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PRESS RELEASE

EuroChem Reports IFRS Financial Information for Q3 2010

	Q3 2010		Q3 2009		Chng	9M 2010		9M 2009		Chng
	RUR bn	*US$ m*	RUR bn	*US$ m*		RUR bn	*US$ m*	RUR bn	*US$ m*	
Revenue	24.3	*792*	18.8	*599*	+29%	69.7	*2,305*	55.2	*1,701*	*+26%*
EBITDA	6.3	*207*	3.1	*100*	+102%	19.4	*640*	13.5	*414*	*+44%*
Net profit	4.8	*156*	3.3	*104*	+46%	11.7	*388*	8.9	*274*	*+32%*
Cash from operations	6.0	*197*	3.4	*108*	+78%	17.2	*567*	13.0	*400*	*+32%*
	30 September 2010					**31 December 2009**				
Net Debt/ LTM* EBITDA	1.59					2.21				

Average RUR/US$ exchange rate for periods: Q3 2010: 30.62; Q3 2009: 31.33; 9M 2010: 30.25; 9M 2009: 32.48
* Last Twelve Months

EuroChem today reported a consolidated IFRS net profit for the third quarter of 2010 of RUR 4.8bn, up 46% from RUR 3.3bn for Q3 2009. Consolidated revenues also increased 29% to RUR 24.3bn in Q3 2010 from RUR 18.8bn in Q3 2009. Net profit for the first nine months of 2010 amounted to RUR 11.7bn, up 32% from RUR 8.9bn in 9M 2009.

EuroChem's gross margin in Q3 2010 was 52% on gross profit of RUR 12.6bn, compared with a 43% / RUR 8.0bn result for Q3 2009. EBITDA was RUR 6.3bn for the third quarter of 2010, increasing 102% vs. RUR 3.1bn in Q3 2009. The EBITDA margin for the period was 26%, compared to 17% for Q3 2009.

Fertilizer sales volumes in the third quarter of 2010 were flat vs. Q3 2009, with combined nitrogen and phosphate volumes at 1,898 thousand metric tonnes (KMT) (excl. iron ore and baddeleyite). Similarly, the company's sales of iron ore in the third quarter were virtually unchanged at 1,549 KMT in Q3 2010 compared with 1,556 KMT in Q3 2009.

CEO Dmitry Strezhnev said: "We are observing that the current strength in soft commodity prices is encouraging farmers to invest in fertilisers and other means of maximizing output per acre, which should continue in 2011. This, coupled with an empty supply chain, helped us achieve stronger financial results in the third quarter on virtually unchanged volumes relative to last year. This allows us to comfortably continue with our ambitious capital expenditure program, where completing phase I of our Gremyachinskoye potash project on time remains the top priority.

Notes:

EuroChem Group is a top ten agrochemical company globally by nutrient capacity. It produces primarily nitrogen and phosphate fertilizers, which are supplied to agricultural producers and related intermediaries worldwide, as well as certain organic synthesis products and iron ore. EuroChem's main manufacturing assets include Nevinnomysskiy Azot, Novomoskovskiy Azot, Phosphorit, EuroChem – BMU, Kovdorskiy GOK plants in Russia and Lifosa plant in Lithuania. The Group is vertically integrated with activities spanning from mining to production logistics and distribution. EuroChem holds licenses to develop potash reserves in Russia which entitle it to an estimated fifth-largest volume of potash reserves globally.

Consolidated condensed interim financial information for 9M 2010 is available on the EuroChem website: http://www.eurochem.ru/investors/financial_reports.

Key financial and non-financial data is also presented in the following attachments.

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MARKET CONDITIONS

While the market witnessed some weakness in the nitrogen segment in the second quarter, the fertilizer and soft commodities markets showed considerable strength in Q3 2010. Sovereign debt concerns and economic recovery uncertainty, while still present, had less influence on the market than strong demand for food coupled with significant crop shortages and tightening stocks in several parts of the world. Strong soft commodity prices are expected to stimulate farmers to invest in maximizing crop output, which has led to stronger fertiliser prices and restocking of fairly empty supply chains.

A drought, heat wave and the consequent temporary ban on Russian grain exports combined with dry weather in Kazakhstan, Ukraine and the European Union and excess rain in Canada have drained wheat stockpiles and put upward pressure on global wheat prices. Wheat, soybeans, corn and rice prices all rose during Q3 2010, backed both by supply concerns and by real demand.

During Q3 2010, average market prices for prilled urea (FOB Yuzhny) were 14% higher than Q3 2009 levels at US$ 276/tonne, while AN (FOB Black Sea) averaged 34% higher at US$ 221/tonne. Phosphate fertilizer prices continued to rise, with DAP (FOB Baltic Sea) averaging US$ 486/tonne in Q3 2010, up 58% over the average price for Q3 2009. Contract prices for potash fertilizers have remained stable with MOP at US$ 291/tonne (FOB Baltic Sea) throughout the third quarter of 2010, although spot prices were higher, averaging US$ 335/tonne during the period.

Natural gas prices averaged US$ 2.85/mmBtu in Q3 2010 at EuroChem's nitrogen fertilizer plants, compared with US$ 4.30/mmBtu in the US (Henry Hub), US$ 7.10 in Europe (spot), and an estimated US$ 8.20/mmbtu for Ukrainian producers (delivered to plant).

Preliminary figures from AzotEcon show that nitrogen fertilizer production in Russia in Q3 2010 increased by 8% to 1,707 KMT of N nutrient and phosphate fertilizer production was up 17% to 787 KMT of P_2O_5 nutrient. Potash production, which was most significantly affected by the 2009 economic crisis, was 42% higher y-o-y in Q3 2010 at 1,691 KMT of K_2O.

BUSINESS SEGMENTS

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

Nitrogen segment

Sales volumes for the nitrogen segment decreased 5%, from 1,268 KMT in Q3 2009 to 1,209 KMT in Q3 2010 due to lower sales of third-party products and the decision not to sell some product manufactured during the period on the expectation of higher prices. Sales of organic synthesis products, which are also reported as part of the nitrogen segment, were up 13% vs. Q3 2009, amounting to 103 KMT in Q3 2010. Higher prices on the overall product mix (see Market Conditions above) provided for a 6% increase in revenues for the nitrogen segment, to RUR 9.8bn in Q3 2010 vs. RUR 9.3bn a year earlier. Q3 2010 nitrogen segment EBITDA was RUR 1.7bn, a 13% decline compared to the RUR 1.9bn result for Q3 2009, primarily due to the lower volumes and higher costs.

Gas prices in Russia for EuroChem's nitrogen plants averaged RUR 2,827 per 1,000m^3 (c. US$ 2.85/mmbtu) in Q3 2010, compared to RUR 2,314/1,000m^3 (c. US$ 2.27/mmbtu) in Q3 2009, following the latest 15% rise in Russian gas prices effective as of 1 January 2010.

Phosphate segment

Phosphate segment sales increased in Q3 2010, growing 63% y-o-y to RUR 13.9bn. Supported by increased volumes and significantly stronger prices, especially for iron ore, which is extracted at the Kovdorskiy GOK apatite mine and reported in the phosphate segment, EBITDA in Q3 2010 was RUR 5.0bn, up 343% compared to RUR 1.1bn in Q3 2009.

MAP, DAP and other phosphate sales volumes increased 9% in Q3 2010 vs. Q3 2009 to 688 KMT. Third quarter MAP and DAP prices were up 57% and 58% respectively compared to the same period a year earlier. Iron ore volumes were 1,549 KMT in Q3 2010, slightly below the Q3 2009 level of 1,556 KMT. Market prices for iron ore were on average 59% higher (CIF China) in Q3 2010 than during the same period last year.

Potash segment

EuroChem continued the development of its potash deposits in the Volgograd (Gremyachinskoye deposit) and Perm (sections of Verkhnekamskoye deposit) regions during the third quarter; the company continues to plan to produce its first potash as part of phase I of the Gremyachinskoye project in late 2013. During Q3 2010, the company and its contractors finished assembly of the sinking equipment at the Gremyachinskoye site and prepared for the start of the active shaft sinking stage, which is underway as of the date of this release. At the Verkhnekamskoye site, freezing equipment for mineshaft construction is being assembled.

Distribution segment

EuroChem's Distribution business continues to witness strong growth, despite the summer drought in Russia. Distribution consists of sales of mineral fertilizers, items not produced by EuroChem such as seeds, crop protection etc, and advisory services through its own retail centres in Russia and the CIS.

Sales from EuroChem-owned outlets during the third quarter of 2010 increased to RUR 2.1bn, up 9% from RUR 1.9bn in Q3 2009. This represented 9% of EuroChem's overall sales in Q3 2010. EBITDA in Q3 2010 was RUR 117m, compared to negative RUR 35m a year earlier. Segment fertilizer volumes (sales through outlets owned by EuroChem only) rose 13% to 200 KMT of product in the third quarter of 2010 against 177 KMT of product in Q3 2009. EuroChem's distribution segment volumes grew despite a decline in combined N, P, K fertilizer consumption in Russia of 13% y-o-y, to 442 KMT of nutrients, according to preliminary AzotEcon data.

FINANCIAL

Income statement
In the third quarter, revenues increased 29% y-o-y to RUR 24.3bn due to significantly higher prices and volumes in the phosphates segment and higher prices (but lower volumes) in the nitrogen segment. This is reflected in the change in the respective contributions of the phosphate and nitrogen segments to overall revenues: nitrogen revenue contribution fell from 45% in Q3 2009 to 35% in Q3 2010, while the portion attributable to the phosphate segment rose from 41% to 54% in the same periods. EBITDA in Q3 2010 also showed a strong recovery, increasing 102% to RUR 6.3bn vs. RUR 3.1bn in Q3 2009.

Cost of sales continued to increase at a slower rate than revenues, up 9% y-o-y to RUR 11.7bn for Q3 2010, primarily due to higher volumes of raw material consumption at EuroChem's phosphate fertilizer plants. At the same time, natural gas costs increased 26% in Q3 2010 compared to Q3 2009, by RUR 609m, primarily due to increases in natural gas prices. These two items are included in materials and components used or resold, which made up 54% of the cost of sales in Q3 2010 (50% in Q3 2009). Materials and components grew by 16% y-o-y to RUR 6.3bn in the reported period from RUR 5.4bn in Q3 2009. The share of labour costs in cost of sales was unchanged y-o-y at 14% in Q3 2010, while in absolute terms labour costs increased 13% to RUR 1.7bn in Q3 2010 from RUR 1.5bn a year ago. Energy costs rose by 23% from RUR 1.1bn in Q3 2009 to RUR 1.4bn in Q3 2010, while the contribution of energy to overall cost of sales increased from 11% to 12% during the same periods. This increase was primarily due to a 17% price increase resulting from higher electricity tariffs and pricing for the un-regulated portion of electricity that the company purchases. Additionally, electricity consumption grew 6% compared to Q3 2009.

Distribution costs in Q3 2010 increased 19% vs. Q3 2009, reaching RUR 5.4bn. Transportation expenses equalled RUR 4.8bn, up 21% y-o-y in Q3 2010, accounting for 88% of total distribution costs in the reported period, consistent with prior periods. This was primarily due to increased rail tariffs in Russia and longer distances due to a higher volume of iron ore shipments to China instead of to Ukraine.

General and administrative expenses (G&A) were 29% higher y-o-y at RUR 926m during the reported period, but in line with Q2 2010 levels. Labour costs, which accounted for 52% of G&A in the reported period, rose to RUR 486m, 54% higher than in Q3 2009 due to the bonus accrual reversal in 2009.

Other operating expenses, consisting mainly of operating foreign exchange gains and losses, was RUR 779m in Q3 2010, compared with RUR 521m during the same period in 2009. Operating foreign exchange losses arose due to the strengthening of the rouble to the US dollar in both periods by around 3% in nominal terms.

Below the operating profit line, EuroChem recorded a RUR 984m financial foreign exchange gain in the third quarter of 2010 (Q3 2009: gain of RUR 1.9bn) which is mainly attributable to the accounting effect of the rouble exchange rate fluctuations on the company's US dollar-denominated debt.

Interest expense increased to RUR 546m in Q3 2010 compared with RUR 462m a year earlier due to the higher cost of new longer-dated debt obtained by the company in Q3 2010.

Balance sheet

Net working capital was RUR 11.5bn as of 30 September 2010, down slightly from RUR 12.5bn at year end 2009. Trade receivables increased 64% from RUR 2.2bn at 31 December 2009 to RUR 3.5bn at 30 September 2010 primarily due to increased sales prices.

The company uses fixed rate and floating rate debt to finance its operations, and has obtained several new facilities in the course of 2010. During the third quarter, the company signed a US$ 250m 5-year credit line agreement, a 13-year, EUR 36.7m ECA-backed facility for the purchase of hoisting equipment at the Gremyachinskoye potash mine. In March 2010 the company signed a 10-year US$ 261m ECA-backed facility for construction of the Gremyachinskoye mine cage shaft. New fixed rate debt is represented by a RUR 5bn bond issue placed in July 2010, due in June 2018 with a 5-year put option and a coupon of 8.9% p.a.

As of 30 September 2010, EuroChem owned 19.1 million shares (9.998% of the issued share capital) of K+S AG, the German potash and salt producer, which had a fair value of RUR 34.8bn at the end of the period based on the price of EUR 43.92 per share.

Net debt to LTM EBITDA at the end of the third quarter of 2010 continued to decline, reaching 1.59x.

Cash flow
Operating cash flow for Q3 2010 was RUR 6.0bn, compared to RUR 3.4bn a year earlier. The increase was primarily due to the higher operating profit. Free cash flow (FCF) was slightly negative, at RUR 359m, compared to a positive FCF of RUR 2.7bn in Q3 2009. The negative free cash flow was primarily due to the ramp up in capital expenditure as the shaft sinking became active at the Gremyachinskoye potash deposit: capital expenditure in Q3 2010 was RUR 6.3bn, while this item equalled RUR 7.3bn in the first 6 months of the year.

OUTLOOK

Strength in agricultural commodities is likely to stimulate farmers to invest in maximizing crop output, including through increased fertilizer application over the next harvest cycle. Combined with low fertilizer inventories across the supply chain, strength in demand, lack of new supply coming onstream and potential curbs on fertilizer exports in China, these factors promise a healthy Q4 2010 - Q1 2011 for the industry. Iron ore prices also remain relatively strong in Q4 despite the ongoing efforts in China to cool down the economy.