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PRESS RELEASE

EUROCHEM REPORTS IFRS EARNINGS FOR Q2 2010

	Q2 2010		Q2 2009		Chng	H1 2010		H1 2009		Chng
	RUR bn	*US$ m*	RUR bn	*US$ m*		RUR bn	*US$ m*	RUR bn	*US$ m*	
Revenue	23.8	*786*	17.2	*535*	+38%	45.4	*1,510*	36.5	*1,103*	*+24%*
EBITDA	7.7	*255*	4.9	*153*	+57%	13.0	*433*	10.3	*312*	*+26%*
Net profit	2.5	*82*	7.4	*229*	-66%	7.0	*231*	5.7	*171*	*+23%*
Cash from operations	6.2	*206*	4.4	*138*	+41%	11.1	*370*	9.6	*290*	*+16%*

	30 June 2010	31 December 2009
Net Debt/EBITDA	1.79	2.21

Average RUR/US$ exchange rate for periods: Q2 2010: 30.24; Q2 2009: 32.21; H1 2010: 30.07; H1 2009: 33.07

EuroChem today reported a consolidated IFRS EBITDA of RUR 7.7bn for the second quarter of 2010, up 57% from RUR 4.9bn in Q2 2009. Consolidated revenues also increased 38.1% to RUR 23.8bn in Q2 2010 from RUR 17.2bn in Q2 2009. Net profit for the second quarter of 2010 was RUR 2.5bn, compared to RUR 7.4bn for Q2 2009 – a decline due entirely to the effects of a financial foreign exchange gain during Q2 2009 caused by the 8% fall in the RUR/US$ exchange rate (Q2 2010: financial foreign exchange loss resulting from a 6% increase in the exchange rate). Net profit for the first half of 2010 amounted to RUR 7.0bn, up 23% from RUR 5.7bn in H1 2009.

Fertilizer sales volumes in the second quarter increased, with combined nitrogen and phosphate volumes up 12.0% from 1,785 thousand metric tonnes (KMT) in Q2 2009 to 1,999 KMT in Q2 2010 (excl. iron ore and baddeleyite). Additionally, the company's sales of iron ore in the second quarter increased 9.6% y-o-y to 1,603 KMT. Increased volumes combined with stable prices in phosphate fertilizers and strong iron ore prices all contributed to the stronger Q2 result.

During the reported period, EuroChem recorded a 53.3% gross margin of RUR 12.7bn, compared to a 44.5% gross margin of RUR 7.7bn for Q2 2009.

CEO Dmitry Strezhnev said: "This was a good quarter for us on the back of largely firmer prices and volumes. While the near-term economic outlook remains uncertain and volatile, we continue with our growth-oriented investment program because, for competitive producers, the fundamentals of our industry remain as strong as ever. Our potash development projects remain top priority for us."

For more detailed commentary and key data, please refer to the attachments below.

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 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 6M 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 table on the following pages.

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MARKET CONDITIONS

The fertilizer and soft commodities markets continued to recover during Q2 2010, despite concerns over European sovereign debt and continuing uncertainty about the sustainability of the global economic recovery. Driven by strong long-term factors that support demand for food, combined with short-term weather-related factors that are driving up soft commodity prices, demand for fertilizers has strengthened. These bullish factors were balanced in the short term by a reluctance in the second quarter on the part of fertilizer dealers and retailers to hold inventory between seasons: the effort to “empty bins” at the end of the northern hemisphere spring planting season contributed to downward pressure on prices during the second quarter of 2010.

During Q2 2010, average market prices for prilled urea (FOB Yuzhny) were 2.6% below Q2 2009 levels at US$ 236/tonne, while AN (FOB Black Sea) averaged 28% higher at US$ 185/tonne. Phosphate fertilizer prices saw a strong recovery, with DAP (FOB Baltic Sea) averaging US$ 439/tonne in Q2 2010, up 37% over the average price for Q2 2009. Contract prices for potash fertilizers have remained stable with MOP at US$ 292/tonne (FOB Baltic Sea) throughout the second quarter of 2010, although spot prices were higher, averaging US$ 339/tonne during the period.

Natural gas prices averaged US$2.89/mmBtu in Q2 2010 at EuroChem’s nitrogen fertilizer plants, compared with US$ 4.34/mmBtu in the US, US$ 5.94 in Europe (spot), and estimated US$ 6.20/mmbtu for Ukrainian producers (delivered to plant).

Total Russian fertilizer production in Q2 2010 increased by 26% to 4,282 KMT of nutrients vs. 3,411 KMT in Q2 2009 according to AzotEcon. Compared to the second quarter of 2009, potash production saw the sharpest increase, up 98.5%; P_2O_5 was up 17.1% while N production actually declined 2.6% in Q2 2010.

A drought, heat wave and 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. Similar upward movement, albeit less pronounced, has begun in July for rice, soybeans and corn as well. While high prices for agricultural commodities are traditionally a bullish factor for fertilizer prices, continuing poor weather conditions and potentially higher levels of government intervention aimed at preventing price rises could have a dampening effect on fertilizer volumes and prices in certain geographical areas.

BUSINESS SEGMENTS

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

Nitrogen segment

Sales volumes for the nitrogen segment increased by 5%, from 1,294 KMT in Q2 2009 to 1,361 KMT in Q2 2010. Sales of organic synthesis products, which are also reported as part of the nitrogen segment, were up 61% vs. Q2 2009 to 128 KMT in Q2 2010. Higher volumes and prices on the overall product mix (see Market Conditions above) provided for a 13% increase in revenues for the nitrogen segment, to RUR 11.0bn in Q2 2010 vs. RUR 9.7bn a year earlier. Q2 2010 nitrogen segment EBITDA was also stronger at RUR 2.9bn, a 27% increase over the RUR 2.3bn result for Q2 2009.

Gas prices in Russia for EuroChem's nitrogen plants averaged RUR 2,827 per 1,000m^3 (c. US$ 2.89/mmbtu) in Q2 2010, compared to RUR 2,163/1,000m^3 (c. US$ 2.07/mmbtu) in Q2 2009, following the latest 15% rise in Russian gas prices effective as of 1 January 2010.

Phosphate segment

Phosphate segment sales increased in Q2 2010, growing 72% y-o-y to RUR 12.6bn. Supported by increased volumes and stronger prices, especially for iron ore, which is extracted at the Kovdorskiy GOK apatite mine and reported in the phosphate segment, EBITDA in Q2 2010 was RUR 5.0bn, compared to a negative result (RUR 118m) in Q2 2009.

MAP and DAP volumes increased 26% in Q2 2010 vs. Q2 2009 to 463 KMT. Prices for the fertilizers were up 38% and 37% respectively. Iron ore volumes were 1,603 KMT, up 10% in Q2 2010 vs. Q2 2009. Market prices for iron ore were on average 143% higher (CIF China) in Q2 2010 than during the same period last year.

Potash segment

EuroChem continued development of its potash deposits in the Volgograd (Gremyachinskoye deposit) and Perm (Verkhnekamskoye deposit) regions during the second quarter, with the plan to produce its first potash from the Gremyachinskoye deposit in late 2013 unchanged. During Q2 2010, the company and its contractors finished construction of temporary buildings at the skip shaft construction site and were engaged in the purchase and assembly of sinking equipment for this site.

Distribution segment

The distribution segment, which incorporates results of distribution outlets in Russia and Ukraine owned by EuroChem, saw strong year-on-year growth in the second quarter, as it benefitted directly from recovering demand and prices in EuroChem's domestic markets. Distribution consists of sales of mineral fertilizers, items not produced by EuroChem such as seeds, crop protection etc, and advisory services through owned and independent retail centres in Russia and the CIS.

Sales from EuroChem-owned outlets during the second quarter of 2010 increased to RUR 1.8bn, up 104% from RUR 0.9bn in Q1 2009. This represented 8% of EuroChem's overall sales in Q2 2010. EBITDA in Q2 2010 was RUR 67m, up 25% from RUR 54m a year earlier. Segment fertilizer volumes (sales through outlets owned by EuroChem only) rose 129% to 184 KMT in the second quarter of 2010 against 80 KMT in Q2 2009. At the same time, combined N, P, K fertilizer consumption in Russia grew by 12% y-o-y to 655 KMT of nutrients according to AzotEcon. In Q3 2010 demand for fertilizers in Russia will be negatively affected by the extremely hot weather, which will impact the planting season, as well as by farmers' finances.

FINANCIAL

Income statement

In the second quarter, revenues increased 38% y-o-y to RUR 23.8bn due to higher prices and volumes in all segments, and especially in phosphate fertilizers and iron ore. The contribution of the nitrogen segment to the second quarter result, while also positive y-o-y, was less pronounced due to weaker prices for high-volume products like urea during the period. EBITDA in the Q2 2010 also showed a strong recovery, increasing 57% to RUR 7.7bn vs. RUR 4.9bn in Q2 2009, driven by the same factors.

Cost of sales increased at a slower rate than revenues, up 16% y-o-y to RUR 11.1bn for Q2 2010, primarily due to the higher cost of natural gas and higher consumption of gas and other raw materials on rising production volumes. Materials and components used or resold, which made up 55% of the cost of sales in Q2 2010 (48% in Q2 2009) grew by 33% y-o-y to RUR 6.1bn in the reported period from RUR 4.6bn in 2009. Increased gas cost was responsible for RUR 706m of this rise in Q2 2010. Labour costs, which equalled 15% of cost of sales in Q2 2010 also went up 15% from Q2 2009 to RUR 1.6bn. This increase was primarily due to the low base effect as bonus accruals for Q1 2009 were reversed in Q2 2009 on the back of poor trading conditions at the time.

Distribution costs in Q2 2010 increased 18% vs. Q2 2009, reaching RUR 5.5bn. Transportation costs, which accounted for 89% of distribution costs in the reported period (consistent with prior periods), equalled RUR 4.9bn, up 19% in Q2 2010 compared to Q2 2009. This was primarily due to average railway expenses increasing by 21%, and average sea transportation costs - by 28%

General and administrative expenses (G&A) were 40% higher at RUR 926m during the reported period, but in line with Q1 2010 levels. Labour costs, which accounted for 57% of G&A in the reported period, rose to RUR 531m, 102% higher than in Q2 2009 on base effect due to the bonus accrual reversal in Q2 2009 (see above).

Other operating income, consisting mainly of operating foreign exchange gains and losses, was positive in Q2 2010 (RUR 413m), compared with a loss of RUR 585m during the same period in 2009 due to the difference in the rouble / US dollar exchange trajectory (Q2 2010: weakening by 6%; Q2 2009: strengthening by 8%).

Below the operating profit line, EuroChem recorded a RUR 2.5bn financial foreign exchange loss in the second quarter of 2010 (Q2 2009: gain of RUR 4.5bn) which arises mainly due to the accounting effect of the rouble exchange rate fluctuations on the company's US dollar-denominated debt.

Interest expense was slightly lower at RUR 467m in Q2 2010 compared with RUR 488m a year earlier driven mostly by to lower debt levels.

Balance sheet

Net working capital was RUR 12.3bn as of June 30, 2010, down slightly from RUR 12.5bn at year end 2009. Trade receivables increased 70% from RUR 2.2bn on 31 December 2009 to RUR 3.6bn at 30 June 2010 primarily due to increased sales volumes and prices.

The company finances its operations through a combination of fixed rate and floating rate debt. Floating rate debt is represented by the US$ 1.5bn syndicated loan facility due in October 2012, with equal monthly amortization which started in April 2009 (the remaining balance at 30 June 2010: US$ 977m). Fixed rate debt is represented by US$ 290m of Eurobonds with a coupon of 7.875% due in March 2012. During the second quarter EuroChem obtained a short-term, US$ 100m-equivalent unsecured loan which was fully repaid in Q3 2010 following successful placement of the Company's debut rouble bond issue of RUR 5bn in July 2010.

As of 30 June 2010 and at the date of this release, EuroChem owned 19.1 million shares (9.99% of the issued share capital) of K+S AG, the German potash and salt producer.

Net debt to 12-month trailing EBITDA at the end of the second quarter of 2010 continued to decline, reaching 1.79x.

Cash flow
Operating cash flow for Q2 2010 was RUR 6.2bn, compared to RUR 4.4bn a year earlier. The increase was primarily due to the higher operating profit. Free cash flow was RUR 2.1bn, compared to RUR 2.4bn in Q2 2009, the latter boosted by significant dividend income received in 2009 on the K+S AG shares owned by EuroChem (RUR 2.2bn). Capital expenditure in Q2 2010 amounted to RUR 4.3bn, on par with the Q2 2009 figure.

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.