



EUROCHEM
MINERAL AND CHEMICAL COMPANY

Q2 and H1 2011 IFRS Results Conference Call
17 August 2011



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Industry Update

H1 Performance

Nitrogen Segment

Phosphate Segment

Potash Segment

Outlook



Industry Context in H1 2011

- ◆ Stronger agricultural commodity prices (H1 2011 avg. v. H1 2010 avg.)
 - Corn: +94% (1 July to date: +2%)
 - Wheat: +61% (1 July to date: +5%)
 - Rice: + 13% (1 July to date: +23%)
 - Soybeans: +43% (1 July to date: -2%)

- ◆ Demand for fertilizer supported by attractive farmer economics

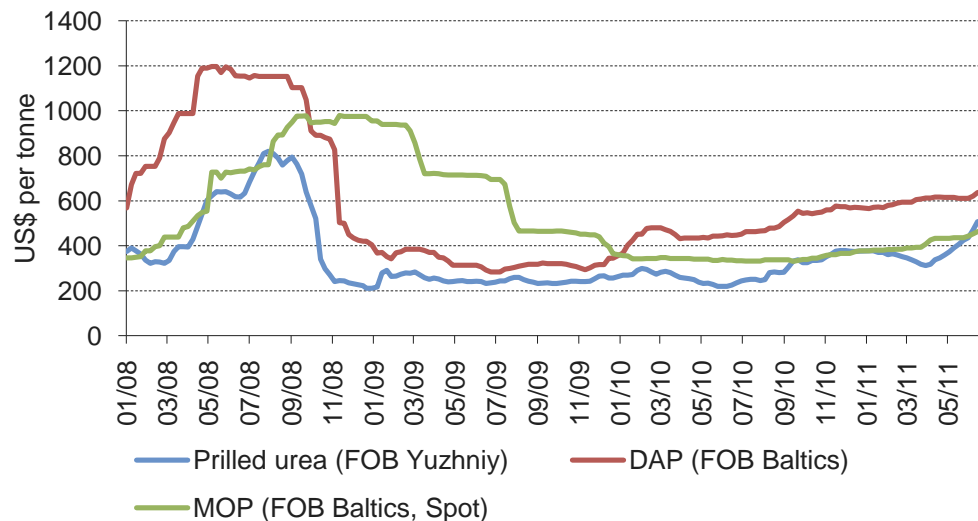
- ◆ Supply is tight across all nutrients on low stocks and high demand

- ◆ China: new sliding export duties restrict exports of DAP and urea. Plans to build new urea capacity over the next five years halved to 5 MT

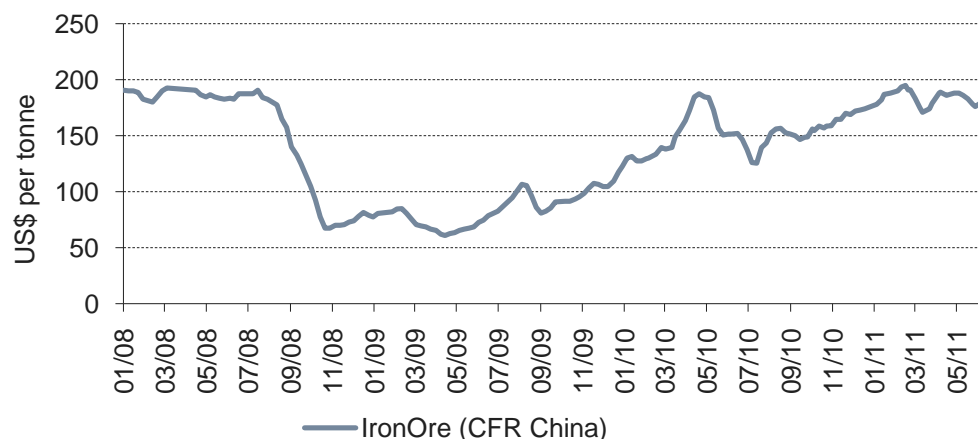
- ◆ Consolidation continued (Uralkali-Silvinit, Ukraine)

- ◆ Demand from China supports iron-ore prices. New supply takes longer than expected to shape up
 - Iron ore: H1 11 avg. price + 22% over H1 2010 avg. (1 July to date: +5%)

Urea, DAP, MOP



Iron ore, CFR China



Performance Overview

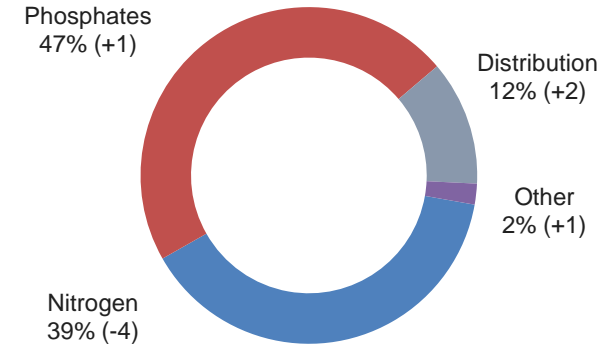
Key Figures H1 2011 vs. H1 2010

		H1 2011	Change to H1 2010
Revenue	RUBm	62,085	+37%
EBITDA	RUBm	23,426	+80%
Net profit	RUBm	20,883	+200%
Gross margin	%	51%	+5 p.p.
EBITDA margin	%	38%	+9 p.p.
Sales volumes			
Nitrogen*	KT	2,928	+1%
Phosphate (excl. iron ore and baddeleyite)	KT	1,254	+3%
Phosphate (iron ore and baddeleyite)	KT	2,755	-8%

*Nitrogen includes organic synthesis products.

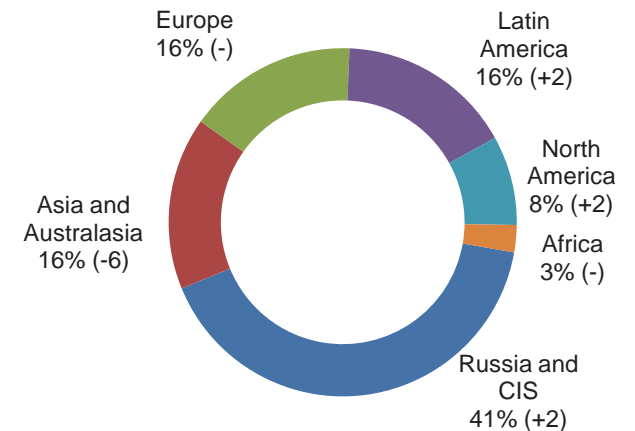
Sales H1 2011 by segment

(in brackets – change in percentage points relative to H1 2010)

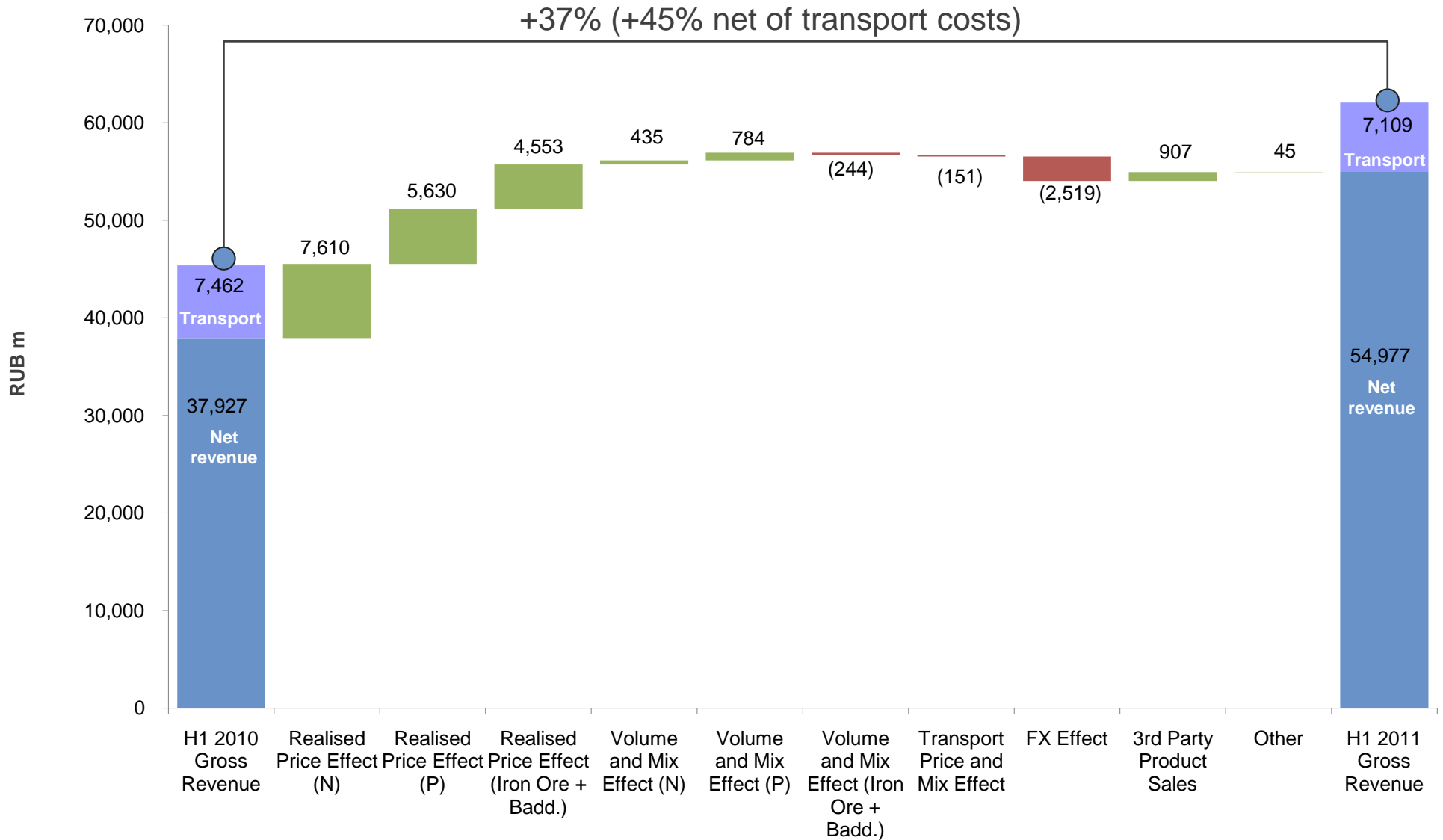


Sales H1 2011 by region

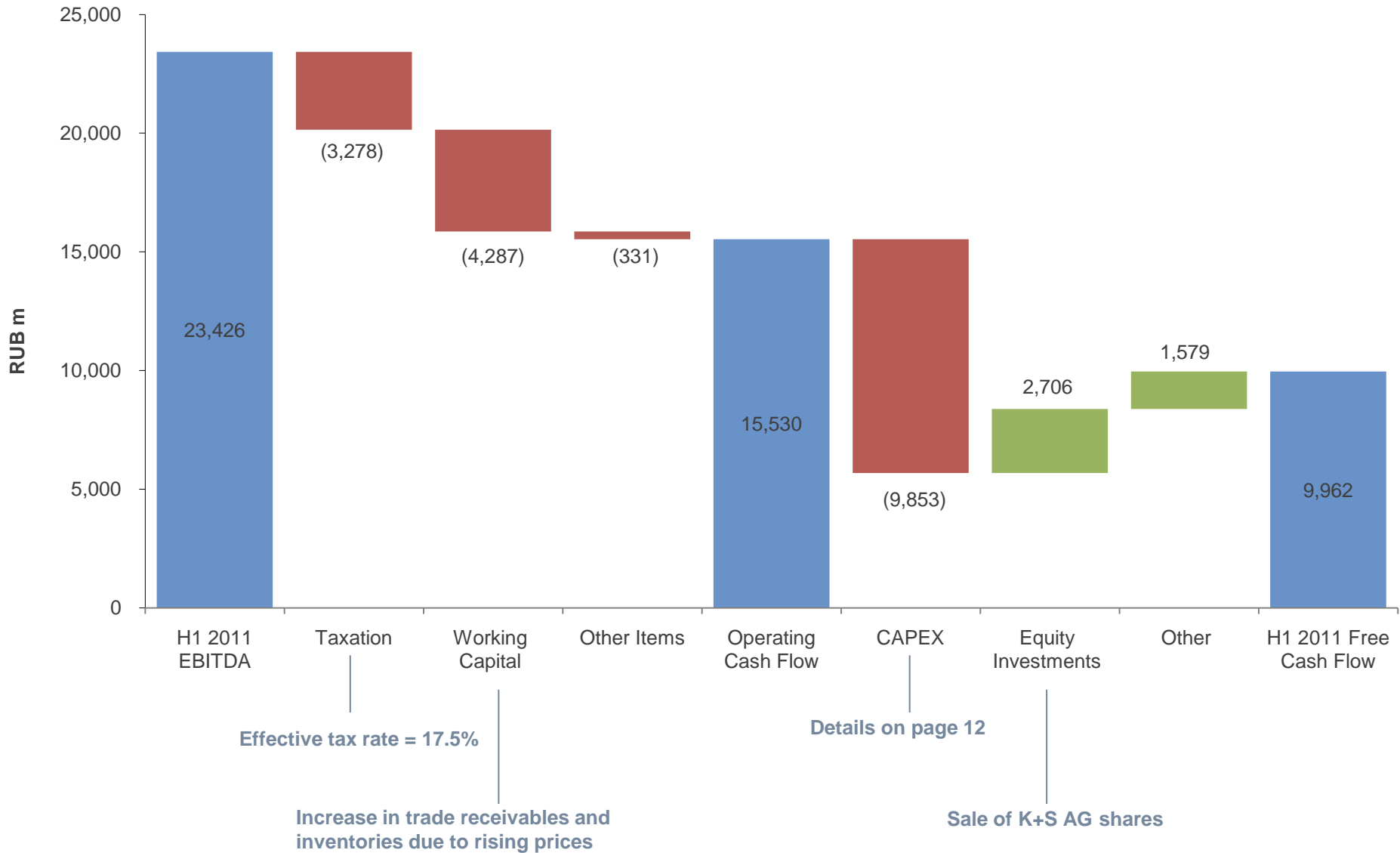
(in brackets – change in percentage points relative to H1 2010)



H1 2011 Revenue



H1 2011 Cash Flow



H1 2011 Net Profit

Reconciliation of EBITDA to Net Profit

		H1 2011	H1 2010
EBITDA	RUBm	23,426	13,009
- Depreciation and amortisation	RUBm	(2,150)	(1,618)
- Idle property, plant and equipment write-off	RUBm	(18)	(84)
+ Gains on available-for-sale investments	RUBm	914	91
- Financial fx loss - net	RUBm	2,588	(1,135)
- Interest expense	RUBm	(1,174)	(889)
- Other financial income/(loss) - net	RUBm	1,730	(410)
+/- Non-controlling interest	RUBm	(2)	43
- Income tax expense	RUBm	(4,432)	(2,049)
Net profit	RUBm	20,883	6,958

Sale of shares of K+S Group

RUB/USD volatility

Mainly realized on US\$/RUB non-deliverable forward contract and changes in the fair value of cross currency interest rate swap

Business Segments: Others

Revenue and EBITDA, other segments

		H1 2011	H1 11 / H1 10 Change
Revenue	RUBm	15,401	+23%
- Distribution	RUBm	7,622	+77%
- Others	RUBm	7,779	-5%
EBITDA	RUBm	862	+3,492%

Fertilizer sales volumes through own distributors increased to 669 KT in H1 2011, 39% higher than H1 2010

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

EuroChem distribution and sales outlets registered a 92% increase in sales in Q2'11 v Q2'10. Sales reached RUB 3.5bn or 11% of EuroChem's overall sales for Q2 2011

Costs

Cost Structure, RUBm

	H1 2011	H1 2010	H1 11 / H1 10 Change	
Gas (raw materials)	6,995	5,997	+17%	→ Annual nat gas increase: for 6M11, average gas prices at NAKAzot and NEVAzot facilities were RUB 3,178 and 3,342 per 1,000m ³ respectively compared to RUB 2,748 and 2,909/1,000m ³ in 6M10
Sulphur	1,231	655	+88%	→ Strong demand and tight supply drove price increases
Other materials and components	10,402	6,778	+53%	→ Increases in raw material prices
Energy	3,464	2,706	+28%	→ Primarily brought on by the liberalization of the wholesale electricity market from January 2011 and increases in energy tariffs
Utilities and fuel	1,875	1,549	+21%	→ Due to higher prices for diesel fuel (45%) and oil (10%), as well as the expansion of heavy vehicle fleet vehicles and acquisition of excavators at Kovdorskiy GOK
Transportation	6,705	7,393	-9%	
Labour	5,700	5,419	+5%	→ Due to salary indexation and increased social insurance contributions
Change in WIP and FG	(765)	43	NM	
Other	5,157	4,248	-21%	
Total*	40,764	34,788	+17%	

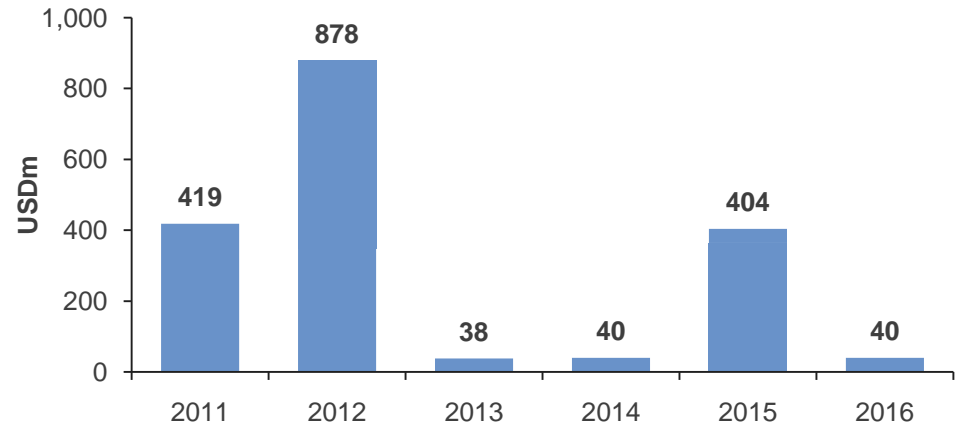
*Includes cost of sales, distribution and G&A expenses

Debt

Key debt metrics, RUBm (30/06/11)

	H1 2011	Original currency (m)	
Syndicated loan (PXF)	15,446	USD	550
Eurobonds	8,127	USD	289
Ruble bonds	9,962		
Bank loans	6,846	USD	100
		EUR	100
ECA-backed facilities	2,108	USD	53
		EUR	15
Gross debt	42,489		
Less cash and cash equivalents*	8,540		
Net debt	33,949		

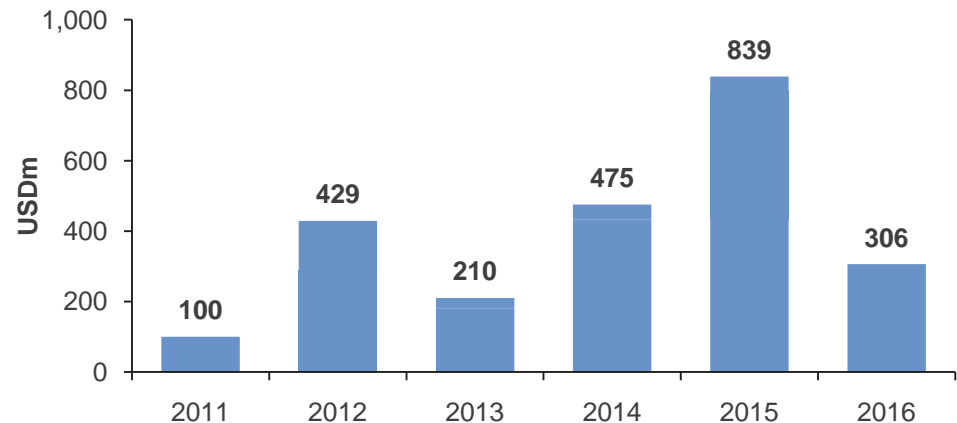
Debt maturity as of 30/06/11, USD m equivalent



Comment on new PXF and unsecured liquidity sources

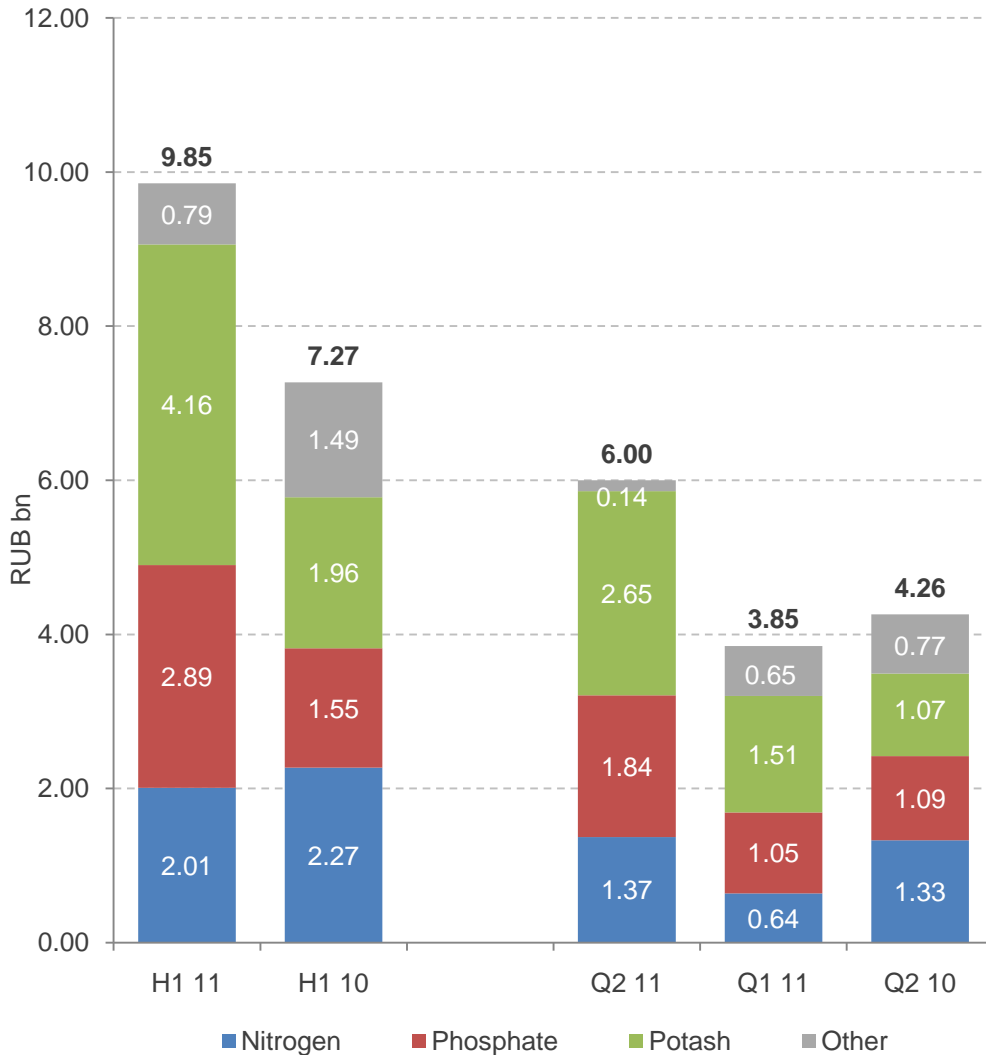
- ◆ On July 28 2011 EuroChem signed a 5-yr USD 1.3bn pre export facility (PXF) at L+180bp with a grace period of 2 years for principal repayments
- ◆ USD 0.5bn was used to repay the previous 4-yr USD 1.5bn PXF
- ◆ The new facility significantly extended the Company's debt maturity profile largely beyond 2013
- ◆ Other committed and unsecured sources of liquidity include unsecured bilateral lines and margin loan lines against K+S shares (c.USD 400m)
- ◆ Net Debt / EBITDA as of 31 July 2011: 0.73x
- ◆ Expected Net Debt / EBITDA at 2011-end: c. 1.20x

Debt maturity after new PXF, USD m equivalent



*Including current portion of restricted cash

Capital Expenditure Analysis



Main Projects to date

◆ Nitrogen:

1. Granulated urea (Urea 3 shop) with 2.0KT per day at Novomoskovskiy, launched in December 2009, first in Russia
2. CAN shop with 420 KT per annum capacity at Novomoskovskiy, launched in November 2009
3. Construction of melamine production (50 KT p.a.) along with the revamp of urea shop at Nevinnomysskiy
4. Construction of new granulated urea facility with 1.15 KMT per day capacity at Novomoskovskiy (Urea 4 shop)
5. Technical rehabilitation of plants to increase efficiency

◆ Phosphate:

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

◆ Potash:

1. Construction of skip and cage shafts / Gremyachinskoe deposit, ground freezing operations at Verkhnekamskoe
2. Industrial and social infrastructure construction
3. Railway link and Gremyachaya Station

◆ Others: Tuapse bulk terminal construction

Brief Summary of 6M11 Performance by Segment (vs. 6M10)

Nitrogen Segment (N)

- ◆ N prices strengthened on demand and low Chinese supply
- ◆ Fertilizer sales volumes are up 1% over the same period last year
- ◆ N margin stands at 37%, up from 29% the previous year
- ◆ Melamine project on track at Nevinnomysskiy Azot (production to start by 2011-end)

Phosphate Segment (P)

- ◆ P prices have been strong since throughout H1, supported by demand and restricted supply
- ◆ Fertilizer sales volumes are up 3% over the same period last year
- ◆ Iron ore sales volumes are down 8% year-on-year but catching up gradually
- ◆ P margin for 6M 2011 is 38%, up from 31% in the same period last year

Potash Segment (K)

- ◆ Cumulative investment in potash: USD 1.05bn
- ◆ Shaft sinking in Volgograd: good progress on the skip shaft (freezing technology, -220m currently, first water layer successfully passed); catching up at the cage shaft (cementation technology, -90m, first water layer is being passed)

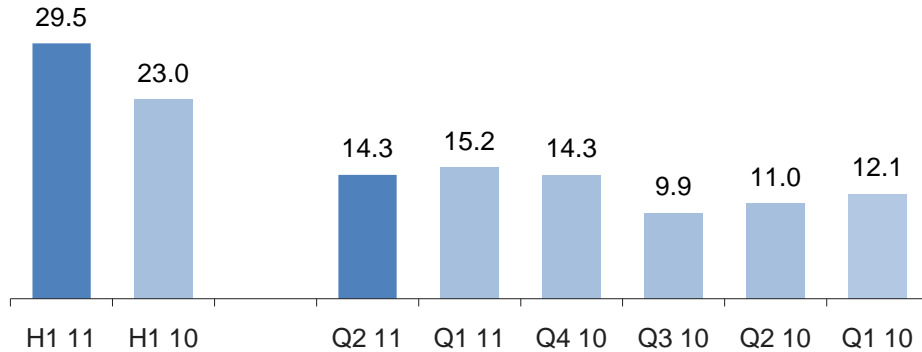
Distribution (D)

- ◆ Sales volumes up to 669 KT in H1 2011, 39% higher than the same period last year
- ◆ H1 2011 revenues are up 77% year-on-year
- ◆ EBITDA has doubled in the same period to RUB 0.5bn (USD 16m), margin: 6%

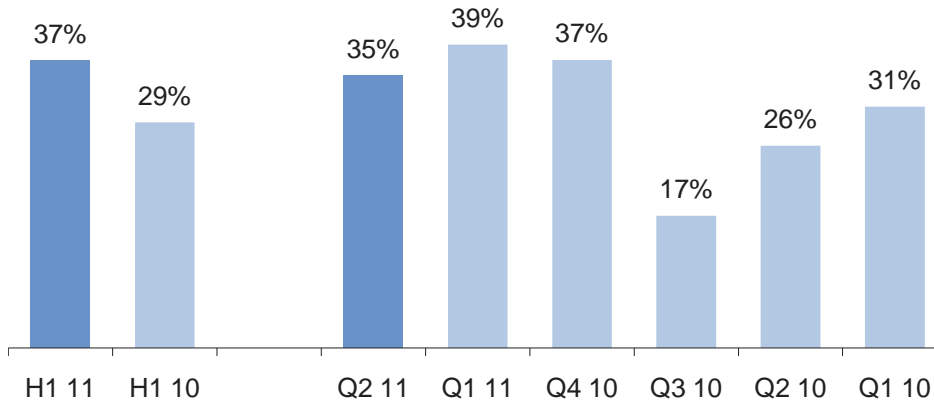
Strong operating and financial performance across all business segments

Nitrogen Segment

Revenue*, RUBbn



EBITDA margin



*Revenue and sales volumes include sales to other segments

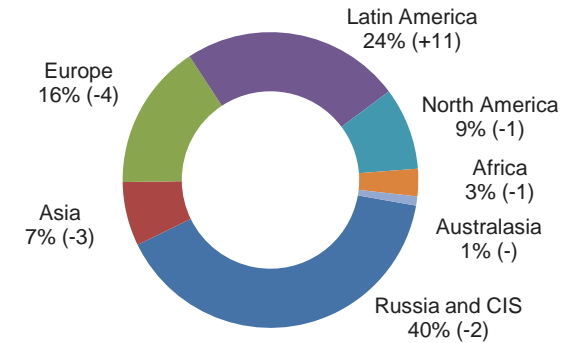
**in brackets – change in percentage points relative to H1 2010

Nitrogen segment includes nitrogen fertilizers and organic synthesis products

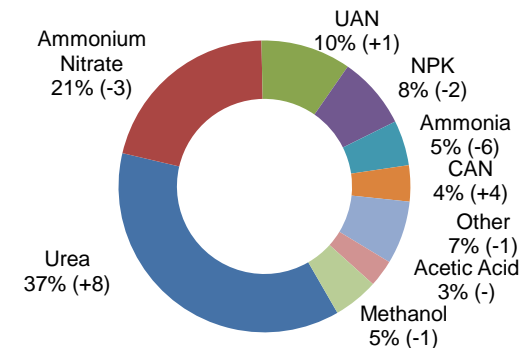
Key investment projects

- ◆ CAN – 420 KT p.a. – completed
- ◆ Granular urea 3 – 2,000 T p.d. – completed
- ◆ Granular urea 4 – 1,200 T p.d. – completed
- ◆ Melamine – 50 KT p.a. – expected in Q4 2011
- ◆ Future projects: deep modernization of ammonia plants; LDAN production

Sales by region**, H1 2011

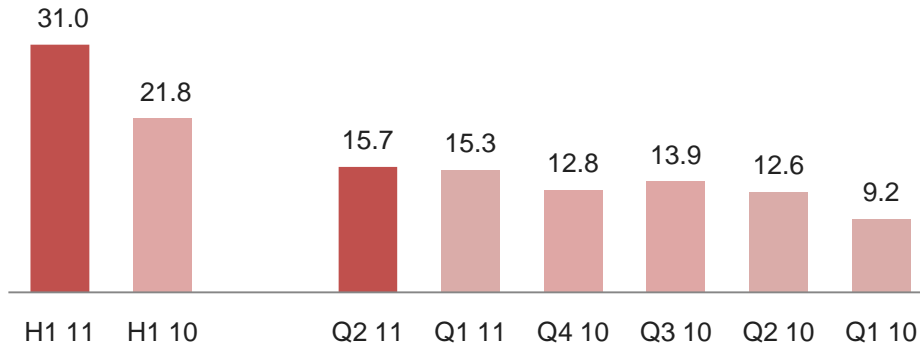


Sales by Product**, H1 2011

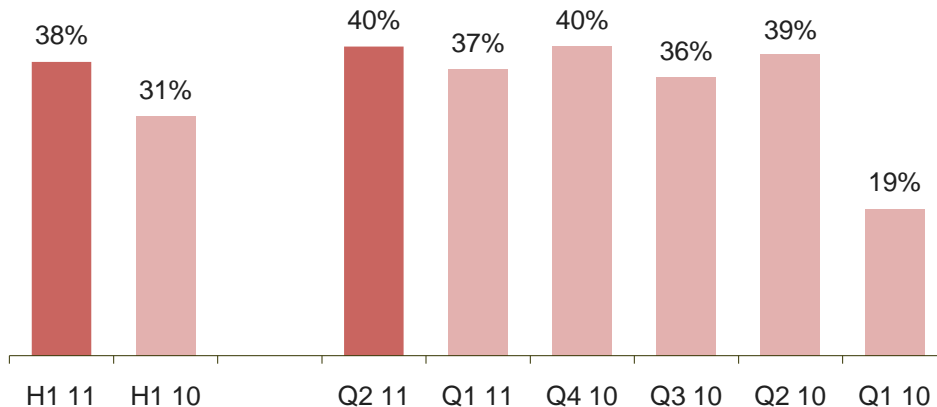


Phosphate Segment

Revenue*, RUBbn



EBITDA margin



Phosphate segment includes included iron or and baddeleyite, byproducts of apatite production at Kovdorskiy GOK mine

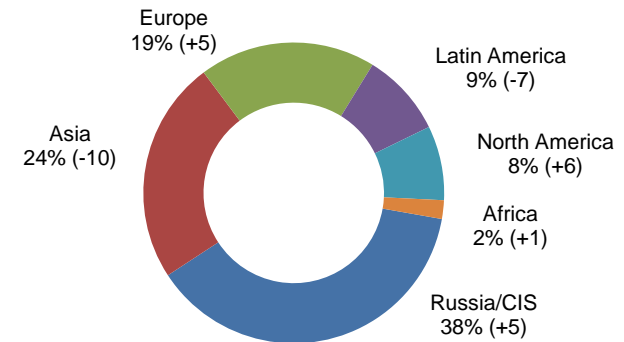
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Nitrogen	Phosphate	Potash
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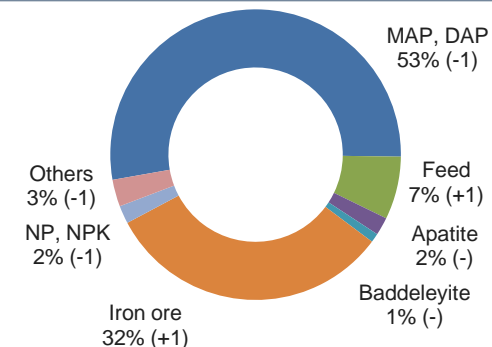
Key investment projects

- ◆ Increase sulphuric acid capacity: at Phosphorit from 720 to 1,000 KT p.a.; at EBMU from 520 to 720 KT p.a.
- ◆ Increase phosphoric acid capacity: at Phosphorit from 350 to 400 KT p.a.; at EBMU from 240 to 300 KT p.a.
- ◆ Build NPK production at EBMU: 800 KT p.a. (to correspond to K production coming online in Volgograd)
- ◆ Feed phosphates at Lifosa: 150 KT p.a. – completed
- ◆ Kazakhstan: phosphate rock supply (300 KT planned for 2013)

Sales by region**, H1 2011



Sales by Product**, H1 2011

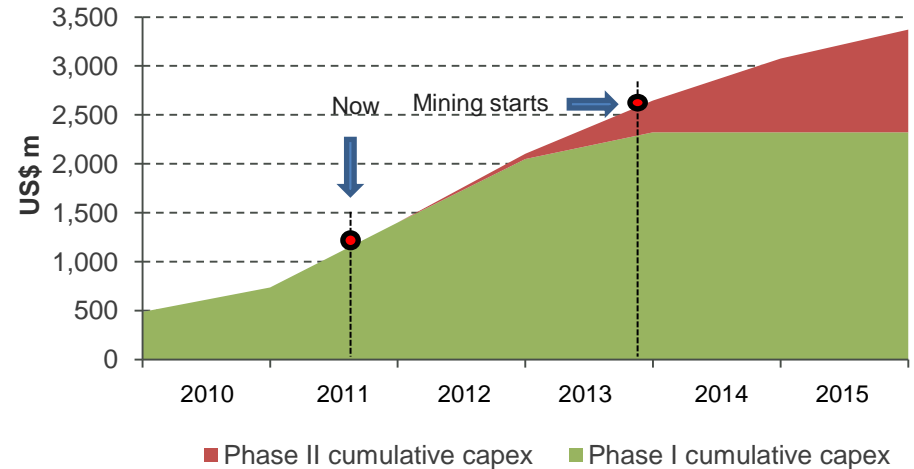


Potash Segment: Construction Underway

Volgograd Region (Gremyachinskoe deposit)

- **Phase I:** capacity of 2.3 MT p.a., involves construction of social infrastructure, cage shaft, skip shafts and processing facility.
- **Phase II:** capacity doubled to 4.6 MT p.a., involves construction of additional skip shaft and expansion of processing facility.
- **Current status:** -220m at the skip shaft, first water layer passed successfully. -90m at the cage shaft, adaptation of cementation technology to subsoil conditions longer than previously planned. No changes to the overall project timetable.

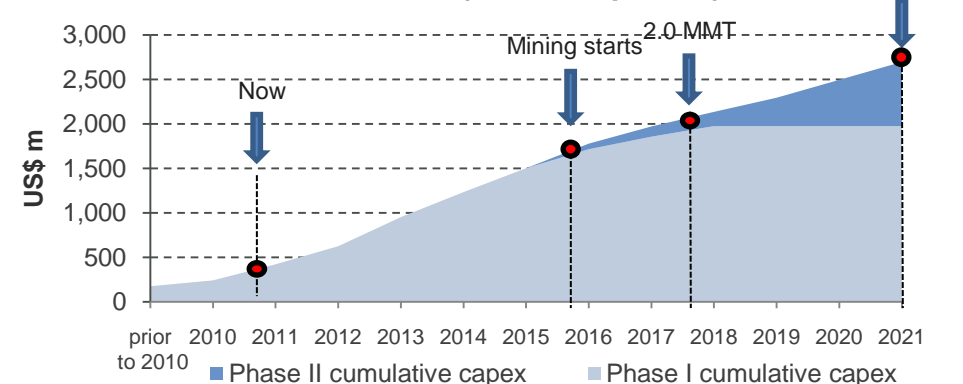
Gremyachinskoe cumulative capex Phases I+II (2010-completion)



Perm Region (Verkhnekamskoe deposit)

- **Phase I:** capacity of 2.0 MT p.a., involves construction of social infrastructure, cage shaft, skip shafts and processing facility.
- **Phase II:** additional capacity of 1.4 MT p.a., involves construction of additional skip shaft and expansion of processing facility.
- **Current status:** freezing equipment installed and active ground freezing operations to begin in August. Start of headframe assembly in Q3.

Verkhnekamskoe cumulative capex Phases I+II (2010-completion)



Outlook

- ◆ Global stock-to-use ratios in major grains to remain below their long-term averages over the next few quarters and continue acting as main drivers behind fertilizer application
- ◆ Strong autumn fertilizer application period
- ◆ Urea trade benefiting from Chinese sliding export tax
- ◆ Phosphate demand to remain robust in the third quarter from strong fall application and depleted supply chain; although possible Ma'aden effect should not be completely ignored
- ◆ Iron ore prices to remain stable as Chinese steel producers build up inventory; appreciation of Chinese Yuan also beneficial

Questions & Answers

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