



**EUROCHEM**  
MINERAL AND CHEMICAL COMPANY



# BMO Farm to Market Conference

New York | May 2013



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## Summary

2012 Group Performance

Nitrogen Segment

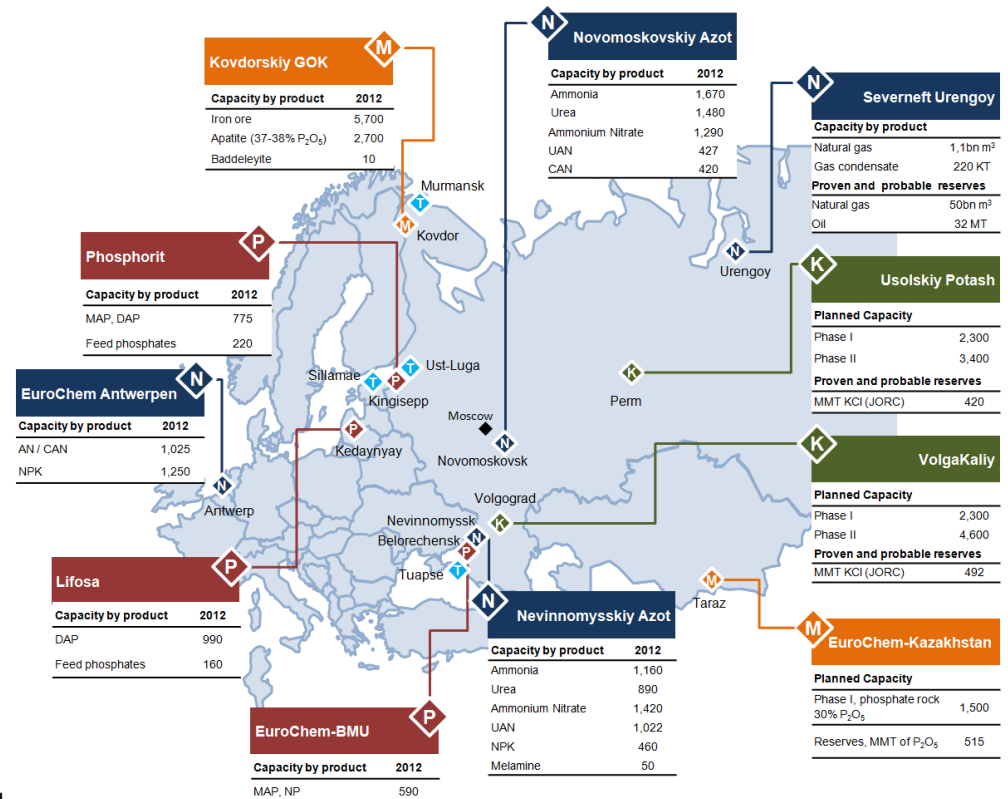
Phosphates Segment

Potash Segment



- **3 Nitrogen plants** (2 in Russia, 1 in Belgium) - 2.7 MMT<sup>(1)</sup> of ammonia and c.10 MMT of fertilizer product capacity
- **3 Phosphate plants** (2 in Russia and 1 in Lithuania) - 2.0 MMT of MAP/DAP
- **Vertical integration:** own raw materials, port terminals, rail stock, construction/repair works, CIS distribution capacity
- **Natural gas operator** (Russia) - 1.1bn m<sup>3</sup> of annual capacity (c.25% of EuroChem's annual consumption)
- **Apatite** (Russia) - P<sub>2</sub>O<sub>5</sub>-rich (37%-38%) and low MER<sup>(2)</sup> content (0.057) apatite ore (2.7 MMT per year) covers c.75% of own production needs for all phosphate plants and Antwerp.
- **Iron ore** as a co-product of apatite mining : up to 5.7 MMT of iron ore (Fe content 64%)
- **Logistics** assets include 3 port facilities, Panamax /Handymax vessels, and own rail facilities (c. 7,000 rail stock; 45 locomotives)
- **Construction of own Potash (K) capacity** well underway (targeted capacity of c.8 MMT of KCl per year)
- **Strong operational track record;** all EuroChem production facilities are OHSAS-8001, ISO 14001 and ISO 9001 certified
- Total employees of >20,000
- **FY 2012 revenues USD 5.4bn; EBITDA USD 1.6bn**  
Q1 2013 LTM revenues USD 5.7bn; EBITDA USD 1.6bn

## Vertically integrated production



<sup>(1)</sup>MMT : million metric tonnes

<sup>(2)</sup>MER : minor element ratio

# Summary

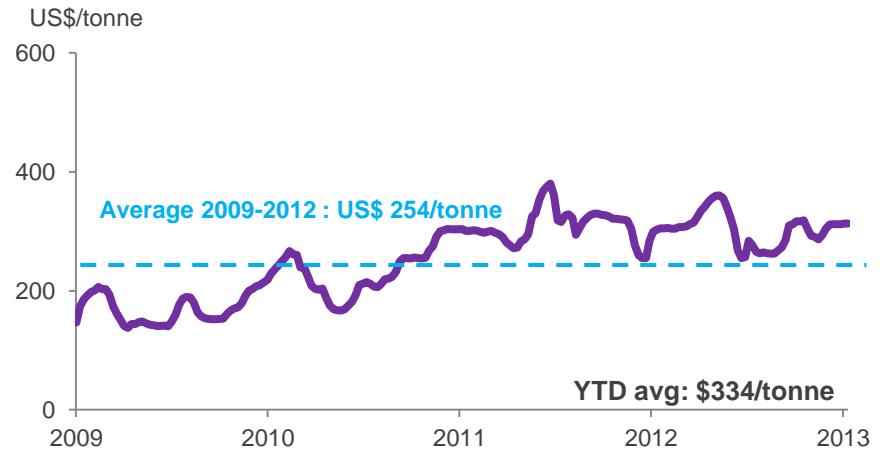
## Current pricing for key fertilizers: headwinds from several sources



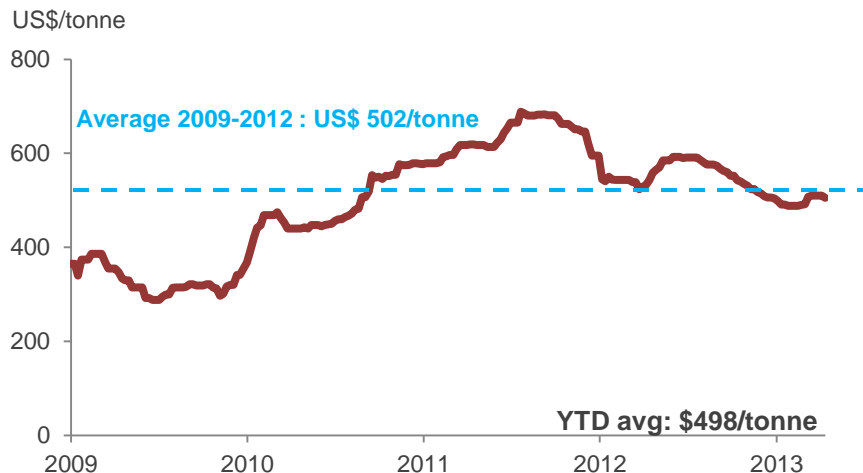
### Urea (prilled, FOB Yuzhny)



### Ammonium Nitrate (FOB Yuzhny)



### MAP/DAP (FOB Baltic)



### Latest market drivers & events

- unfavorable weather across key markets leading to a reduction in length of planting season
- Significant urea export volumes expected from China on account of revised lower-tax window parameters as well as depressed coal/antracite prices
- Demand remains tainted by Indian subsidy system and inventory levels. Rupee at all time lows.
- + Capacity curtailments and delays still affecting N supply
- Continued growth in acreage across South American markets

<sup>1</sup>CAGR between average annual prices, from 2009 to 2013YTD.



### Shareholding structure and influence

- Best-in-class approach to corporate governance
  - Management develops and executes strategy
  - Board of Directors performs overall oversight
- Board composition: 4 out of 7 are independent directors (IND) with long standing reputation and experience
- Three Board committees; all chaired by IND.
  - Audit
  - Strategy
  - Corporate Governance and Personnel

### Commitment and accountability

- Transparent and open ownership structure
- Long term shareholder commitment
- Prudent dividend policy, consistent with the financial situation of the company

### Transparency and disclosure

- IFRS reporting since 2002, audited by PwC.
- Annual reports issued since 2005, CSR reporting since 2005
- Financial statements and majority of corporate governance documents are publicly available on our award winning website

### Board of Directors



#### **Andrey Melnichenko—Chairman of the Board of Directors**

- Beneficiary of a 92% interest in EuroChem
- Co-founder and former Chairman of the Board of Directors of MDM Bank
- In partnership with Sergey Popov, built EuroChem, SUEK and founded TMK



#### **Richard Sheath (IND) –Chairman of Audit Committee**

- Prior to EuroChem, worked as risk management consulting partner with PwC
- Began professional career with the Bank of England and the Ministry of Finance



#### **Dmitry Strezhnev—Chairman of the Management Board**

- EuroChem CEO since August 2003; 8% EuroChem ownership
- Co-founder and General Director of RusPromAvto, 1999-2003
- Previously worked as Head of Likinskiy Bus Manufacturing Plant



#### **Vladimir Stolin (IND) –Chairman of Corporate Governance and Personnel Committee**

- Author of various scientific works on management and corporate behavior
- Previously held professorship at university level and worked as a consultant at RHR International



#### **Nikolay Pilipenko—Audit Committee, Corporate Governance and Personnel Committee**

- EuroChem CFO from 2006 to 2008
- Extensive international experience with trading and industrial companies
- Previously at ABB Group



#### **Keith Jackson (IND) – Audit Committee, Strategy Committee**

- From 1996 to 2005, Senior VP and a divisional CFO of Anglo American
- Extensive experience across several sectors and regions. Previous positions held include Chairman of Cleveland Potash, CFO of Cape plc



#### **Andrea Wine (IND) – Corporate Governance and Personnel Committee**

- CEO and Managing Partner of Tevel Global Ltd., advisers and capital raisers in international markets for early- stage Israeli technology companies.
- Extensive international experience across several geographies, including Russia and LatAm

# Summary



Strategy : targeting a top 5 global position by size and profitability

## Cost leadership

- ✓ Target full self-sufficiency in low-cost natural gas, phosphate rock and potash
- ✓ Build leading low-cost potash business
- ✓ Further cost efficiency through vertical integration in logistics

## Broad value-added product range

- ✓ High-margin branded / specialty fertilizers
- ✓ Expand industrial nitrogen portfolio (melamine, LDAN)

## Proximity to customers

- ✓ Maintain market share in growing Russia/CIS markets and strengthen distribution in Europe, US, Asia, and LatAm



**Summary**

**2012 Group Performance**

**Nitrogen Segment**

**Phosphates Segment**

**Potash Segment**



# Group Performance

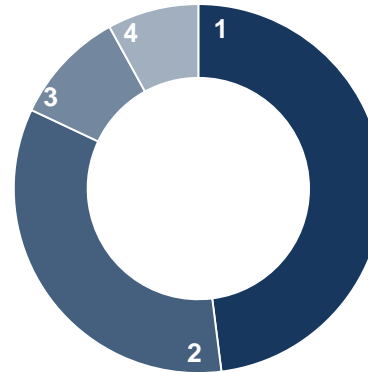
## Performance Overview



| Key Figures   |      | 2012  | 2011    | Y-o-Y, % |
|---------------|------|---|---------|----------|
| Revenue       | RUBm | <b>166,478</b>                              | 131,298 | +27%     |
|               |      | <i>excluding acquisitions<sup>(1)</sup></i> | 137,709 | +5%      |
| Gross margin  | %    | <b>41%</b>                                  | 52%     | -11 p.p. |
|               |      | <i>excluding acquisitions<sup>(1)</sup></i> | 48%     | -4 p.p.  |
| EBITDA        | RUBm | <b>49,168</b>                               | 49,656  | -1%      |
|               |      | <i>excluding acquisitions<sup>(1)</sup></i> | 46,045  | -7%      |
| EBITDA margin | %    | <b>30%</b>                                  | 38%     | -8 p.p.  |
|               |      | <i>excluding acquisitions<sup>(1)</sup></i> | 33%     | -5 p.p.  |
| Net profit    | RUBm | <b>32,569</b>                               | 32,031  | +2%      |

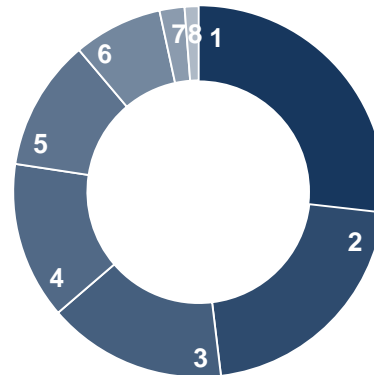
| Sales Volumes (KMT)              |     | 2012  | 2011  | Y-o-Y, % |
|----------------------------------|-----|---|-------|----------|
| Nitrogen                         | KMT | <b>7,380</b>                                | 5,647 | +31%     |
|                                  |     | <i>excluding acquisitions<sup>(1)</sup></i> | 5,950 | +5%      |
| Phosphate (excl. minerals)       | KMT | <b>2,455</b>                                | 2,387 | +3%      |
| Minerals (iron ore, baddeleyite) | KMT | <b>5,295</b>                                | 5,480 | -3%      |

### Sales<sup>(2)</sup> by segment (2012)



|                | 2012 Share | Change to 2011 (PP) |
|----------------|------------|---------------------|
| 1 Nitrogen     | 48%        | +8                  |
| 2 Phosphates   | 34%        | -12                 |
| 3 Distribution | 10%        | -1                  |
| 4 Other        | 8%         | +5                  |

### Sales<sup>(2)</sup> by region (2012)



|                 | 2012 Share | Change to 2011 (PP) |
|-----------------|------------|---------------------|
| 1 Europe        | 27%        | +13                 |
| 2 Russia        | 21%        | -3                  |
| 3 Asia          | 16%        | -7                  |
| 4 Latin America | 14%        | -1                  |
| 5 North America | 11%        | +3                  |
| 6 CIS           | 8%         | -4                  |
| 7 Africa        | 2%         | -1                  |
| 8 Australasia   | 1%         | -                   |

<sup>(1)</sup>Excluding EuroChem-Antwerpen and EuroChem-Agro

<sup>(2)</sup>Revenue and sales volumes include sales to other segments

# Group Performance

## Conservative financial policy



### Key debt metrics, RUBm

| 2012                     | RUB    | Original currency     |
|--------------------------|--------|-----------------------|
| Club loan facility (PXF) | 39,121 | USD 1,300             |
| 2017 Eurobonds           | 22,620 | USD 750               |
| Bank loans               | 23,394 | USD 94.1<br>EUR 15    |
| Rouble bonds             | 9,970  |                       |
| ECA-backed facilities    | 3,859  | USD 109.5<br>EUR 35.9 |

**Gross debt** 98,964

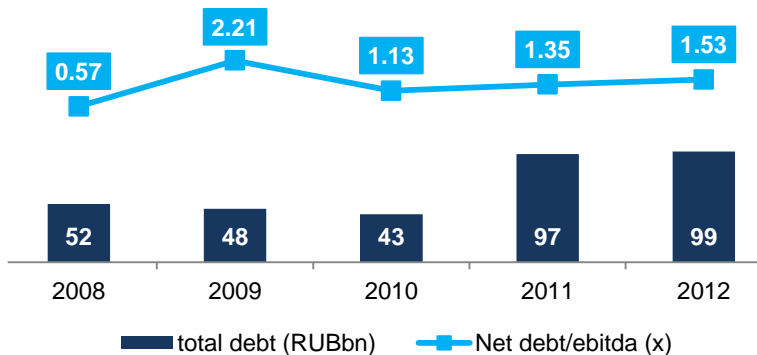
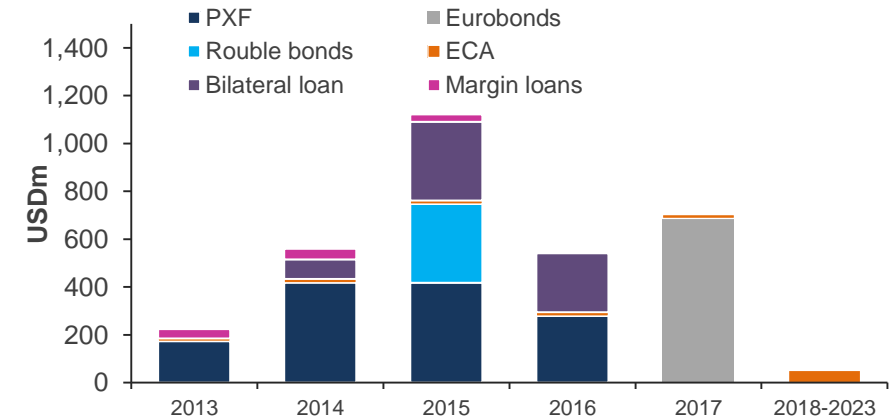
Less: cash and cash equivalents<sup>(1)</sup>  
and fixed-term deposits 19,521

**Net debt** 79,443

### Comments

- 31 December 2012 - Net debt / LTM EBITDA : **1.53x**
- Targeted across-the-cycle leverage corridor of 1.5x-2.0x
- Weighted average cost of debt in dollar terms : ca 2.5%
- Comfortable debt structure and maturity profile, remote refinancing risk
- BB/stable ratings from Fitch and S&P

### Debt maturity profile, US\$m

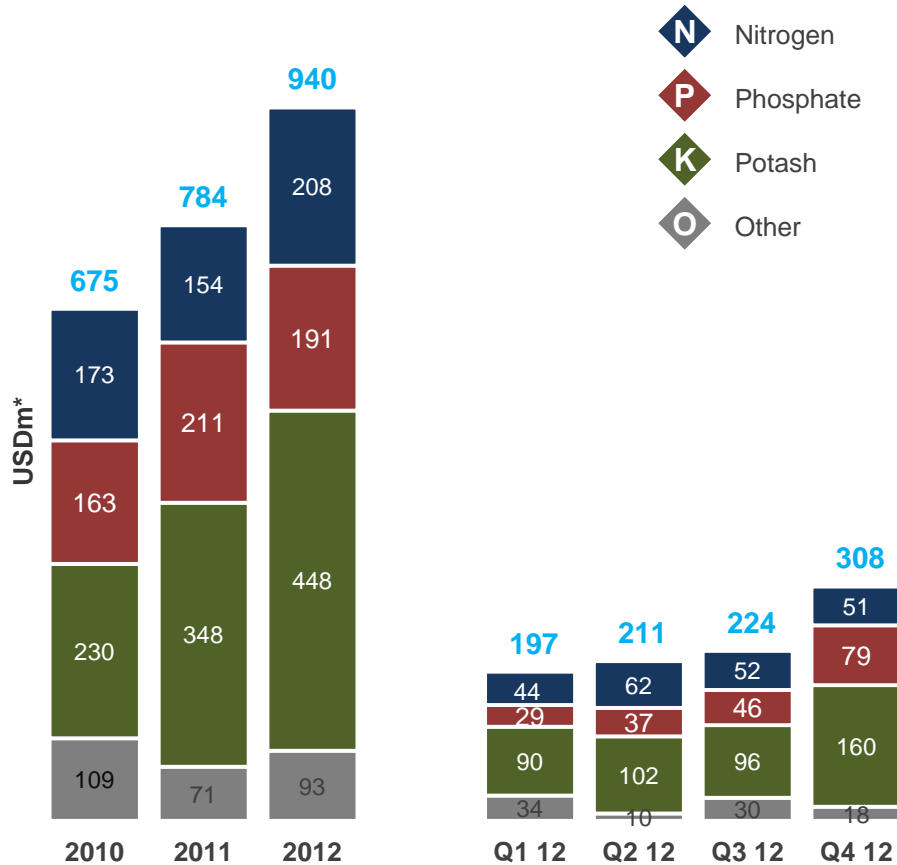


<sup>(1)</sup> Including current portion of restricted cash

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

# Group Performance

## Capital expenditure



### Main Projects

- ◆ Nitrogen
  - Melamine at Nevinnomysskiy (launched Q2 12)
  - Urea revamp at Nevinnomysskiy
  - Granulated urea at Novomoskovskiy
  - Environmental monitoring stations and wastewater treatment programs at Russian N facilities
  - Revamp/upgrade of plants to increase efficiency
- ◆ Phosphate
  - Rebuild sulphuric acid production with capacity increase by 720 KMTp.a.
  - Reconstruction of phosphate acid production with capacity increase to 300 KMTp.a.
  - Upgrade of Kovdorskiy wastewater treatment facility
  - Revamp/upgrade of P facilities to improve efficiency
- ◆ Potash
  - Shaft sinking at the Gremyachinskoe and Verkhnekamskoe deposits
  - Start of beneficiation plant construction at Gremyachinskoe
- ◆ Other
  - Tuapse
  - Murmansk Port

(\*) Capex figures shown in USD using 2012 year-end FX rate of RUB/USD 30.37

**Summary**

**2012 Group Performance**

**Nitrogen Segment**

**Phosphates Segment**

**Potash Segment**

# Nitrogen

Vertically integrated producer



## Novomoskovskiy Azot

### Capacity by product

|                  |       |
|------------------|-------|
| Ammonia          | 1,670 |
| Urea             | 1,480 |
| Ammonium Nitrate | 1,290 |
| UAN              | 427   |
| CAN              | 420   |

## EuroChem Antwerpen

### Capacity by product

|                    |       |
|--------------------|-------|
| NPK (c. 30 grades) | 1,250 |
| AN / CAN           | 1,025 |

## Nevinnomysskiy Azot

### Capacity by product

|                  |       |
|------------------|-------|
| Ammonium Nitrate | 1,420 |
| Ammonia          | 1,160 |
| UAN              | 1,022 |
| Urea             | 890   |
| NPK              | 460   |
| Melamine         | 50    |

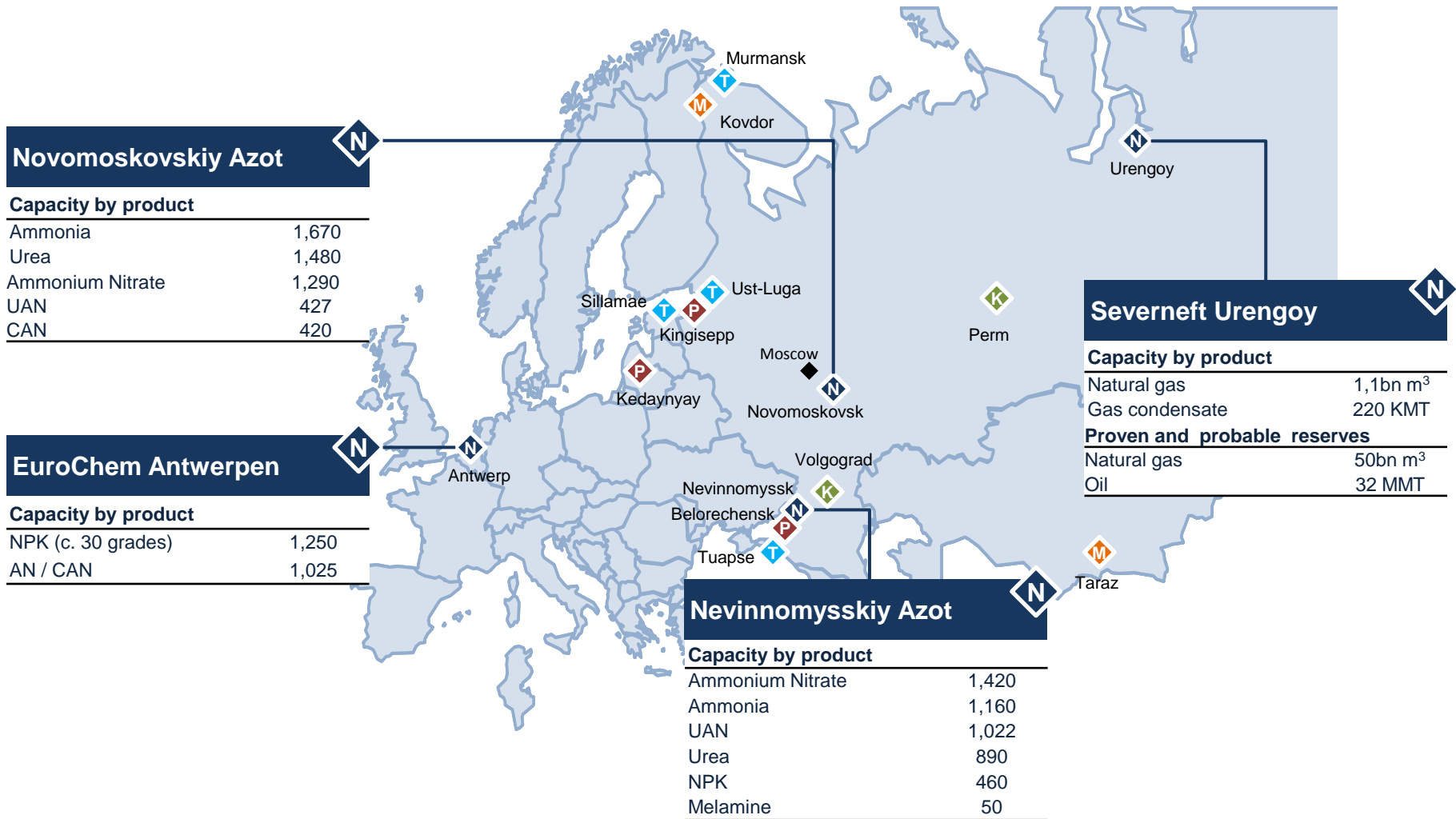
## Severneft Urengoy

### Capacity by product

|                |                      |
|----------------|----------------------|
| Natural gas    | 1,1bn m <sup>3</sup> |
| Gas condensate | 220 KMT              |

### Proven and probable reserves

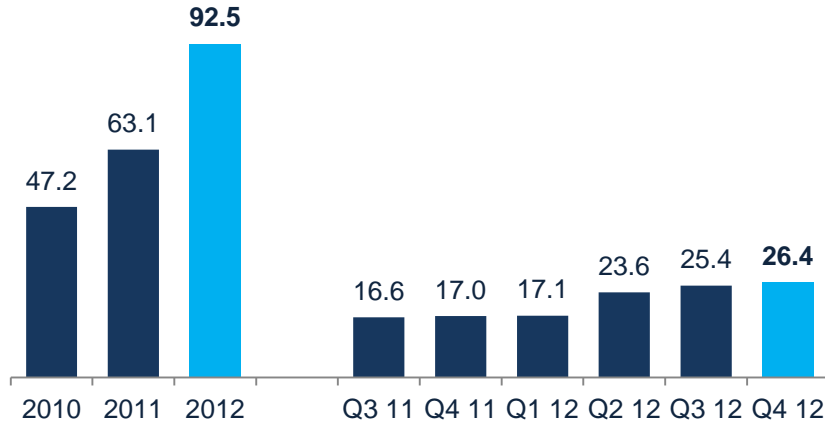
|             |                     |
|-------------|---------------------|
| Natural gas | 50bn m <sup>3</sup> |
| Oil         | 32 MMT              |



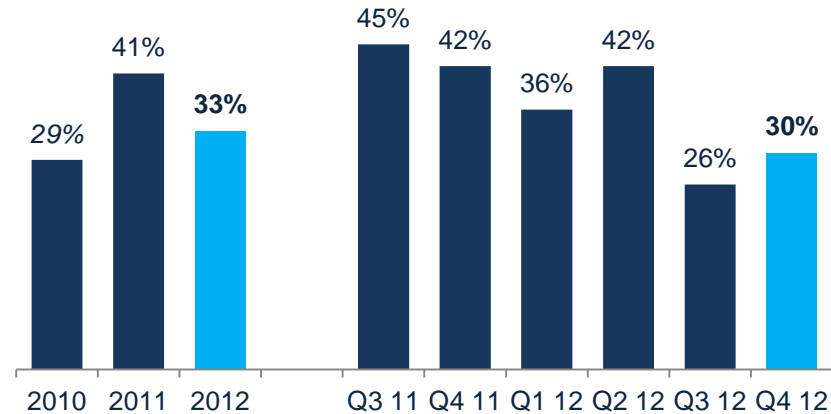
All capacity volumes are expressed in thousands of tonnes, except where otherwise specified



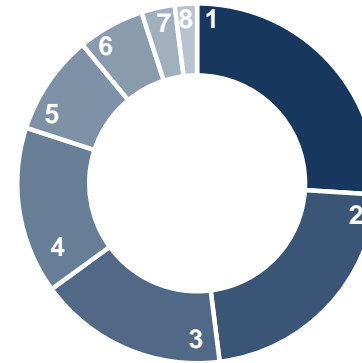
## Revenue<sup>1</sup>, RUBbn



## EBITDA margin

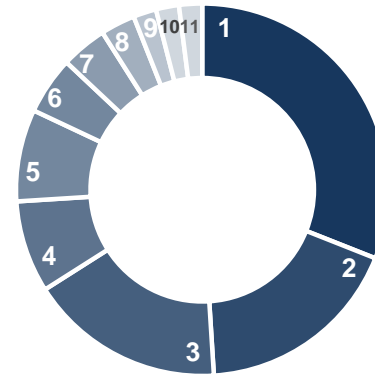


## Sales<sup>1</sup> by region (2012)



|                 | 2012 Share | Change to 2011 (PP) |
|-----------------|------------|---------------------|
| 1 Europe        | 26%        | +12                 |
| 2 Russia        | 22%        | -3                  |
| 3 North America | 17%        | +6                  |
| 4 Latin America | 15%        | -7                  |
| 5 Asia          | 9%         | -6                  |
| 6 CIS           | 6%         | -2                  |
| 7 Africa        | 3%         | -                   |
| 8 Australasia   | 2%         | -                   |

## Sales<sup>1</sup> by product (2012)



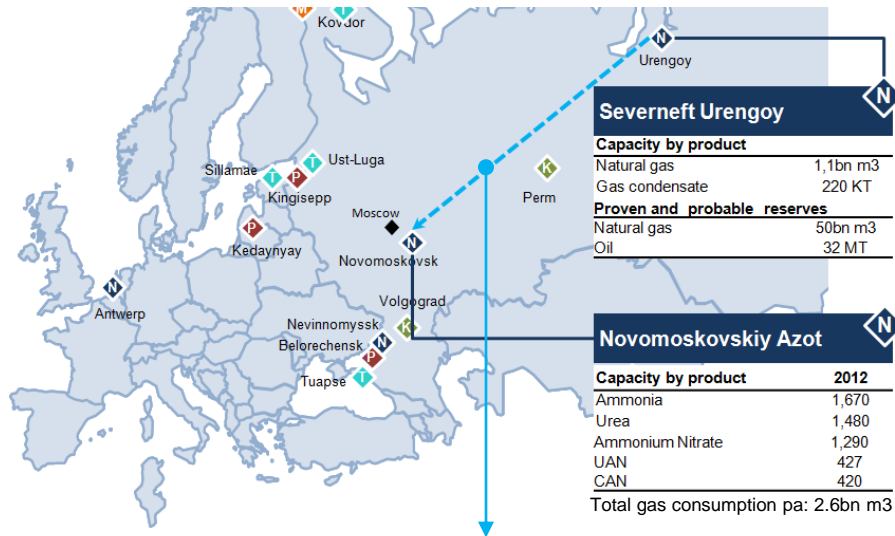
|                | 2012 Share | Change to 2011 (PP) |
|----------------|------------|---------------------|
| 1 Urea         | 31%        | -7                  |
| 2 AN           | 18%        | -4                  |
| 3 Complex      | 17%        | +10                 |
| 4 UAN          | 8%         | -2                  |
| 5 CAN          | 8%         | +5                  |
| 6 Other        | 5%         | -2                  |
| 7 Methanol     | 4%         | -1                  |
| 8 Ammonia      | 3%         | -2                  |
| 9 Hydrocarbons | 2%         | +2                  |
| 10 NP          | 2%         | +2                  |
| 11 Acetic Acid | 2%         | -1                  |

<sup>(1)</sup>Revenue and sales volumes include sales to other segments

Nitrogen includes organic synthesis products and hydrocarbons, as well as EuroChem Antwerpen and EuroChem Agro operations.



### Severneft-Urengoy (SNU) / Novomoskovskiy



Agreement with Gazprom on gas transportation from SNU to Novomoskovskiy Azot (NAK) was reached in 2012

### Principles applied to gas assets by EuroChem

- Upstream part of Nitrogen; not a separate business
- Same gas pricing assumptions applied to Nitrogen and Gas internally

| Total sales          | 2012 | Q1  | Q2  | Q3  | Q4  |
|----------------------|------|-----|-----|-----|-----|
| Natural gas (mcm)    | 654  | 156 | 166 | 158 | 174 |
| Gas condensate (kmt) | 112  | 26  | 28  | 27  | 30  |

### Cost benefits

- Current gas cost at Novomoskovskiy: \$3.43 /mmBtu\***
- Could rise to over \$4.5 /mmBtu by 2016

Benefits from SNU acquisition - assuming production of 1.1bn m<sup>3</sup> of gas and 220 KMT of gas condensate :

|  | (per mmBtu) |
|--|-------------|
| Cost of gas at the well:                 | \$1.25      |
| + mineral resource extraction taxes:     | \$1.01**    |
| + transportation cost to Novomoskovskiy: | \$1.31      |
| - revenue from gas condensate:           | (\$2.02)    |

**Delivered cost to Novomoskovskiy: \$1.55**

### Long-term goals

- Seek to fully cover the needs of Nitrogen production through own gas production or long-term contracts with attractive pricing
- Ability to secure 5-10bn m<sup>3</sup> per year of in-house natural gas capacity is being explored

\* RUB 3,432 per 1000m<sup>3</sup> average at Novomoskovskiy Azot for 2012 (2012 average RUB/USD exchange rate 2012: 31.09)

\*\* Includes announced mineral resources extraction tax (MET) increase to RUB1,049/1,000m<sup>3</sup> from 2015 (calculated using USD/RUB 32.0; 1,000m<sup>3</sup> to mmBtu conversion: 32.34)

**Summary**

**2012 Group Performance**

**Nitrogen Segment**

**Phosphates Segment**

**Potash Segment**



# Phosphate

## Targeting self-sufficiency



### Phosphorit

| Capacity by product | 2012 |
|---------------------|------|
| MAP, DAP            | 775  |
| Feed phosphates     | 220  |

### Lifosa

| Capacity by product | 2012 |
|---------------------|------|
| DAP                 | 990  |
| Feed phosphates     | 160  |

### EuroChem-BMU

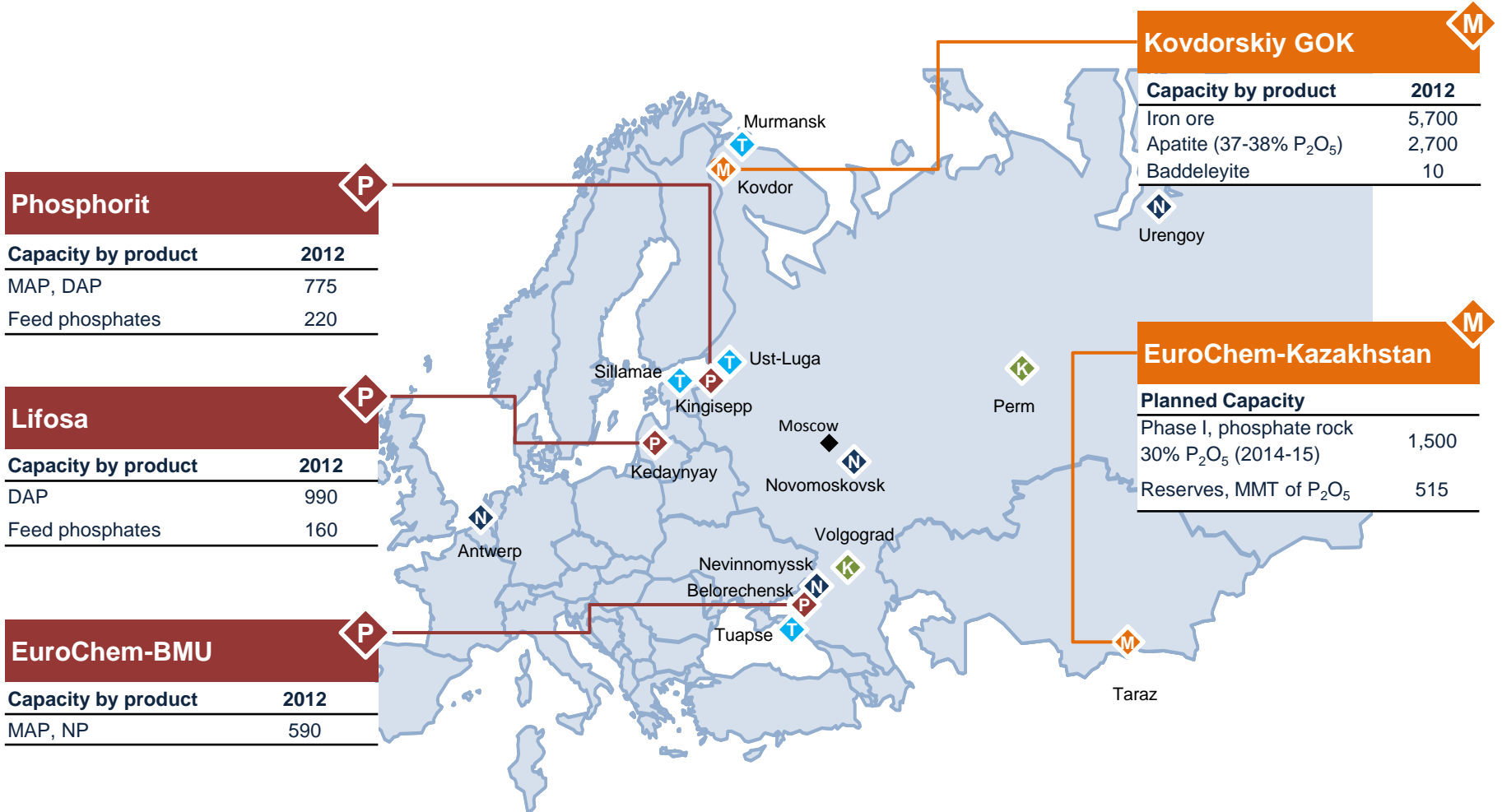
| Capacity by product | 2012 |
|---------------------|------|
| MAP, NP             | 590  |

### Kovdorskiy GOK

| Capacity by product                             | 2012  |
|---|-------|
| Iron ore  | 5,700 |
| Apatite (37-38% P <sub>2</sub> O <sub>5</sub> ) | 2,700 |
| Baddeleyite                                     | 10    |

### EuroChem-Kazakhstan

| Planned Capacity   |       |
|--|-------|
| Phase I, phosphate rock<br>30% P <sub>2</sub> O <sub>5</sub> (2014-15) | 1,500 |
| Reserves, MMT of P <sub>2</sub> O <sub>5</sub>                         | 515   |

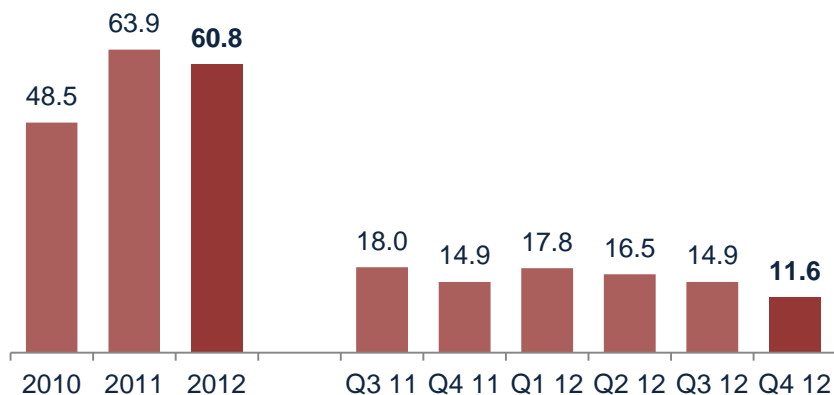


Port terminals

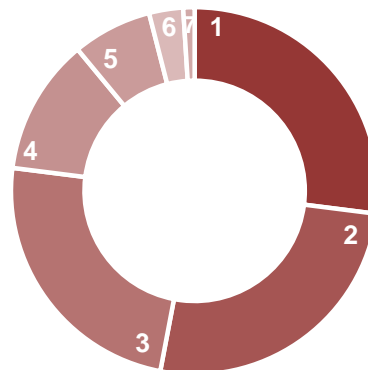
All capacity volumes are expressed in thousands of tonnes, except where otherwise specified



### Revenue, RUBbn

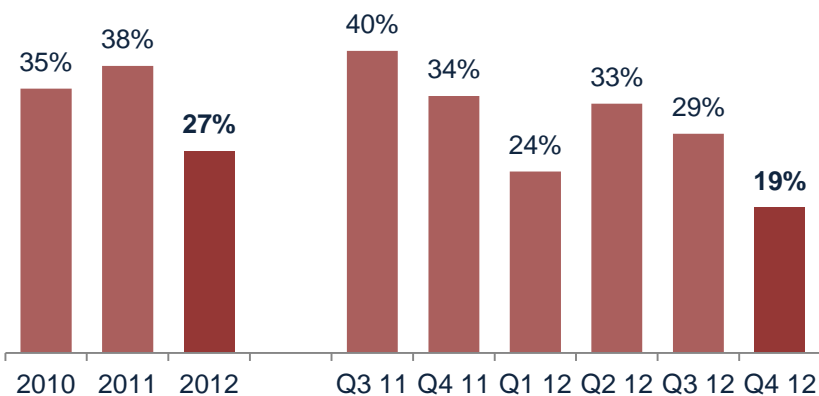


### Sales<sup>1</sup> by region (2012)

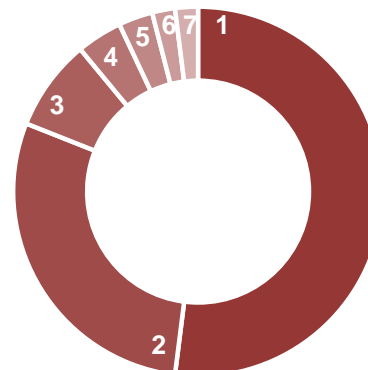


|                 | 2012 Share | Change to 2011 (PP) |
|-----------------|------------|---------------------|
| 1 Asia          | 27%        | -5                  |
| 2 Europe        | 26%        | +8                  |
| 3 Russia        | 24%        | +2                  |
| 4 Latin America | 12%        | +6                  |
| 5 CIS           | 7%         | -6                  |
| 6 North America | 3%         | -3                  |
| 7 Africa        | 1%         | -2                  |

### EBITDA margin



### Sales<sup>1</sup> by product (2012)



|               | 2012 Share | Change to 2011 (PP) |
|---------------|------------|---------------------|
| 1 MAP/DAP     | 52%        | +1                  |
| 2 Iron ore    | 29%        | -6                  |
| 3 Feed        | 8%         | +2                  |
| 4 NP          | 4%         | +2                  |
| 5 Others      | 3%         | +1                  |
| 6 Apatite     | 2%         | -                   |
| 7 Baddeleyite | 2%         | -                   |

<sup>1</sup>Revenue and sales volumes include sales to other segments  
The phosphate segment includes iron ore and baddeleyite (co-products of apatite production)

**Summary**

**2012 Group Performance**

**Nitrogen Segment**

**Phosphates Segment**

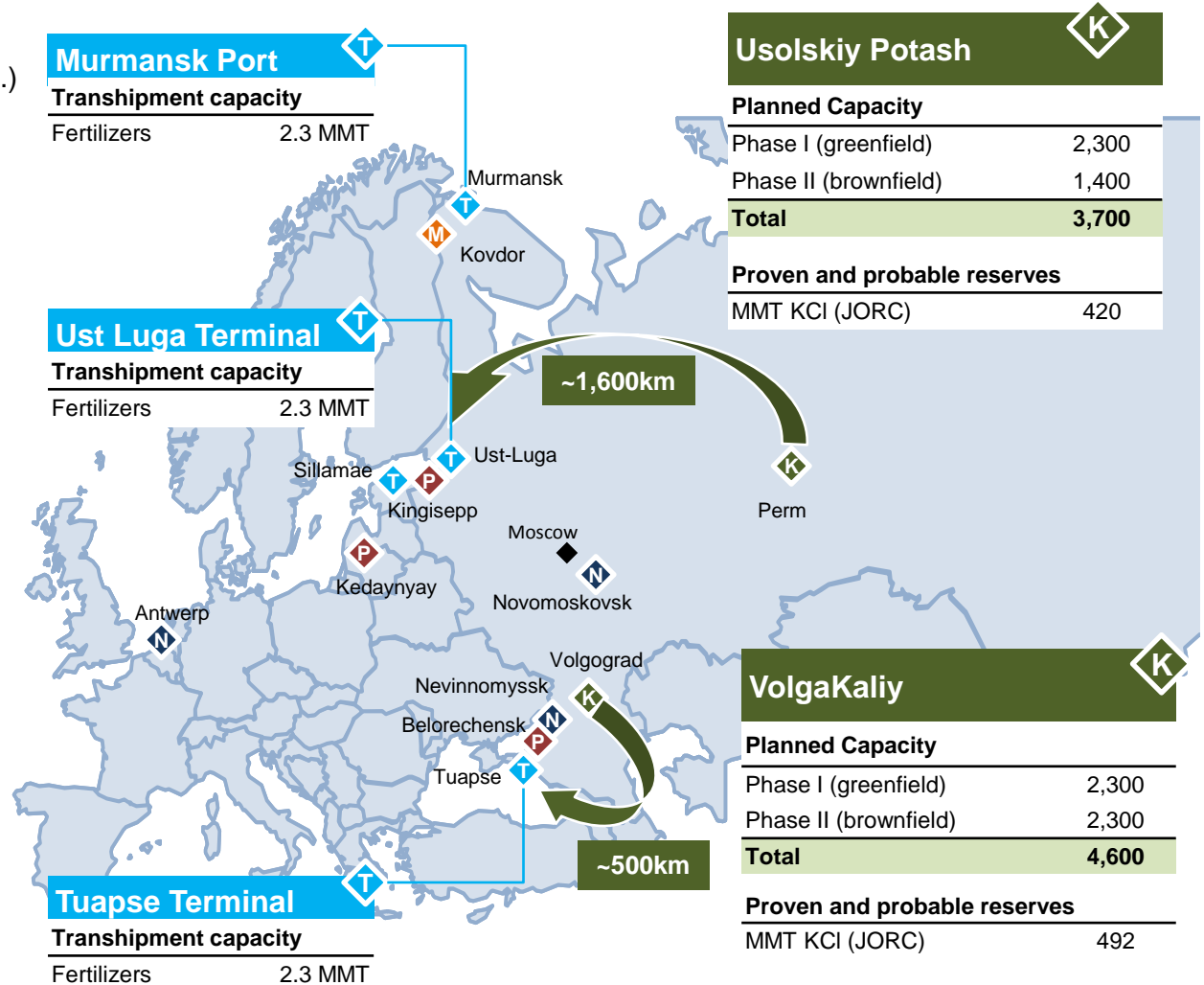
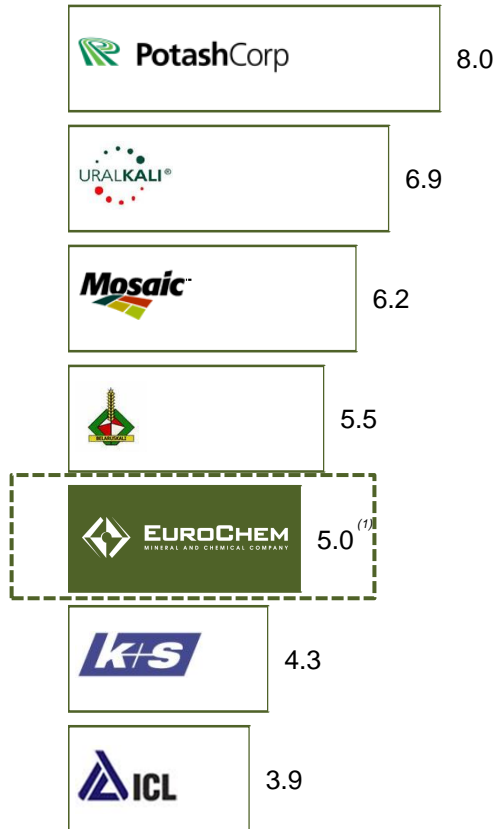
**Potash Segment**

# Potash

## Favorable positioning



2012 global potash capacity (MMT, K<sub>2</sub>O p.a.)



All capacity volumes are expressed in thousands of tonnes, except where otherwise specified

<sup>(1)</sup>Post completion of both projects



### Development

#### Phase I

- Capacity of **2.3 MMT** p.a., involves the construction of social infrastructure, cage shaft (C), skip shaft #1 (S1) and processing facility.
- Planned investments: **USD 2,589m**

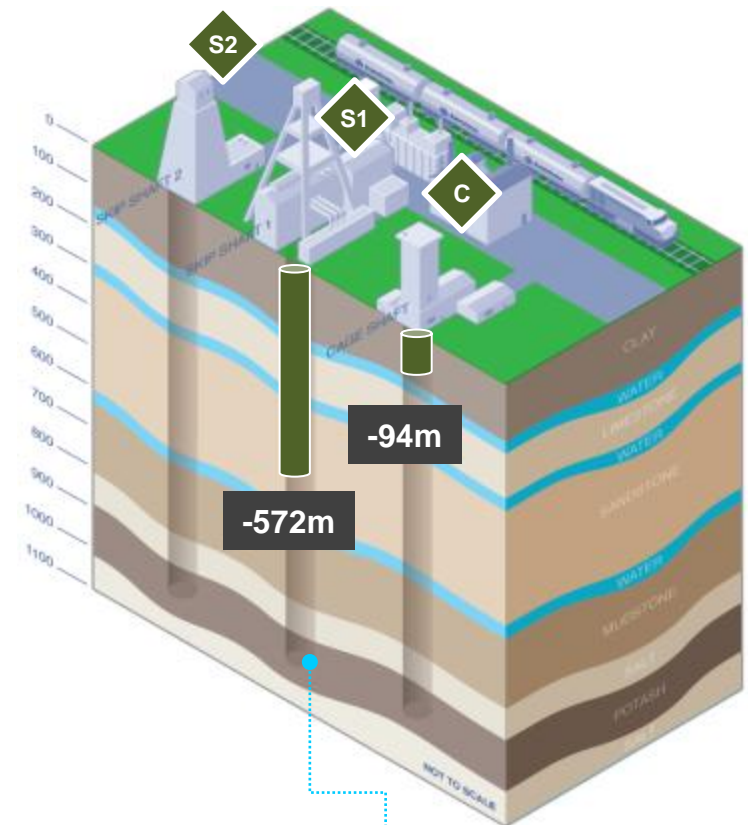
#### Phase II:

- Additional capacity of **2.3 MMT** p.a., involves the construction of skip shaft (S2) and expansion of processing facility.
- Planned investments: **USD 1,374m**

### 2013 targets

- Continuation of skip shaft #1 sinking
- Restart of cage shaft sinking using freezing technology
- Start of pre-sink operations at skip shaft #2, including construction of headgear
- Construction of surface infrastructure, including potash mill

### Status (APR-2013)



- JORC proven and probable reserves: **492 MMT (39.5% KCl content)**
- useful life of mine: **+40 years**

# Potash

## Usolskiy Potash (Verkhnekamskoe deposit, Perm region)



### Development

#### Phase I

- Capacity of **2.3 MMT** p.a., involves the construction of social infrastructure, cage shaft (C), skip shaft #1 (S1) and processing facility.
- Planned investments: **USD 2,510m**

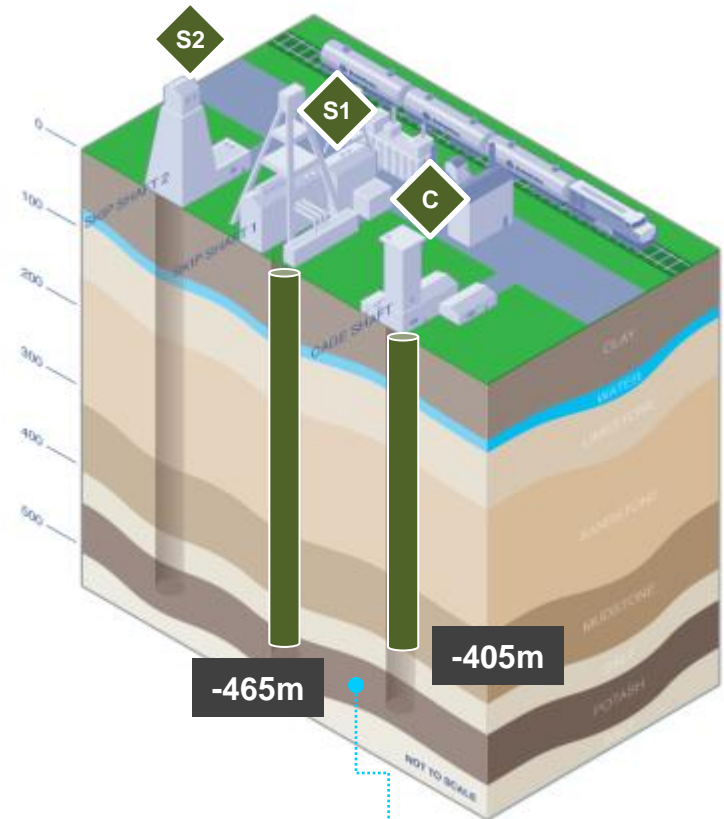
#### Phase II:

- Additional capacity of **1.4 MMT** p.a., involves the construction of skip shaft (S2) and expansion of processing facility.
- Planned investments: **USD 340m**

### 2013 targets

- Start of excavation of haulage sections, filling stations and sumps
- Construction of ventilation shafts
- Ground leveling
- Development of project documentation and detailed engineering for potash mill

### Status (APR-2013)



- JORC proven and probable reserves: **420 MMT (30.8% KCl content)**
- useful life of mine: **+35 years**



### Growth

- 2.2% of the world's nutrient capacity in 2012
- 3.0% by 2020
- Russia / CIS the fastest-growing large market globally

### Earnings power

- Sustained competitiveness in N and P underpinned by own raw material resource base
- Increasing share of specialty vs. commodity products in mix
- Benefits from iron ore as a co-product of apatite mining
- Future global cost leadership in K

### Controlled risks

- Greenfield potash developments
- Erosion of competitiveness on evolution of gas pricing in Russia/U.S.
- Limited free cash flow on heavy capex over 2013-2016



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Thank you, please visit  
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ir@eurochem.ru

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