# 1H 2020 IFRS Results

## RESILIENCE THROUGH ADVERSITY

| Sales | EBITDA | FCF | Potash produced (UKK) |
|---|---|---|---|
| $3BN | $830MN | $338MN | 1.05MMT |
| -1% | +1% | +148% | +125% |

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## Geographic diversification and continued growth in sales contribute to EuroChem's resilience

### Highlights:

- Sales volumes **6% up** in 1H 2020 year-on-year, with fertilizer volumes **19% higher**
- EBITDA **1% up**; EBITDA margin **28%**
- Free cash flow at **US$338 million**, **148%** up year-on-year
- Potash sales of **1 MMT**, accounting for **11%** of total fertilizer revenues
- No major disruption to operations experienced due to **COVID-19** pandemic

| Key Indicators | 1H 2020 | 1H 2019 | Change, y-o-y |
|---|---|---|---|
| Sales, US$ mn | 3,006 | 3,046 | -1% |
| Sales, KMT | 12,457 | 11,774 | **6%** |
| EBITDA, US$ mn | 830 | 819 | **1%** |
| *EBITDA margin, %* | 28% | 27% | *+1 pp* |
| Cash flow from operations, US$ mn | 714 | 567 | **26%** |
| CAPEX, US$ mn | 382 | 464 | **-18%** |
| Free cash flow, US$ mn | 338 | 136 | **148%** |

| Leverage | 1H 2020 | 2019 | 1H 2019 |
|---|---|---|---|
| Net Covenant Debt, US$ mn | 3,963 | 4,201 | 3,417 |
| Net Covenant Debt/Covenant LTM EBITDA* | 2.67x | 2.82x | 2.09x |

* Including net income from associates and joint ventures

**Zug, Switzerland, August 5, 2020** – EuroChem Group AG (hereinafter "EuroChem" or the "Group"), a leading global fertilizer company, reported today consolidated half-year sales of US$3.0 billion for the first half of 2020 and sales volumes of 12.5 MMT, 6% higher than a year ago.

EuroChem achieved EBITDA of US$830 million in the first six months of the year, 1% ahead of the same period last year, reflecting the company's resilience and its ability to deliver a strong performance, despite the effects of the COVID-19 pandemic. The improvement was underlined by a 1 percentage point increase in EBITDA margin to 28% during the period.

For the six months to June 30, 2020, the Group generated a cash flow from operating activities of U$714 million, 26% above the corresponding period in 2019, with positive free cash flow of US$338 million. Capital expenditure decreased by 18% to US$382 million, reflecting the eased investment cycle and a more prudent approach to investments on the back of global economic turbulence caused by the pandemic outbreak. Operating cash flow remained strong despite the current market environment, covering capital commitments by 1.9 times.

"Our half-year results reflect the strength and resilience of our business model during this challenging period. The COVID-19 pandemic has tested all companies like never before and, as a global business, we have had to adapt and respond to a volatile environment," said EuroChem CEO Petter Østbø. "Our success reflects our safety focus, our low cost positions, vertically integrated structure, and the vital role fertilizers play in ensuring food security."

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 1H2020.

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## Market overview

| **Average Market Prices**, US$/t | **1H 2020** | **2019** | **1H 2019** | **Change,** since FY19 | **Change,** y-o-y | **MAX** 1H 2020 | **MIN** 1H 2020 |
|---|---|---|---|---|---|---|---|
| Ammonia (FOB Yuzhny) | **210** | 233 | 246 | -10% | -15% | 224 | 182 |
| Prilled urea (FOB Yuzhny) | **213** | 239 | 245 | -11% | -13% | 229 | 200 |
| MAP (FOB Baltic sea) | **292** | 339 | 380 | -14% | -23% | 307 | 261 |
| Sulphur (FOB Vancouver, spot) | **53** | 82 | 104 | -36% | -49% | 62 | 40 |
| MOP (FOB Baltic sea, spot) | **214** | 265 | 277 | -19% | -23% | 239 | 202 |
| NPK 16-16-16 (FOB Baltic) | **267** | 300 | 308 | -11% | -13% | 274 | 259 |
| Iron Ore (63.5% Fe, CFR China) | **93** | 96 | 94 | -3% | -1% | 109 | 82 |

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

The first half of 2020 saw pressure on prices across all fertilizer segments, but the efficiency of EuroChem's vertically integrated business model allows us to preserve margins in challenging times and low periods in the cycle. The fertilizer industry was one of the less affected by the COVID-19 pandemic and continued to experience healthy levels of demand.

Relatively flat **ammonia** prices during the first quarter of the year gave way to significant downward price pressure in the second quarter, mainly due to market over-supply caused by a weakening in demand for industrial ammonia. This trend has been further fueled by the even lower gas price environment.

**Urea** prices were mixed at the beginning of the year. Strong US import demand for spring application contributed to an increase in prices by mid-March. With demand shifting from the Western to the Eastern hemisphere from the start of the second quarter, negative pressure on urea prices became more apparent.

**MAP** prices encountered support in the beginning of the year as a result of reduced Chinese production due to the COVID-19 outbreak and other voluntary production curtailments by major phosphate producers. Despite this, the market experienced some price weakness in the second quarter with the traditional switch in seasonal demand across different agricultural regions. Sulphur prices remain at attractive levels for phosphate producers, although there was a slight correction on supply concerns generated by the threat of reduced global oil production.

**MOP** prices were on a downward trajectory until the beginning of the first quarter of the year due to market over-supply and the unrealized effects of anticipated production curtailments at the end of 2019. The delay in agreeing a new Chinese potash contract combined with record stock build-ups at some ports in China, resulting in some bearishness on the potash spot markets. However, the latest MOP supply contract with China concluded at US$220 CFR per ton at the end of April, and this has meant greater certainty of a potash market recovery.

**Iron ore** prices were more sensitive to heightened market uncertainty as pandemic-related lockdowns took effect around the world in an effort to constrain the spread of COVID-19. Expectations of weaker steel demand globally resulted in lower prices, though on average they maintained a sustainable level of US$93 per ton. Limited iron ore stocks and continued robust demand in China as well as supply issues from Latin America contributed to price stability during the first half.

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## Sales

| EuroChem and 3rd Party Products | 1H 2020 | 1H 2019 | Change, y-o-y | 1H 2020 | 1H 2019 | Change, y-o-y |
|---|---|---|---|---|---|---|
| | KMT | | | US$m | | |
| Nitrogen products, including: | 4,898 | 4,693 | 4% | 1,086 | 1,156 | -6% |
| *Nitrogen fertilizers* | *4,883* | *4,687* | *4%* | *1,082* | *1,155* | *-6%* |
| Phosphate products & complex fertilizers, including: | 3,338 | 2,679 | 25% | 1,151 | 1,113 | 3% |
| *Phosphate fertilizers* | *1,453* | *1,098* | *32%* | *493* | *485* | *2%* |
| *Complex fertilizers* | *1,694* | *1,390* | *22%* | *576* | *542* | *6%* |
| Potash fertilizers | 1,002 | 389 | 158% | 275 | 146 | 88% |
| **Total fertilizer sales** | **9,238** | **7,761** | **19%** | **2,512** | **2,416** | **4%** |
| Mining products, including: | 2,346 | 3,016 | -22% | 201 | 261 | -23% |
| *Iron ore concentrate* | *2,343* | *2,934* | *-20%* | *190* | *235* | *-19%* |
| Industrial products | 873 | 997 | -12% | 249 | 309 | -20% |
| Other sales | n/a | n/a | n/a | 44 | 60 | -26% |
| **TOTAL,** including: | **12,457** | **11,774** | **6%** | **3,006** | **3,046** | **-1%** |
| *3rd party products* | *2,711* | *2,048* | *32%* | *811* | *695* | *17%* |

In the first half of 2020, the Group achieved fertilizer sales of 9.2 million metric tonnes (MMT), a 19% increase year-on-year. An increase in the sales of potash fertilizers, ammonia from the new EuroChem Northwest plant contributed to the improvement. In monetary terms, sales were 4% ahead at US$2.5 billion, despite a softer price environment.

Total sales volumes reached 12.5 MMT by the end of the first half, 6% upon a year-on–year basis. Sales of mining products fell by 22% but were offset by a more favorable price environment for iron ore.

In the **nitrogen** segment sales volumes rose by 4% with urea sales 8% ahead, driving the improved performance in this segment. UAN sales edged downwards by 2% year-on-year, and there was a shift in trade flows across different regions following the establishment of final UAN anti-dumping duties by the European Union in October 2019. Despite the imposition of duties, EuroChem maintained a good share of UAN European sales, actually increasing its stake in the UAN sales portfolio by 3 percentage points.

In the first half of the year the Group's decision to prioritise the production and sale of MAP fertilizers due to more favorable market conditions led to its increased share in the **phosphates** segment, which rose to 64% versus 55% in volume terms in the same period last year. In all, MAP sales climbed 56% in the first half of 2020.

**Potash** sales saw a tremendous improvement in the first half of the year, reaching 1MMT versus 389 KMT in the same period last year. The share of potash sales as a proportion of total fertilizer sales increased to 11%, which reflects the successful ramp-up of the Usolskiy Potash Project, and product acceptance by customers.

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## Geography of Sales

| | 1H 2020 | 1H 2019 | Change, y-o-y | 1H 2020 | 1H 2019 | 1H 2020 | 1H 2019 | Change, y-o-y |
|---|---|---|---|---|---|---|---|---|
| | US$m | | | % of total | | KMT | | |
| Europe | 795 | 889 | -11% | 26% | 29% | 2,951 | 2,745 | 8% |
| Latin America | 645 | 538 | 20% | 21% | 18% | 2,096 | 1,504 | 39% |
| North America | 589 | 570 | 3% | 20% | 19% | 1,970 | 1,769 | 11% |
| Russia | 421 | 582 | -28% | 14% | 19% | 2,296 | 3,578 | -36% |
| Asia Pacific | 366 | 270 | 36% | 12% | 9% | 2,408 | 1,441 | 67% |
| CIS* | 107 | 157 | -32% | 4% | 5% | 393 | 561 | -30% |
| Africa | 82 | 41 | 101% | 3% | 1% | 343 | 177 | 95% |

* *excluding Russia*

EuroChem's sales remain well diversified across key agricultural regions. In the first half of the year sales to Latin America increased by 20% to US$645 million, which now accounts for 21% of total sales. Brazil continues to be the primary focus market in the region as the Group continued to expand distribution through its subsidiary, Fertilizantes Tocantins. Sales to Brazil also rose year on year and constituted 18% of Group's revenues.

## Leverage

Net covenant debt decreased by 6% and reached US$4.0 billion at the end of the first half. Net leverage ratio improved to 2.67 times.

In April EuroChem successfully re-entered the Russian debt capital markets with a new 5-year jumbo RUB35 billion ($470 million equivalent) transaction across two tranches, despite pandemic-related turmoil in the global financial markets. EuroChem was the first issuer to access the local market since the start of the COVID-19 pandemic, thereby setting a new benchmark for the Group as well as for other corporate issuers. At the end of the first half, the share of public debt instruments in the Group's covenant debt portfolio (excluding Project Finance) amounted to 43%.

In May 2020 S&P maintained Group's rating at BB- with a positive outlook, despite the spread of the COVID-19 pandemic and lower prices for most major fertilizers, as well as a number of rating revisions across other industries.

## Corporate developments

The ramp-up of EuroChem's **Usolskiy Potash Project** continued during the first half, with 1.05 MMT produced as of June 30, 2020. The two shafts, four flotation tanks and all the site's compaction trains are now fully operational. Projected design capacity for 2020 is at twice the level achieved in 2019 and estimated at 2.3 MMT. The Group is confident that it is on track to meet this target.

The Group continues to develop its **VolgaKaliy Potash Project**. The surface beneficiation plant is nearly complete and operations will begin later this year in test mode to ensure not just grades and quality but also the recovery of raw ore levels as the mine expands. Drilling has already reached the sylvinite layer at the deposit and we aim to reach the main potash production panels later this year.

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## Market outlook

Strong **urea** demand from India, coupled with lower Chinese exports and strong demand in Latin America, indicate that current urea prices will continue to rise into the autumn. The favorable outlook for farmer economics and prospects for increased 2021/2022 US crop season corn acreages also reflect a supportive environment for urea in the fourth quarter of 2020.

Seasonal demand pick-up and the prospects of higher European gas prices for the second half of the year should lend support to a currently challenging **nitrates** market, and **AN** should fare relatively well.

Favorable farmer economics are expected to support **phosphates** demand during the second half of 2020. A highly favorable barter ratio in Brazil, healthy Indian soil moisture levels and prospects for a good monsoon may generate further strong MAP and DAP import demand in these major markets in the third quarter. Higher corn prices also seem set to improve US fall demand prospects in the second half of the year. On the supply side, Chinese phosphates exports remain significantly below 2019 levels. Altogether, we expect the global supply and demand balance will continue to support firm phosphates prices globally.

The agreement of Chinese and Indian **MOP** import contracts in the second quarter of the year at lower levels has returned some certainty to the potash market. Combined with strong import demand due to a highly favorable barter ratio, these factors will continue to support a continued recovery in Brazilian MOP import prices in the second half of 2020. Higher prices in both US corn and crude palm oil in South-East Asia also look likely to significantly improve potash farmer affordability, creating strong MOP import demand in the major US and South-East Asian markets.

The **iron ore** price continues to be well supported on resilient steel demand from China. The country is the first major economy to return to growth since the outbreak of the COVID-19 pandemic. Global steel production is likely to see a downward trend in 2020, with pig iron pointing to a more moderate reduction on lower scrap availability. Subject to a stable economic environment globally, steel production may find support through important infrastructure projects across Asia that could be initiated later this year.

Predicting growth for the full year is more difficult than usual as a result of uncertainty concerning the course of the COVID-19 pandemic, although demand across the board remains solid and the fundamentals in our key markets are strong.

This EuroChem publication contains forward-looking statements concerning future events. These statements are based on current EuroChem's information and assumptions concerning known and unknown risks and uncertainties.

## 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 26,000 people.

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