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

March 22, 2010 **PRESS RELEASE**

EuroChem Reports IFRS Financial Information for FY 2009

* Revenues: RUR 73.6bn / USD 2.3bn (YE2008: RUR 112.2bn / USD 4.5bn);
* EBITDA: RUR 16.5bn / USD 521m (YE2008: RUR 44.3bn / USD 1.8bn) ;
* Net profit: RUR 11.1bn / USD 349m (YE2008: RUR 27.9bn / USD 1.1bn);
* Cash flow from operations: RUR 17.5bn / USD 553m (YE2008: RUR 26.8bn / USD 1.1bn);
* Net debt/EBITDA at 31 December 2009: 2.21x;
* Cash generation and balance sheet strong; investments in potash, new granulated urea and melamine production, as well as phosphate plants energy efficiency on track.

Today EuroChem reported a consolidated IFRS net profit of RUR 11.1bn for the year ended 31 December 2009, compared to RUR 27.9bn for the year of 2008 (2007: RUR 16.2bn). The company produced and sold more fertilizers in 2009 than in 2008, with total fertilizer volumes increasing 7% from 6,497 KMT in 2008 to 6,923 KMT in 2009. The third and fourth quarters of 2009 saw strong demand recovery and a return to normal volumes, while significant price recovery across segments began late in the fourth quarter and has continued in the first quarter of 2010. Driven by sharp price declines from the all-time highs in 2008, however, consolidated revenues declined by 34% in 2009 to RUR 73.6 bn from 112.2 bn in 2008 (2007 consolidated revenue: RUR 73.8bn).

CEO Dmitry Strezhnev: “The fundamentals of our business are unchanged: the world needs more food produced more efficiently, and EuroChem is an important part of the solution to that challenge. While 2009 was a difficult year for everyone in the sector, EuroChem had the flexibility to make adjustments and adapt to the market conditions without any significant disruptions to implementation of our long-term strategy. We continue to invest in growth: in our existing business through increased efficiency and higher-margin products as well as in new segments through our development of the Gremyachinskoye and Verkhnekamskoye potash deposits. We are cautiously optimistic about 2010, are excited about our long-term plans, and are convinced that EuroChem holds the key to growth.”

During the reported period, EuroChem recorded a 43.7% gross margin of RUR 32.1bn, compared to a 60.4% gross margin of RUR 67.7bn a year ago (2007: 55.8% gross margin of RUR 41.2bn). Group EBITDA (earnings before interest, taxes, depreciation and amortization) for the year 2009 amounted to RUR 16.5bn, representing a margin of 22.4% (2008: RUR 44.3bn, margin of 39.5%; 2007: RUR 22.4bn, margin of 29.9%).

MARKET CONDITIONS

The key revenue driver in 2009 was the sharp drop in prices across all product segments that began in Q4 2008. While volumes initially declined as well, they recovered starting in late Q1 2009 as prices bottomed out, first in nitrogen and then, later in the year, in phosphates as well. During the second half of the year external sales volumes gradually returned to normal levels.

Global nitrogen fertilizer consumption is estimated to have increased slightly y-o-y in 2009, increasing from 99.1 MMT of nutrient (N) in 2008 to 99.8 MMT of nutrient 2009 despite the economic disruptions (EuroChem external sales: 2.02 MMT of N in 2009 vs. 1.90 MMT in 2008). Global phosphate fertilizer consumption is estimated to have decreased by 5.4% to 35.3 MMT of nutrient (P_2O_5) (EuroChem external sales: 1.00 MMT of P_2O_5 in 2009 vs. 0.90 MMT in 2008). Potash producers attempted to hold prices high throughout the year, which contributed to a dramatic decline in production from 33.2 MMT of nutrient (K20) in 2008 to 21.7 MMT of nutrient in 2009.

One of the primary price drivers in 2009 was the after-effect of 2008's unprecedented price increases. Traders, importers and distributors were caught with warehouses full of product purchased at the record-high prices of 2008 while demand contracted as credit resources became scarce and restrictively expensive. Whether due to stop-loss policies or simple financial necessity, these supplies were liquidated during 2009, which drove prices lower.

Liquidation of stock was not immediately followed with new purchases as farmers and traders preferred to limit themselves to spot purchases for most of 2009. This left the supply chain largely empty by the fall, which in turn led to increased volatility at the end of the year when fertilizer purchases by farmers began returning to normal levels for upcoming application seasons. This, combined with production interruptions at a key supplier, led to a sharp increase in the price of phosphate fertilizers from $280-290 FOB in November 2009 to over $450 FOB by March 2010.

Importantly, despite the economic crisis and debt market freeze, fertilizer use in Russia increased 5% to 2.38 MMT of nutrients in 2009 according to the RF Ministry of Agriculture. EuroChem also benefited from the domestic market growth through its distribution network, which increased fertilizer sales in Russia through owned and independent distributors by 20% to 1.2 MMT of product in 2009 from 1.0 MMT of product in 2008.

BUSINESS SEGMENTS

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

In 2009 EuroChem decreased the number of reportable business segments to four (nitrogen, phosphate, potash, distribution) in order to better align disclosure with the way the business is managed. The nitrogen business segment now also includes what was previously reported as the organics segment, while the phosphates segment now also includes what was previously reported as mining.

Nitrogen segment

Sales volumes for EuroChem's two key nitrogen products – urea and ammonium nitrate – increased y-o-y by 29% and 24% to 1.5 MMT and 1.8 MMT respectively in 2009, but this was countered by prices that were lower by an average of 60% y-o-y. Price effect significantly impacted revenues for the segment, which declined 29% in 2009 to RUR 39.6 bn from RUR 55.9bn in 2008 (2007: RUR 40.0bn). Nitrogen segment EBITDA fell 61% from RUR 23.9 bn in 2008 to RUR 9.3bn in 2009 (2007: RUR 14.5bn). Lower sales volumes in organic synthesis products, which are included in the nitrogen segment, also affected the result, but these products represent a relatively small portion of the segment volumes and revenues.

While prices for fertilizers declined, EBITDA fell at a faster rate than revenues largely due to the fact that expenses for natural gas used as a raw material for producing fertilizers increased in rouble terms by 19% y-o-y to RUR 1.4bn in 2009. Average cost of gas for the Group in 2009 amounted to RUR 2,246 per 1,000 cubic metres (USD 70.80), vs RUR 1,914 (USD 77.00) in 2008. The Group will continue to make investments aimed at improving efficiency and reducing natural gas consumption.

Through investments in new production lines (2009: granulated urea and CAN), EuroChem has further increased product flexibility.

Phosphates segment

As with the nitrogen segment, the driving factor in the phosphate segment was prices, which fell on average 65% y-o-y in 2009 compared to 2008. Sales and EBITDA in the phosphates segment declined by 40.1% and 78.0% to RUR 31.1bn and RUR 4.4bn respectively (2008 sales: RUR 52.0 bn, EBITDA RUR 20.1 bn; 2007 sales: RUR 29.65bn, EBITDA: RUR 8.44bn).

DAP production and sales volumes increased significantly as a result of an overhaul at Phosphorit, one of EuroChem's phosphate plants, which enabled the plant to produce either MAP or DAP on the same lines. Combined MAP and DAP sales volumes were higher in 2009 at 1.7 MMT vs 1.4 MMT in 2008, and were in line with the 1.71 MMT of sales in 2007. Iron ore volumes, a co-product at our Kovdorskiy GOK apatite mine that is also included in the Phosphates segment, increased significantly on the back of continued strong demand from China (see key financial and non-financial data table at the end of this release).

EuroChem is highly vertically integrated in the phosphates segment, with ammonia being sourced from own nitrogen plants and most of the Apatite supplied by the company's Kovdorskiy GOK mine. While shipping rates globally declined significantly in 2009, rail tariffs within Russia rose, which also affected EBITDA as the company transports apatite from Kovdor in the far north of Russia to our EuroChem-BMU plant in southern Russia by rail. Prices for sulphur, another key ingredient for phosphate fertilizers, were significantly lower in 2009: expenditures on sulphur and sulphuric acid fell 73.1% and 78.3% respectively compared to 2008.

Potash segment

While EuroChem is currently not a producer of potash, it is actively developing two potash deposits in Russia. In 2009 the company began sinking the mineshafts that will operate as part of phase I of the Gremyachinskoye project, which will have an annual capacity of 2.3 MMTpa of potash upon completion. Work on the social infrastructure to support the new enterprise is also well underway.

The market downturn we experienced in 2009 did not force EuroChem to stop or even significantly slow its capital expenditure program in the potash segment. The company has strong cash flows and several financing alternatives at its disposal to ensure this program is realized. As EuroChem estimates it will be a leading low cash cost potash producer, the company will continue its investments in this segment regardless of short-term price fluctuations for the product.

During 2009 EuroChem and its parent company maintained its stake in the leading German potash producer K+S AG, and George Cardona, a EuroChem Board of Directors member, was appointed to the K+S supervisory board.
Distribution segment

Distribution saw revenue growth in 2009, although this still represents a modest portion of EuroChem's overall sales. Sales increased 6% y-o-y from RUR 5.3bn in 2008 to RUR 5.4bn in 2009 (2007: 1.4). EBITDA in 2009 was RUR 22.4m, down 63% from RUR 54.8m a year earlier (2007: RUR 72.3m). The 2008-2009 decline in EBITDA was driven primarily by the price effect, while the 2007-2008 decline was due to a significant decline in the value of the Russian rouble and Ukrainian Hryvna during the period. Segment fertilizer volumes continue to rise, increasing 65% to 587 KMT for 2009 vs. 356 KMT in 2008 (2007: 120 KMT) in sales through the outlets owned by EuroChem.

EuroChem's distribution network consists of 39 outlets in 21 cities in key agricultural districts of Russia and Ukraine, including 8 outlets owned by the company. The strategy of these centres is to sell yield, not fertilizers: they buy products from our plants and other producers, and sell at a margin to customers, while simultaneously providing advisory services to help farmers produce more by using a full range of seeds, fertilizers and crop protection products.

FINANCIAL

Income statement

While the key driver for decreased revenues y-o-y was the drop in fertilizer prices, EBITDA declined at a faster rate. This was primarily due to the fact that cost of sales decreased in 2009 by only 7% to RUR 41.4 bn from RUR 44.5 bn in 2008 (2007: RUR 32.7 bn), a much lower rate than the 34% decline in revenues; major items in the cost structure fell at lower rates than the drop in fertilizer prices, and in some cases increased. This resulted in a lower gross margin of 43.7% for 2009 versus 60.4% in 2008 and 55.8% in 2007.

Materials and components account for just over half of EuroChem cost of sales. While expenditures on natural gas increased by 18.7% mostly due to price increases in 2009, this was offset by more than 70% decreases in the prices of sulphur and sulphuric acid, leading to a decrease of 24.5% for this cost line item.

Distribution costs declined 21% in 2009 to RUR 18.4 bn (2008: RUR 23.3 bn; 2007: RUR 17.1 bn). This was primarily due to a 12% decrease in transportation costs, as less product was sold on CFR and CIF terms. As a result, transportation costs, which have traditionally accounted for 80%-90% of distribution expenses, amounted to only 77% of the total in 2009. Export duties introduced by the Russian government on nitrogen, phosphorous and potassium fertilizers in April 2008 were cancelled effective 1 February 2009.

General and administrative expenses increased slightly by 2% in 2009 to RUR 3.26 bn vs. RUR 3.21 bn in 2008 (2007: RUR 3.49 bn). While nearly all items in this category other than depreciation and amortization decreased relative to 2008, the increase was driven by creation of provisions for impairment receivables in 2009, while the 2008 result benefited from the reversal of provisions. Trade and other receivables and related provisions are discussed further below.

EuroChem earned other operating income of RUR 225 m in 2009 (2008: expense of RUR 325 m; 2007: expense of RUR 1,323 m) due almost entirely to foreign exchange gains on translation of cash balances, payables and receivables denominated in foreign currencies following a 27.6% weakening of the Rouble to the US dollar (average rate 2008 vs. average rate 2009).

Finance income improved as the effects of the rouble depreciation subsided during 2009. EuroChem booked a financial foreign exchange gain of RUR 749 m in 2009, compared to a loss of RUR 3,766 m in 2008 (this is income from translation of financial assets and liabilities, denominated in foreign currency – loans, deposits with banks and borrowings). Interest expense increased 58% y-o-y as the company made monthly repayments on the USD 1.5 bn syndicated pre-export facility obtained in October 2008.

EuroChem also received gross dividend income amounting to RUR 2,168 m from K+S AG in May 2009.

Balance sheet

In 2009 net working capital decreased to RUR 12.5 bn from RUR 17.9 bn in 2008 (2007: RUR 9.6 bn). This is mainly due to decreases in inventories (-28%), trade receivables (-32%) and other receivables and current assets (-28%). Following the global slowdown in the fertilizer markets in Q4 2008-Q1 2009 caused by unprecedented price volatility and the resulting reluctance to buy on the demand side, EuroChem sought to reduce inventories once product started moving again. Other receivables decreased largely due to VAT reimbursements which was largely a result of the more disciplined approach to the VAT administration process.

The company finances its operations through a combination of fixed rate and floating rate debt. Floating debt is represented by the US$ 1.5bn syndicated loan facility due October 2012, with equal monthly amortization starting April 2009. Fixed rate debt is represented by US$-denominated eurobonds with a coupon of 7.875% due in March 2012. Additionally, the company has raised a margin loan secured by shares in K+S AG that amounted to EUR 85m at 31 December 2009, with an interest rate of three-month Euribor + 2.0%

As of 31 December 2009 and throughout the whole year the company was compliant with all debt covenants.

Cash flow

Cash flow in 2009 was significantly affected by lower prices for finished products. Operating cash flow for 2009 was RUR 17.5 bn, compared to RUR 26.8 bn a year earlier, but was still higher than 2007: RUR 16.8bn. Free cash flow was negative at RUR 9.5 bn due to RUR 18.6bn in capital expenditures (development of Gremyachinskoye potash deposit, construction of new CAN and granulated urea lines at Novomoskovskiy Azot, new melamine production at Nevinnomysskiy Azot and construction of the Tuapse bulk terminal). Another important factor was the net purchase of around 11 million ordinary shares of K+S AG during the year.

No dividends were paid to shareholders in 2009.

OUTLOOK

In the first months of 2010, robust farmer demand, coupled with depleted inventories, has helped nitrogen prices to recover to normalized levels. In phosphates, certain temporary supply-related factors combined with demand recovery and an empty distribution chain pushed prices strongly upward. Farmer economics remain solid globally and, on the whole, EuroChem expects a return to normalized profitability levels in 2010, with a meaningful recovery in revenues and EBITDA margins over 2009. However, the effects of a recovery in trading conditions would be negatively impacted by a significant rouble appreciation against major currencies if that were to materialize.

In the longer term, EuroChem expects the effects of new, powerful entrants to the fertilizer industry, in particular in potash and phosphates, to be offset by further consolidation among existing players. As a cost competitive producer, EuroChem will be able to withstand longer term margin pressures emanating from oversupply issues if these were to escalate further. The company's strategy of active and effective investment in 2010-2014 in efficiency, further vertical integration, new products and new businesses should maintain or enhance EuroChem's existing competitive advantages and create new ones.

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 the Lifosa plant in Lithuania. The Group is vertically integrated with activities spanning from mining to logistics and distribution. EuroChem holds licenses to develop potash reserves in Russia which entitle it to the estimated fifth-largest volume of potash reserves globally.

Consolidated financial statements for the year ended 31 December 2009 are available on the EuroChem website: www.eurochem.ru/investors/financials.

EBITDA is shown inclusive of operating, dividend and interest income and excludes capital gains / losses and foreign exchange gains / losses from revaluation of financial assets and liabilities. This definition of EBITDA was adopted by the Company starting from Q4 2009 to ensure consistency of reported EBITDA with the requirements of the Company's debt covenants.