased 10% and 35% or by 52 KMT and 20 KMT respectively.

As previously highlighted, a combination of weaker demand and elevated inventories across major phosphate markets applied pressure on phosphate prices, while iron ore prices had yet to strengthen following their Q4 2011 correction. Consequently, while higher sales volumes drove first quarter 2012 revenues for the Phosphate segment 16% over Q1 2011 to RUB 17.8bn, EBITDA decreased 26% to RUB 4.2bn.

Iron ore and baddeleyite, the two co-products of our apatite mining operations in Kovdor, together accounted for 30% of EuroChem's first quarter Phosphate segment revenues and and 46% of segment EBITDA.

Our Phosphate segment sales geography, including sales of mining co-production, considerably shifted in the first quarter of 2012 when compared to Q1 2011. The European and Asian markets were the top destinations, accounting for 30% and 27% of the segment's revenues respectively, while CIS sales, which represented 37% of segment revenues in Q1 2011, retreated 14 percentage points and accounted for 23% of Phosphate sales in the first three months of 2012. The shift reflects the agile business model which allows quick adjustment to sales destinations offering more attractive export netbacks in a given market environment.

Potash segment

We continued making good progress on our two potash developments in the first quarter of the year. In southern Russia, shaft sinking operations at VolgaKaliy's skip shaft #1 hit the 500 meter mark late in the first quarter. As at 18 May, the shaft had reached its approximate midway point of 550 meters. The future mine's cage shaft continued being readied for freezing with sinking operations set to resume within the next twelve months.

Sinking operations at our potash site in the Urals region progressed as planned. Begun in December 2011, the skip shaft #1 sinking at the Verkhnekamskoe deposit had exceeded 100 meters by the end of the first quarter. As at 18 May, the shaft had reached a depth of 200 meters. Cage shaft sinking operations were initiated in March 2012 and had already reached 75 meters as at May 18.

Capex spending on both our potash projects increased 78% year-on-year and amounted to RUB 2.7bn in the first quarter of 2012 as compared to a first quarter 2011 potash capex of RUB 1.5bn.

Distribution segment

When compared to Q1 2011, sales at our distribution and sales outlets grew 6% to RUB 4.4bn in the first quarter of 2012 and accounted for 12% of our total sales (Q1 2011: 13%). Distribution segment EBITDA decreased 9% to RUB 256m as more higher-margin product was moved to uncharacteristically stronger export netback markets and costs grew at a faster rate than Russian market prices.

FINANCIAL

Income statement

First quarter consolidated revenues increased by 15% to RUB 35.8bn on the back of stronger sales volumes for EuroChem fertilizers and mining co-products. EBITDA for the period came in at RUB 11.3bn as compared to RUB 11.6bn in Q1 2011. While urea prices were ahead of their Q1 2011 levels, the Group's financial performance was hindered by a combination of lower phosphate fertilizer and iron ore prices and an appreciating Russian rouble. First quarter sales outside Russia and the CIS, which are predominantly conducted in US dollars, accounted for 64% of consolidated Group sales.

Compared to the first quarter of 2011, costs of sales were 27% higher in the first quarter of 2012 and amounted to RUB 19.5 bn. Materials and components used or resold increased to RUB 10.4 bn and represented 58% of Q1 2012 costs of sales (Q1 2011: 58%). During the same period, gas costs for fertilizer production decreased by 7% to RUB 3.4bn primarily as a result of stoppages at our Novomoskovskiy A3 ammonia facility.

Energy costs decreased 8% to RUB 1.7bn in the first quarter of 2012 and accounted for 9% of costs of sales (2011: 12%). This decrease was mainly brought on by a lowering of electricity prices in Russia from the second quarter of 2011.

Labour costs, including contributions to social funds, remained stable in the cost of sales structure at 12% (2011: 13%) and amounted to RUB 2.3bn, up from RUB 2.0bn in Q1 2011. This 20% increase primarily stemmed from a salary indexation effective January 2012 as well as labour costs associated with the Group's acquisition of Severneft Urengoy.

Distribution costs increased by 45% to RUB 5.3bn in the first quarter of 2012 (2011: 3.6bn). Behind this increase was a 47% growth in transportation costs. While remaining stable at 84% of distribution costs, transportation costs rose to RUB 4.5bn as compared to RUB 3.0 in Q1 2011. This increase mainly reflected expenses associated with the Group's increasing use of CFR shipping terms in Q1 2012.

As compared to the first quarter of 2011, total general and administrative (G&A) expenses for the first quarter of 2012 remained flat, increasing 1% to RUB 1.2bn. G&A labour costs, which accounted for 59% of G&A expenses, rose 6% year-on-year to RUB 699m. At RUB 3.3bn, total Group staff costs (including social expenses) for the first three months of 2012 were 17% higher than the RUB 2.9bn in the same period the previous year.

The Group's other operating expenses for the first quarter of 2012 amounted to RUB 882m, as compared to RUB 596m in the first three months of 2011. Behind these charges were expenses of RUB 596m primarily associated with the termination of the VolgaKaliy cage shaft sinking contract and the failure of crane installations at our Murmansk Bulk Terminal, and operating foreign exchange losses of RUB 251m as a result of the Russian rouble's appreciation versus the U.S. dollar during the first three months of 2012.

Below the operating profit line, we recorded a gain of RUB 568m on the sale of 13,475,191 ordinary shares of K+S Group in Q1 2012 to EuroChem Group S.E., the parent company of the Group, for RUB 20bn. The effects of the Russian rouble's appreciation versus the U.S. dollar on the value of the Group's mostly US dollar-denominated debt translated into an unrealized financial foreign exchange gain of RUB 5.4bn in the first quarter of 2012 (Q1 2011: RUB 2.2bn).

Interest expense in the first quarter of 2012 increased 86% to RUB 1.1bn as compared with RUB 605m in the first quarter of 2011. Other financial gain of RUB 1.6bn was realized on changes in the fair value of USD/RUB non-deliverable forward contracts and changes in the fair value of cross currency interest rate swaps in amounts of RUB 1.0bn and RUB 581m, respectively.

Balance sheet

Net working capital increased to RUB 20.4bn in the three month period ended 31 March 2012, as compared to RUB 11.4bn for the same period in 2011 mostly due to the acquisition of EuroChem Antwerpen coupled with higher prices for raw materials and finished goods.

EuroChem’s portfolio of borrowings from banks was fairly unchanged in the first quarter of 2012. In March 2012 the Group signed a USD 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. Other major floating interest rate debt facilities were the USD 1.3bn 5-year club loan at 1 month Libor +1.8% secured in July 2011 and the September 2011 RUB 20bn 5-year loan agreement with Sberbank.

The Group’s balance sheet remained solid in the first quarter of 2012. As at 31 March 2012 net debt to 12-month rolling EBITDA stood at 1.23x (including estimated pro-forma LTM EBITDA of EuroChem Antwerpen), below the 2011-end level of 1.35x. The improvement in gearing was achieved as the Group closed its acquisitions of Severneft-Urengoy, EuroChem Antwerpen, and redeemed in full its outstanding 2012 LPNs in March.

At 31 March 2012, EuroChem held 1,964,979 shares, or 1.027% of the issued share capital of German potash and salt producer K+S Group with a fair value of RUB 3.0bn according to the 31 March 2012 closing price of EUR 39.23 per share.

Cash flow

Operating cash flow for the first quarter of 2012 was RUB 11.0bn, compared to RUB 9.7bn in Q1 2011. Excluding proceeds from the disposal of K+S equity, free cash flow amounted to RUB 3.9bn, as compared to RUB 6.3bn for the same period the previous year.

Corporate developments

On 20 January 2012, following regulatory clearance from the Federal Antimonopoly Service of the Russian Federation (FAS), EuroChem completed the acquisition of 100% of the share capital of Severneft-Urengoy, a gas exploration and production company operating in Russia’s Yamalo-Nenets Autonomous Region. The total value of the transaction on a cash-free, debt-free basis was RUB 12.7bn.

On 31 March, 2012, we completed our acquisition of 100% of BASF’s nitrogen fertilizer assets located in Antwerp, Belgium, following the approval of antitrust authorities. Subsequently renamed EuroChem Antwerpen, the total purchase price for the assets amounted to around €830 million, including a deferred part of circa €130 million payable over the 2013 to 2016 period.

Events after the reporting period

On 8 May 2012, EuroChem and K+S Aktiengesellschaft jointly announced that they had signed an agreement regarding the sale of K+S Nitrogen (KSN), a global supplier of nitrogenous fertilizers. While the effective economic date of the transfer was fixed at 31 March 2012, the transaction, which attributes an enterprise value of EUR 140 million for KSN, is expected to close at the end of the second quarter of 2012. The sale is subject to various factors, including approval by the European Union antitrust authority.

OUTLOOK

Below average global stock-to-use ratios in major grains should continue pushing farmers to increase both cultivated acreage and fertilizer application levels, keeping demand for all three nutrients steady over the months to come. We expect to see the nitrogen market remaining fairly quiet over the next few weeks until the frames of this year's Chinese lower-tax export window from July offer better visibility on supply, and early indications of this year's expected crop yields in large markets provide insight on the likely future demand direction. Phosphates have been improving on the back of healthy demand from South America and the market could quickly tighten depending on India's appetite. Until then, we believe the market will be moving sideways as the opening of the Chinese phosphate export window approaches. As in South America earlier this year, we would expect to see potash prices gaining further ground in South East Asia given the gradually reducing inventory levels across the supply chain.

Iron ore prices so far appear to have stabilized at levels deemed sustainable. Although demand should pick up as we come into peak consumption season, the current Chinese economic trends serve as a reminder of possible additional pricing pressure.

###

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. EuroChem is currently developing two sizeable potash deposits in Russia with the Gremyachinskoe (4.6 mtpa) and Verkhnekamskoe (3.4 mtpa) greenfield projects. Please visit www.eurochem.ru for further information.

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 three month period ended 31 March 2012 and key financial and non-financial data is available at http://www.eurochem.ru/investors/results-center/

For more information please contact:

Investors

Olivier Harvey
Head of Investor Relations
Phone: +7 (495) 795 2527 ext. 1519
Fax: +7 (495) 960 2293
E-mail: ir@eurochem.ru

Media

Vladimir Torin
Head of Public Relations
Phone: +7 (495) 795 2527 ext. 1440
Fax: +7 (495) 960 2293
E-mail: Vladimir.Torin@eurochem.ru