



EUROCHEM
MINERAL AND CHEMICAL COMPANY

Q2 2010 IFRS Results conference call


23 August 2010

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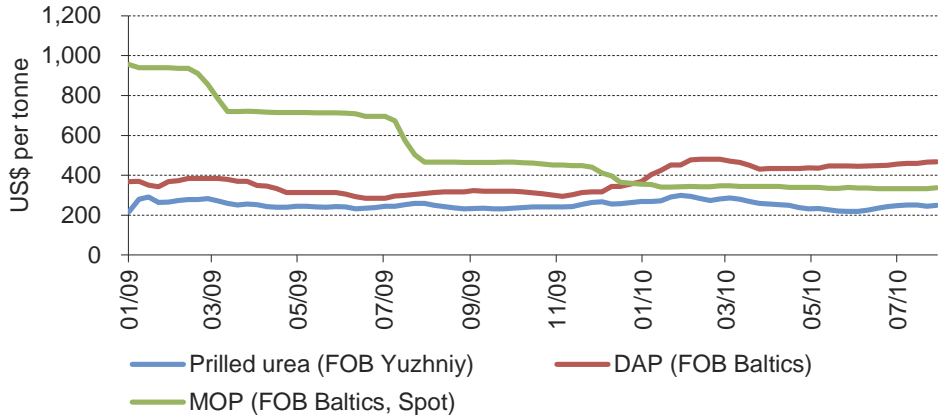
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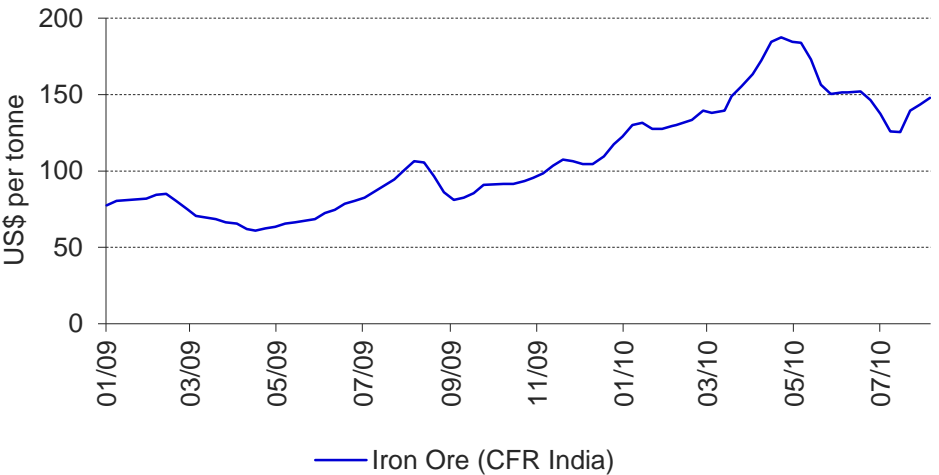
Industry context in H1 2010

- ◆ Global fertilizer demand rose vs. 2009 levels for P and K, was broadly flat for N
- ◆ Tight supply of P helped phosphate prices firm further; slight oversupply resulted in weaker Q2 urea but this is correcting in Q3
- ◆ Prices for soft commodities supportive of fertilizers
- ◆ Droughts in Russia and China, flooding in Canada and Pakistan affect crops, creating localized disruptions for farmers and fertilizer markets, but also pushing soft commodities up globally
- ◆ Industry consolidation continues
- ◆ High China-driven demand for iron ore persists
- ◆ Gas prices for Ukrainian N producers may rise in 3Q 2010, supporting higher price floor for urea

Key Product Prices



Iron Ore (CFR India)



EuroChem: H1 2010 performance highlights

- ◆ Nitrogen: external sales of N nutrient almost unchanged at 1,139 KMT in H1 2010 vs. 1,146 KMT in H1 2009*
- ◆ Phosphate: external sales of P₂O₅ increased to 578 KMT in H1 2010 from 455 KMT in H1 2009*
- ◆ Revenues increased by 24% to RUR 45.4 bn on higher prices and volumes
- ◆ EBITDA strengthened by 26% to RUR 13.0bn
- ◆ Debt market recovery and ample bank liquidity has allowed EuroChem to raise long-term financing on attractive terms
- ◆ **Growth-oriented strategic investment program** (potash, new products, N and P efficiency, logistics) **is on track**

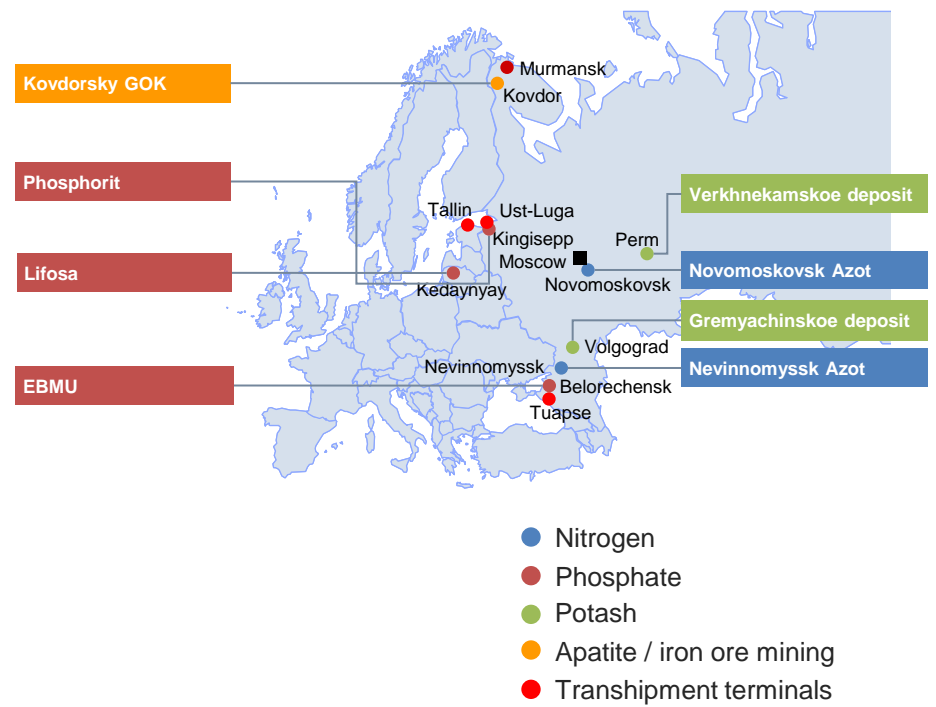
Key Figures, RURm

	Q2 10	Q1 10	Q2 09	H1 10	H1 09
Revenues	23,780	21,609	17,220	45,389	36,473
EBITDA	7,717	5,292	4,925	13,009	10,325
% margin	32%	24%	28%	29%	28%
Capex*	4,269	2,994	4,316	7,264	9,426

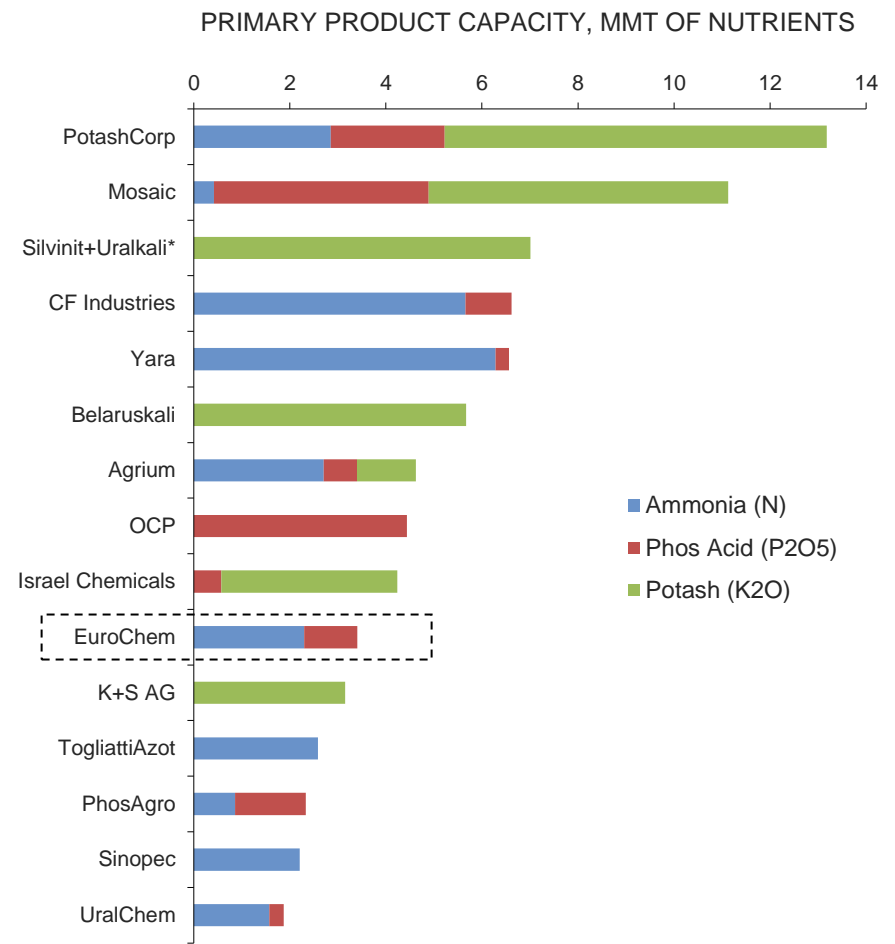
* Including licenses for exploration and development of potash and apatite deposits.

EuroChem: market position and strategic goals

Vertically integrated producer:



Top 10 by nutrient capacity globally:



*Assuming eventual merger

EuroChem aims to become a top five player by size and profitability over the next 5 years, maintaining its competitive cost advantage through better efficiency and deeper vertical integration

EuroChem Strategy

Main strategic objectives:

- ◆ Become top 5 global player by revenue and volume in all 3 fertilizer markets (nitrogen, phosphate and potash) by growing faster than the market through investment in growth and M&A
- ◆ Maintain / increase cost advantage through vertical integration and investment in efficiency

EuroChem's overall strategy is best viewed as a collection of logically inter-related business segment strategies:



Performance overview

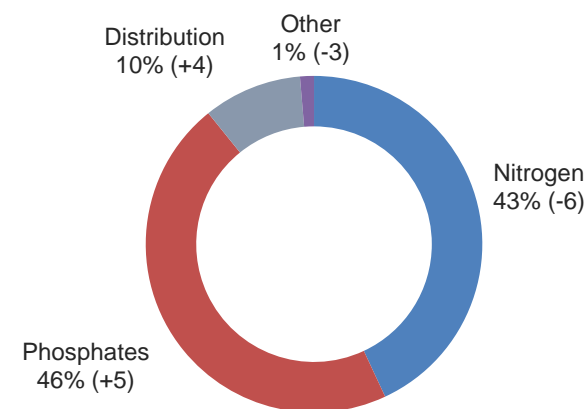
Key Figures H1 2010 vs. H1 2009

		H1 2010	Change to H1 2009
Revenue	RURm	45,389	+24%
EBITDA	RURm	13,009	+26%
Net profit	RURm	6,958	+23%
Gross margin	%	49%	+4 p.p.
EBITDA margin	%	29%	+1 p.p.
Sales volumes			
Nitrogen*	KMT	2,903	+10%
Phosphate (excl. iron ore and baddeleyite)	KMT	1,219	+23%
Phosphate (iron ore and baddeleyite)	KMT	2,992	+33%

*Nitrogen includes organic synthesis products.

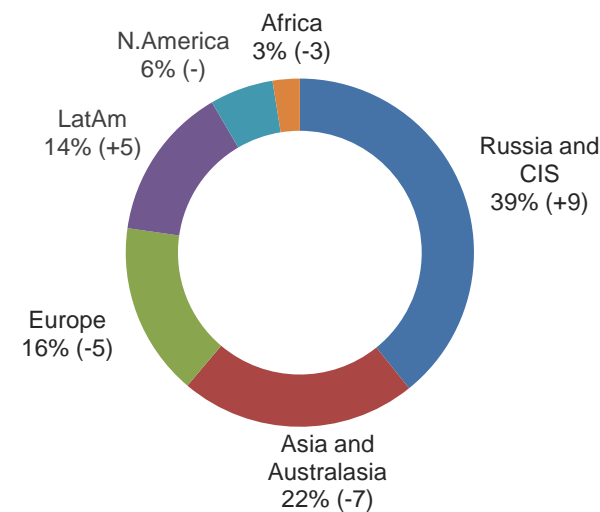
Sales H1 2010 by segment

(in brackets – change in percentage points relative to H1 2009)

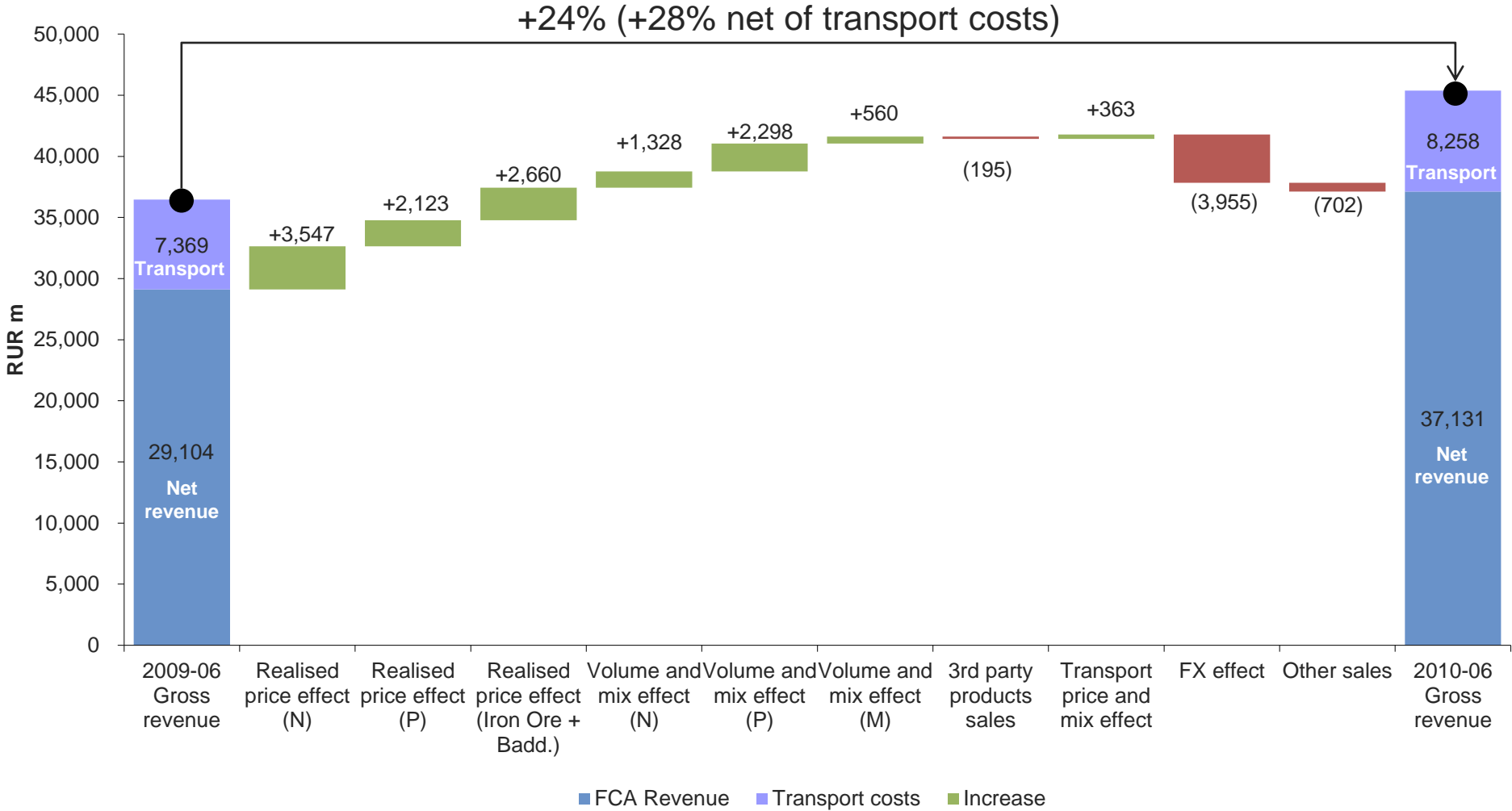


Sales H1 2010 by region

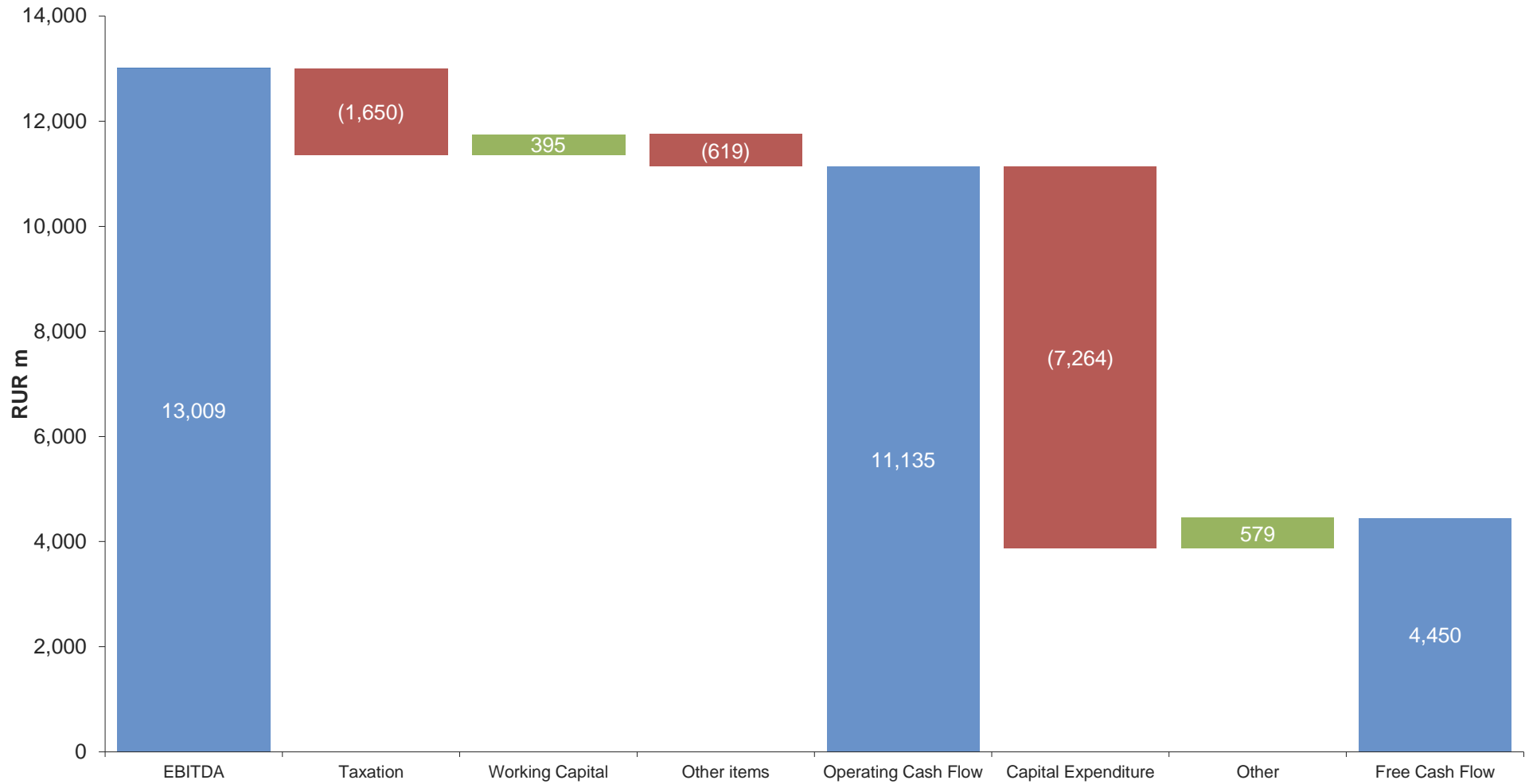
(in brackets – change in percentage points relative to H1 2009)



H1 2010 Revenue



H1 2010 Cash Flow



H1 2010 Net Profit

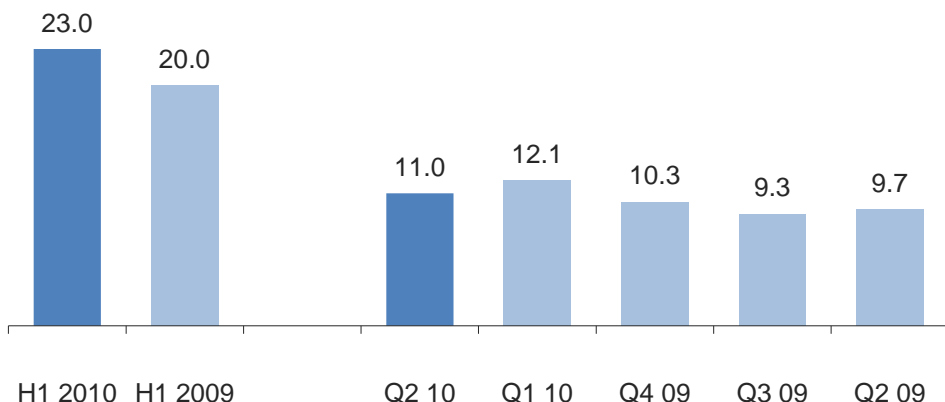
Reconciliation of EBITDA to Net Profit

		H1 2010	H1 2009
EBITDA	RURm	13,009	10,325
- Depreciation and amortisation	RURm	(1,618)	(1,498)
- Idle property, plant and equipment write-off	RURm	(84)	(81)
+ Gains on disposals of non-current assets	RURm	-	249
+ Gains on available-for-sale investments	RURm	91	-
- Financial fx loss - net	RURm	(1,135)	(1,080)
- Interest expense	RURm	(889)	(1,043)
- Other financial income/(loss) - net	RURm	(410)	-
+/- Non-controlling interest	RURm	43	(26)
- Income tax expense	RURm	(2,049)	(1,192)
Net profit	RURm	6,958	5,655

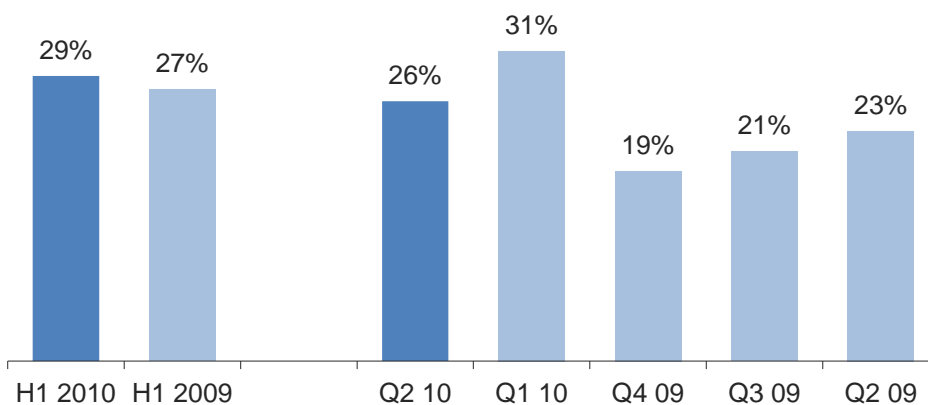
Changes in fair value of US\$/RUR non-deliverable forward contracts and options on K+S shares

Business Segments: Nitrogen (1)

Revenue*, RURbn



EBITDA margin



Comment and key numbers

- ◆ Total nitrogen segment volumes up 10% vs H1 2009
- ◆ Smaller drop in demand for N fertilizers in 2009 than for P and K
- ◆ Rising gas costs for Ukrainian producers from Q3 may support prices in the near term

		Q2 10	Q1 10	Q2 09	H1 10	H110/H109 Change
Revenue*	RURm	10,969	12,056	9,718	23,024	+15%
Sales volumes*						
- Urea	KMT	411	418	391	830	+5%
- AN	KMT	382	496	441	878	-6%
- UAN	KMT	147	199	174	346	+3%
- NPK	KMT	129	121	76	250	+60%
- Ammonia	KMT	135	168	132	303	+9%
- Organic Synthesis	KMT	128	117	79	245	+70%
EBITDA	RURm	2,858	3,706	2,252	6,564	+21%

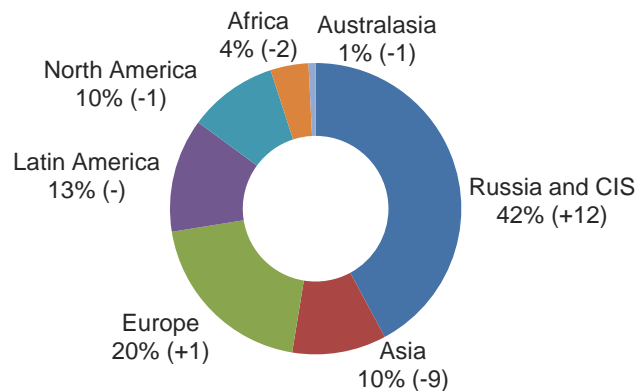
*Revenue and sales volumes include sales to other segments

Nitrogen segment includes nitrogen fertilizers and organic synthesis products.

Business Segments: Nitrogen (2)

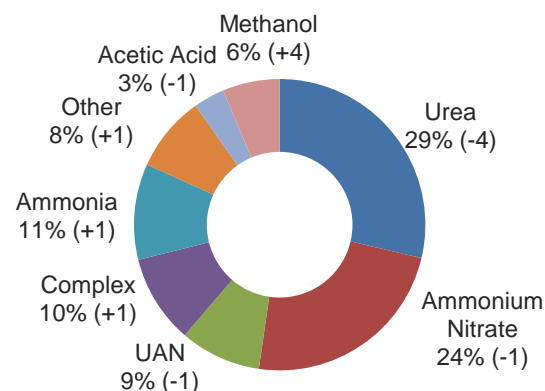
Sales by region*, H1 2010

(in brackets – change in percentage points relative to H1 2009)

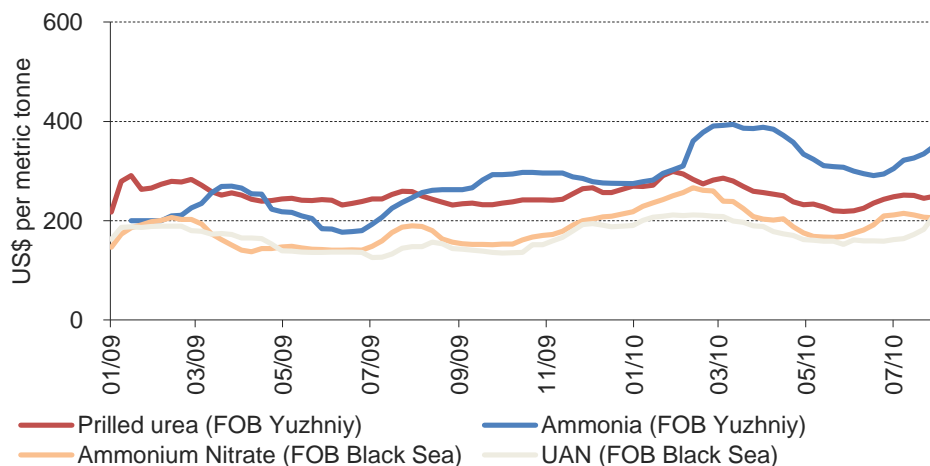


Sales by product*, H1 2010

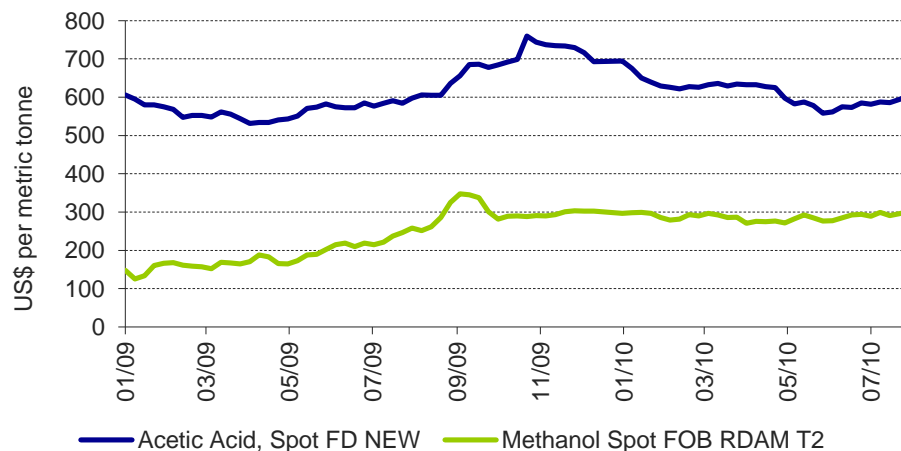
(in brackets – change in percentage points relative to H1 2009)



Price chart



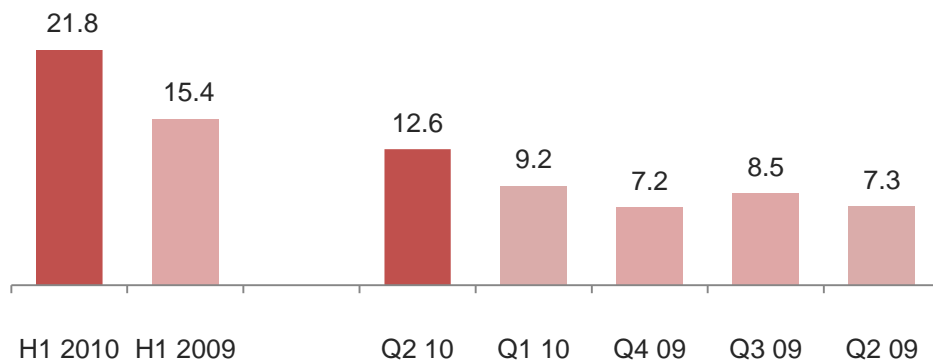
Price chart



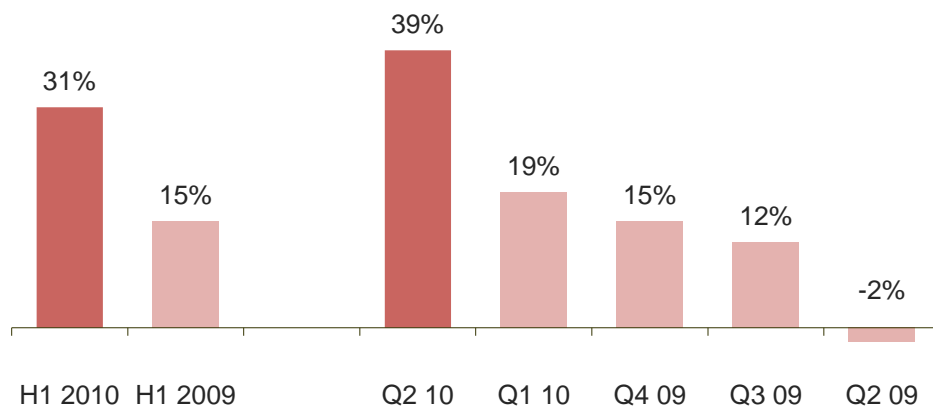
*including sales to other segments

Business Segments: Phosphate (1)

Revenue*, RURbn



EBITDA margin



Comment and key numbers

- ◆ Iron ore: strong volumes and prices, contributed 23% and 50% to P segment EBITDA in Q1 and Q2 2010, respectively (vs 28% in H1 2009)
- ◆ P fertilizer prices remain stable, supported by temporary supply shortages

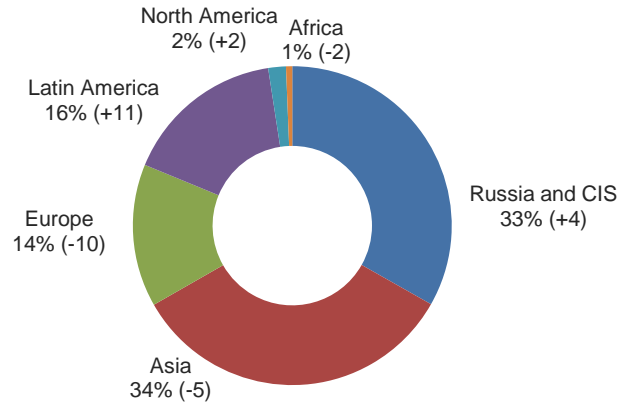
		Q2 10	Q1 10	Q2 09	H1 10	H110/H109 Change
Revenue*	RURm	12,623	9,226	7,319	21,849	+42%
Sales volumes*						
- DAP, MAP	KMT	463	474	366	936	+26%
- DFP, MCP	KMT	57	50	39	107	+46%
- NP	KMT	41	13	21	54	+101%
- NPK	KMT	4	2	2	6	-6%
- Apatite	KMT	73	44	62	116	-17%
- Iron ore	KMT	1,603	1,385	1,463	2,988	+33%
- Baddeleyite	KMT	2	2	1	4	+74%
EBITDA	RURm	4,984	1,723	(118)	6,708	+195%

*Revenue and sales volumes include sales to other segments

Business Segments: Phosphate (2)

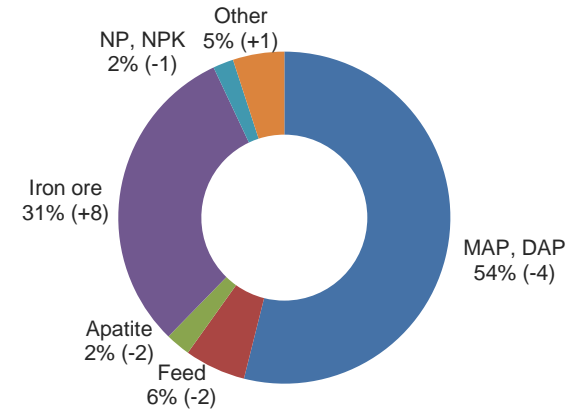
Sales by region*, H1 2010

(in brackets – change in percentage points relative to H1 2009)

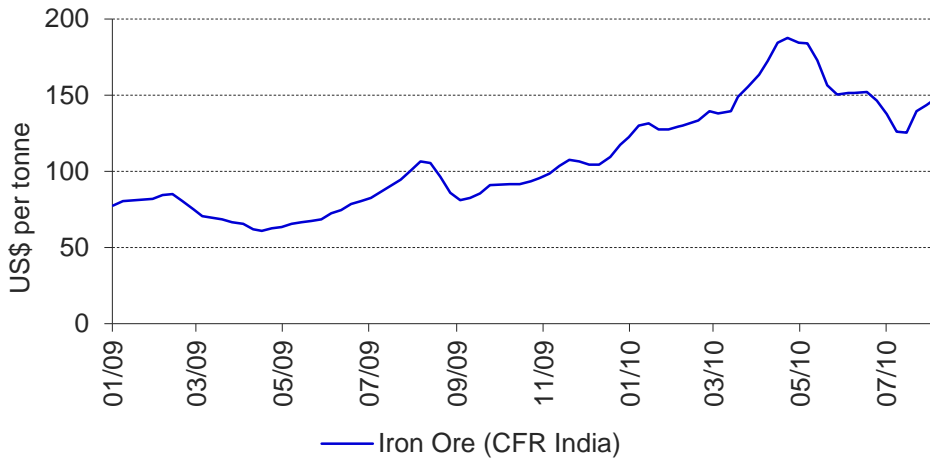


Sales by product*, H1 2010

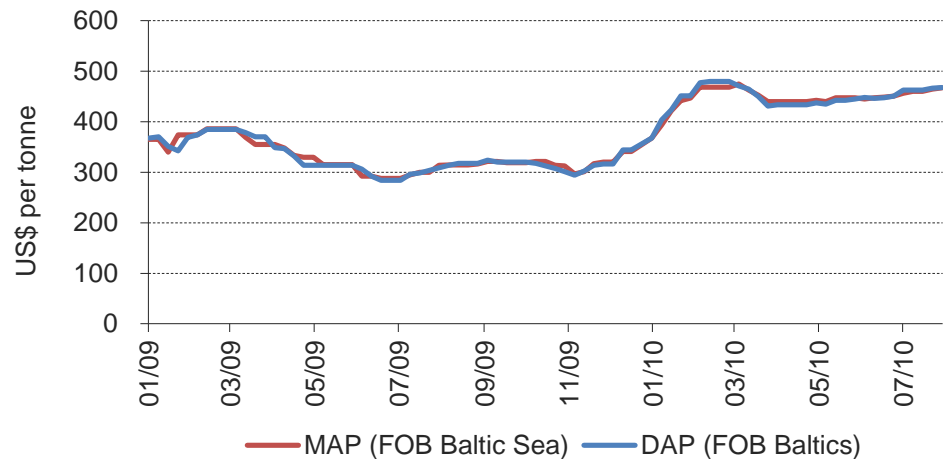
(in brackets – change in percentage points relative to H1 2009)



Price chart



Price chart



*including sales to other segments

Business Segments: Others

Revenue and EBITDA, other segments

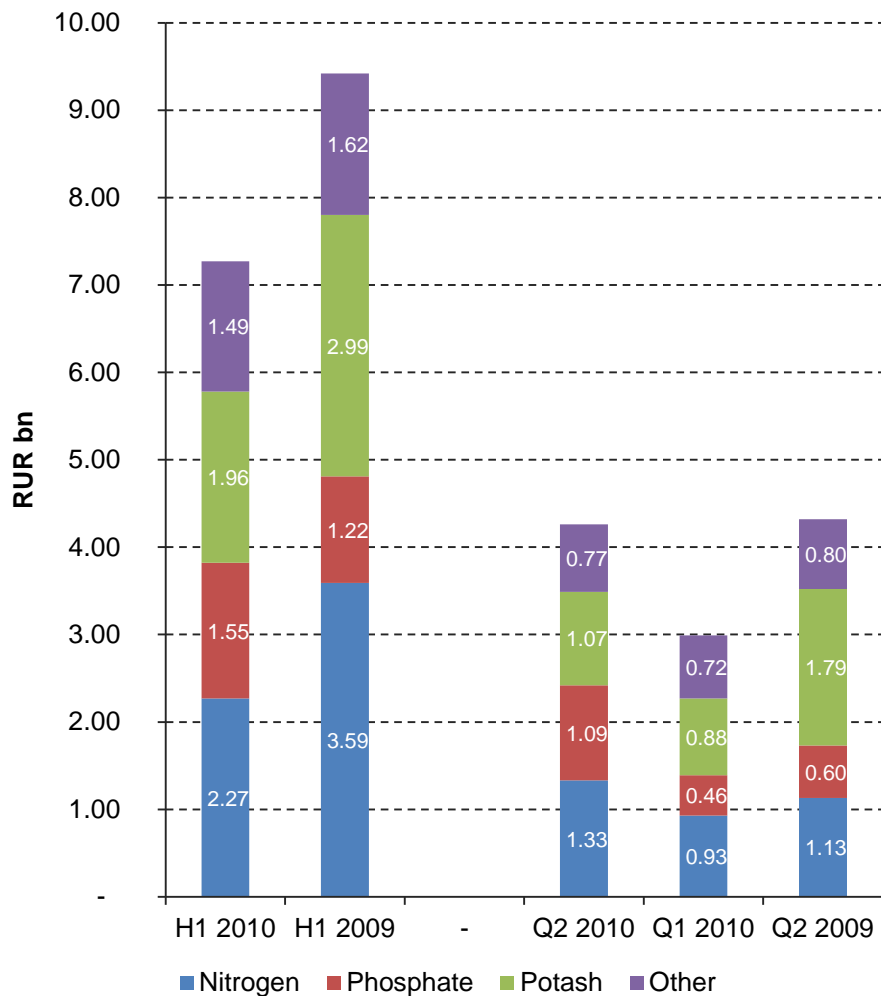
		H1 2010	H1 10 / H1 09 Change
Revenue	RURm	12,500	+27%
- Distribution	RURm	4,300	+118%
- Others	RURm	8,200	+5%
EBITDA	RURm	24	-99%

Fertilizer sales volumes through own distributors increased by 125% to 482 KMT

Retail distribution network in Russia and Ukraine

Including logistic and other services rendered to other segments and third parties, third party product sales, etc

Capital Expenditure



Main Projects – H1 2010

◆ Nitrogen:

1. Construction of melamine production along with the revamp of urea shop at Nevinnomyssk
2. Final stages of construction of new granulated urea facility with 1.15 KMT per day capacity at Novomoskovsk (Urea 4 shop)
3. Technical rehabilitation of plants to increase efficiency

◆ Phosphate:

1. Rebuild sulphuric acid production with capacity increase by 720 KMT p.a.
2. Reconstruction of phosphate acid production with capacity increase by 300 KMT p.a. / potential construction of 6 MW turbine
3. Technical rehabilitation and modernization of existing facilities

◆ Potash:

1. Construction of skip and cage shafts at Gremyachinskoe and the start of preparatory shaft works at Verkhnekamskoye deposit
2. Detailed engineering of the surface complex, industrial and social infrastructure construction at Gremyachinskoye deposit

◆ Other: mainly Tuapse bulk terminal construction

Costs

Cost Structure, RURm

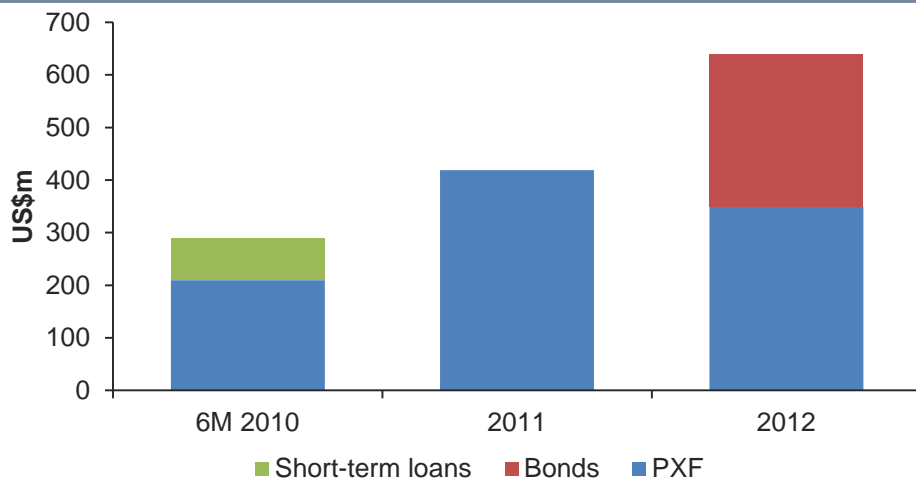
	H1 2010	H1 2009	H1 10 / H1 09 Change	
Gas (raw materials)	5,997	4,217	+42%	→ Increased consumption on higher production volumes and gas price increase from 1 Jan 2010: for N plants, 6M 2010 avg price = RUR 2,829/m ³ ; 6M 2009 avg price – RUR 2,095/m ³ .
Sulphur	655	807	-19%	→ Decline primarily due to lower prices
Other materials and components	5,409	4,247	+27%	→ Increased materials consumption on higher production volumes
Energy	2,706	2,217	+22%	} → Primarily due to increase in prices for utilities /fuel and higher production
Utilities and fuel	1,549	966	+60%	
Transportation	8,763	8,283	+6%	→ Increased Russian rail and international freight tariffs partially offset by lower share of CFR / CIF sales
Labour	5,419	4,304	+26%	→ Due to one-time staff compensation in Q1 2010 and low base effect: lower bonus accrual in H1 2009 due to poor trading conditions
Change in WIP and FG	43	1,167	-96%	
Other	4,247	4,747	-11%	→ Primarily due to cancelation of RF export duties from 1 Feb 2009, plus reduction in repairs and maintenance
Total	34,788	30,955	+12%	→ Includes cost of sales, distribution and G&A expenses

Debt

Key debt metrics, RURm

	H1 2010
Syndicated loan (PXF)	30,470
Eurobonds	9,047
Short term bank loans	2,478
Transaction costs on loans and eurobonds	(432)
Gross debt	41,563
Less cash and cash equivalents**	6,886
Net debt	34,677

Debt maturity profile, US\$m



Comment

- ◆ Comfortable debt structure and maturity profile, remote refinancing risk
- ◆ Successfully placed three syndicated facilities (two of which are fully repaid)
- ◆ US\$ 1.5bn 4-year pre-export, LIBOR + 1.8% (as at 30.06.10 US\$ 977m outstanding)
- ◆ EuroBonds: US\$ 300m* issued in March 2007, 5 years bullet, coupon 7.88%
- ◆ Since March 2010:
 - ◆ US\$ 261m, 10-year, ECA-backed (ECIC) credit line
 - ◆ RUR 5bn, 5-year rouble bonds
 - ◆ EUR 36.7m, 13-year, ECA-backed (EGAP) 13-year credit line
 - ◆ US\$ 250m, 5-year bi-lateral (Nordea Bank) credit line
- ◆ New debt financing opportunities:
 - ◆ RUR or US\$ bonds
 - ◆ bi-lateral credit lines
 - ◆ margin loans (secured by K+S shares)
 - ◆ new pre-export facility (secured by phosphate business flows)
 - ◆ new ECA-backed facilities for large potash construction contracts with foreign suppliers

*In December 2008 US\$ 10m of Eurobonds were redeemed

**Including current portion of restricted cash

Outlook

- ◆ Strength in agricultural commodities to support fertilizers over the next few quarters.
- ◆ Nitrogen prices are firming on low stocks and good demand.
- ◆ Russian domestic sales volumes (predominantly AN) likely to be negatively affected by adverse weather and poor farmer finances, but should recover in Q1 2011.
- ◆ Phosphate prices to stay firm on Indian and Latin American demand and tight supply until Ma'aden makes impact toward late 2011.
- ◆ Consolidation in the industry, on balance, should translate into fewer capacity additions in the longer term, supporting industry margins.

Questions & Answers

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