Business segment results

In 2009 we have decreased the number of reportable business segments to four (Nitrogen, Phosphate, Potash, Distribution) in order to better align the disclosure with the way we manage our business. The nitrogen business segment now also includes what was reported in our 2008 report as the organics segment, whereas the phosphates segment now includes what was previously reported as mining.

Segmental revenues (both volume and value) are shown gross, i.e. inclusive of intra-segment sales. Reconciliation of segmental revenue to external revenues is shown on page 23.

Nitrogen

Sales volumes for urea and ammonium nitrate increased by 29% and 24% year on year respectively in 2009, but this was countered by prices that were lower by an average of 60% year on year. The price effect significantly impacted revenues for this segment, which declined 29% in 2009 to RUR 39.6bn from RUR 55.9bn in 2008 (2007: RUR 40.0bn) including sales to other segments. Nitrogen segment EBITDA fell 61% from RUR 23.9bn in 2008 to RUR 9.3bn in 2009 (2007: RUR 14.5bn). Lower sales volumes in organic synthesis products, which are also reported in the nitrogen segment, also affected the result, but these products represent only a small portion of volumes and revenues.

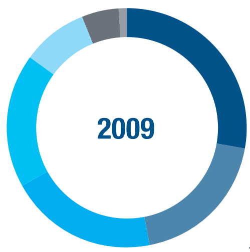
While prices for fertilizers declined, EBITDA fell at a faster rate than revenues largely due to the fact that EuroChem's overall cost of sales decreased only 6.8%. Expenses for natural gas, which is used as a raw material for producing fertilizers, increased by 18.5% to RUR 9.3bn in 2009, from RUR 7.8bn in 2008. For a discussion of the impact of natural gas prices on EuroChem's business, see page 25. Through capex aimed at improving efficiency and reducing natural gas consumption, we have successfully made incremental improvements on the amount of gas used per tonne of ammonia, which is illustrated in the table below:

Sales volumes in this segment improved in 2009 because farmers are least likely to take "holidays" from nitrogen fertilizers (not applying the fertilizer for a year, relying on nutrients remaining in the soil). Nitrogen is the key fertilizer for growth and mass in crops, and is also the fastest to be depleted from the soil.

Our share of sales to Asia increased in 2009 due to active government support of agriculture and fertilizer subsidies in countries like India. Sales in Russia and the CIS also increased as our own distribution network successfully increased sales volumes in 2009. At the same time, North American sales dropped significantly as natural gas prices for American producers fell to a level that made them more competitive than producers shipping products long distances.

Through investments in new production lines (2009: launched granulated urea and CAN), we have been able to increase product flexibility. In line with our strategy we have sought to increase sales of higher-margin products like CAN, urea and complex fertilizers, as opposed to low-margin products like ammonia. Investments and other measures taken to improve efficiency are represented by a 20% increase in tonnes of ammonia produced per employee from 281 in 2008 to 337 in 2009.

Nitrogen sales by region
(including sales to other segments)



The share of sales in Russia and the CIS increased, helped by our growing distribution network.

	2009 %	2008 %
Russia and CIS	**28**	24
Asia	**19**	12
Europe	**20**	24
Latin America	**18**	19
North America	**9**	17
Africa	**5**	3
Australasia	**1**	1

Gas consumption per one tonne of ammonia, mmbtu/tonne

	2003	2004	2005	2006	2007	2008	**2009**
Novomoskovskiy Azot*	42.15	42.36	39.80	40.00	41.10	40.01	**39.42**
Nevinnomysskiy Azot*	37.38	36.55	36.91	37.16	36.73	37.12	**36.58**
Most efficient plant out of 50 plants globally					32.5		
Average of 50 plants globally					38.0		

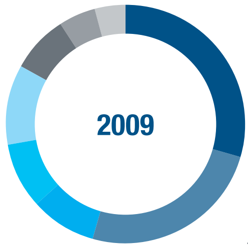
* Based on actual annual average caloric content of gas supplied to plants.
Source: Integer research.

Nitrogen segment

RUR bn, or as indicated	**2009**	2008	Change 2008-2009	2007	Change 2007-2008
Revenue (including sales to other segments)	**39.58**	55.92	(29%)	39.99	40%
Cost of sales	**(20.30)**	(18.85)	8%	(15.48)	22%
Gross profit	**19.28**	**37.07**	**(48%)**	**24.51**	**51%**
Other expenses	**(11.36)**	(14.79)	(23%)	(11.77)	26%
EBIT	**7.92**	**22.28**	**(64%)**	**12.74**	**75%**
EBITDA	**9.31**	**23.87**	**(61%)**	**14.52**	**64%**
Gross profit margin	**49%**	66%	(17pp)	61%	5pp
EBIT margin	**20%**	40%	(20pp)	32%	10pp
EBITDA margin	**24%**	43%	(19pp)	36%	9pp
CAPEX	**6.79**	7.01	(3%)	3.5	–
Net working capital	**3.72**	7.02	(47%)	8.52	(18%)
Fixed assets	**24.21**	19.18	27%	15.85	20%
Total capital employed	**27.93**	**26.20**	**8%**	**24.36**	**7%**
ROCE	**28%**	85%	(57pp)	52%	37pp
Staff	**8,285**	9,146	(9%)	10,811	(15%)
Production (MMT)					
Ammonia	**2.79**	2.57	8%	2.602	(1%)
Urea	**1.80**	1.51	19%	1.665	(9%)
Ammonium Nitrate	**2.30**	2.17	6%	2.316	(6%)
UAN	**0.68**	0.93	(27%)	1.063	(12%)
Methanol	**0.32**	0.46	(30%)	0.496	–
Acetic acid	**0.17**	0.14	18%	0.161	–
Sales, incl. sales to other segments (MMT)					
Ammonia	**0.64**	0.62	3%	0.39	59%
Urea	**1.51**	1.17	29%	1.26	(7%)
Ammonium Nitrate	**1.83**	1.48	24%	1.63	(9%)
UAN	**0.67**	0.92	(27%)	1.03	(11%)
Methanol	**0.23**	0.38	(39%)	0.46	(17%)
Acetic acid	**0.14**	0.12	17%	0.13	(8%)
Tonnes of ammonia produced per employee	**337**	281	20%	241	17%

Nitrogen sales by product

(including sales to other segments)



Product flexibility enables us to adapt to changing demand.

	2009 %	2008 %
Urea	**30**	24
Ammonium Nitrate	**25**	21
Ammonia	**11**	15
UAN	**9**	15
Complex	**8**	7
Other	**8**	8
Acetic Acid	**5**	3
Methanol	**4**	7

Business segment results continued

Phosphates

As with the nitrogen segment, the driving factor in the phosphate segment was prices, which were 65% lower in 2009 than in 2008. Sales (including sales to other segments) and EBITDA in the phosphates segment declined by 40.2% and 78.0% to RUR 31.1bn and RUR 4.4bn respectively (2008 sales: RUR 52.0bn, EBITDA RUR 20.1bn; 2007 sales: RUR 21.7bn, EBITDA: RUR 8.44bn). DAP production volumes increased significantly as a result of an overhaul at Phosphorit that enabled us to produce either MAP or DAP on the same lines (and as a result MAP volumes decreased). Combined MAP and DAP production levels were higher at 1,632 KMT in 2009 than in 2008 (1,508 KMT), but were slightly lower than the 1,710 KMT produced in 2007.

Volumes for iron ore, a mining by-product at our Kovdorskiy GOK apatite mine, increased significantly on the back of continued strong demand from China.

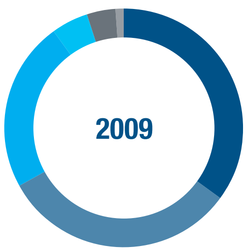
We are a competitive producer of phosphate fertilizers due to a combination of our vertically integrated business model, high-quality raw material from Kovdorskiy GOK, relative proximity to key markets and lower cost of sulphur. Apatite from our Kovdorskiy GOK mining complex supplies nearly all of the raw material consumed by our phosphate plants. Nonetheless our EBITDA in this segment was impacted by rising rail tariffs in Russia as we transport apatite from Kovdor in the far north of Russia to EuroChem-BMU in southern Russia by rail. Sulphur prices were significantly lower in 2009: expenditures on sulphur and sulphuric acid fell 73.1% and 78.3% respectively compared to 2008.

Sales in Russia and the CIS accounted for a larger portion of segment revenues, as our own distribution network grew and increased sales year on year in 2009. Asian sales, which accounted for an abnormally high portion of sales in 2008 due to extremely high demand and prices in that year, fell in 2009 relative to 2008, but were still nearly triple 2007 levels as demand, supported by state subsidies, in that region remained relatively high.

Phosphate segment

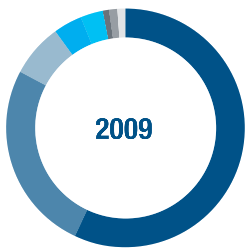
RUR bn or as indicated	**2009**	2008	Change 2008-2009	2007	Change 2007-2008
Revenue (including sales to other segments)	**31.12**	52.02	(40%)	29.65	92%
Cost of sales	**(19.06)**	(22.19)	(14%)	(14.50)	55%
Gross profit	**12.07**	**29.83**	**(60%)**	**15.15**	**143%**
Other expenses	**(9.13)**	(10.84)	(16%)	(7.70)	14%
EBIT	**2.94**	**18.99**	**(85%)**	**7.45**	**284%**
EBITDA	**4.43**	**20.15**	**(78%)**	**8.44**	**232%**
Gross profit margin	**39%**	57%	(18pp)	51%	12pp
EBIT margin	**9%**	37%	(28pp)	25%	20pp
EBITDA margin	**14%**	39%	(25pp)	28%	17pp
Capex	**2.65**	3.0	(8%)	3.2	2%
Net working capital	**4.55**	5.7	(21%)	4.2	24%
Fixed assets	**14.93**	14.0	8%	11.7	26%
Total capital employed	**19.47**	**19.75**	**0%**	**15.88**	**25%**
ROCE	**15%**	96%	(81pp)	47%	49pp
Staff	**7,492**	7,860	(5%)	8,417	(7%)
Production (MMT)					
Apatite	**2.51**	2.56	(2%)	2.50	3%
Iron ore	**5.57**	5.42	3%	5.24	3%
MAP	**0.67**	0.72	(7%)	0.86	(17%)
DAP	**0.96**	0.79	22%	0.84	(6%)
NP, NPK	**0.07**	0.16	(58%)	0.09	78%
Sales, incl. sales to other segments (MMT)					
Apatite	**0.22**	0.27	(21%)	0.03	753%
Iron ore	**5.58**	4.69	19%	5.44	(14%)
MAP	**0.72**	0.63	15%	0.87	(33%)
DAP	**0.95**	0.76	26%	0.84	(10%)
NP, NPK	**0.07**	0.13	(47%)	0.10	1%
Tonnes of output per employee	**1,305**	1,228	6%	1,133	8%

Phosphate sales by region
(including sales to other segments)



	2009 %	2008 %
Russia and CIS	**35**	28
Asia	**32**	41
Europe	**23**	21
Latin America	**5**	7
Africa	**4**	1
North America	**1**	2

Phosphate sales by product
(including sales to other segments)



	2009 %	2008 %
MAP, DAP	**57**	59
Iron ore	**26**	21
Feed phosphates group	**7**	8
Others	**4**	3
Apatite	**3**	4
Baddeleyite	**1**	1
NP	**1**	3
Complex fertilizers	**1**	1

Potash

While we report potash as a separate segment, we are developing our capacity to manufacture and supply this nutrient. We have already begun sinking the mineshafts that will operate as part of phase I of the Gremyachinskoe deposit, which, once completed, will have an initial annual capacity of 2.3 MMT of KCl. Work on the social infrastructure to support the new enterprise is also well underway: employees of Volgakali, the EuroChem subsidiary responsible for this project, have already received the keys to new houses that will make up the new district serving the Gremyachinskoe mine and processing centre.

The market downturn in 2009 did not force us to stop or even significantly slow our capital expenditure programme in the potash segment and, even at current potash prices, our investment in the Gremyachinskoe deposit remains a highly viable and attractive project.

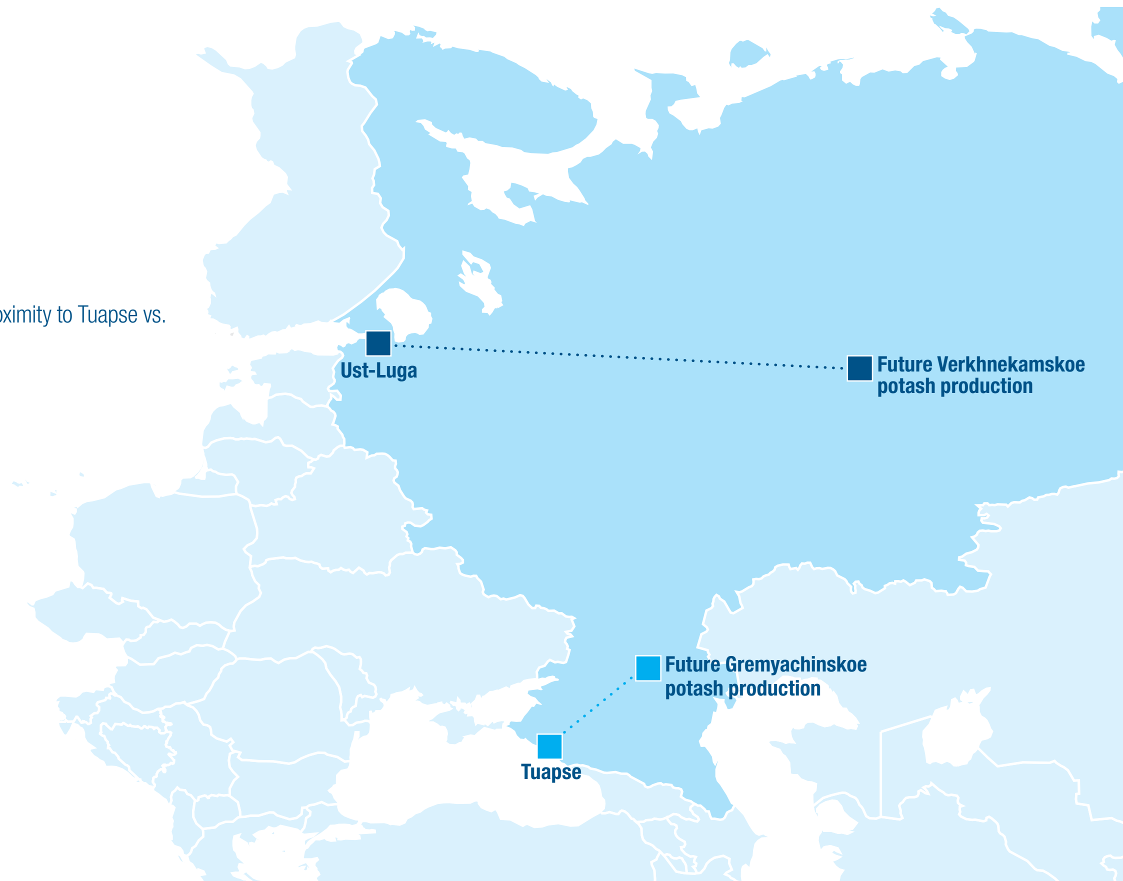
During 2009 EuroChem and its parent company increased their combined stake in the leading German potash producer K+S AG, and George Cardona, a EuroChem Director, was appointed to the K+S supervisory board. Our investment in K+S AG has both strategic potential to facilitate a number of possible forms of cooperation between our two companies.

While new entrants to the potash segment, including international mining players like BHP Billiton and Vale, represent a significant threat to the current status quo, EuroChem aims to be at the most efficient end of the potash production cost curve, allowing it to be among the best-positioned in the new market situation even if a significant portion of the planned new capacity does come online in the foreseeable future.

We expect that low transportation costs from our Gremyachinskoe potash development to our bulk terminal in Tuapse will help us rank among the cost leaders in the potash segment.

Performance

Gremachinskoe proximity to Tuapse vs.
Perm to Baltics



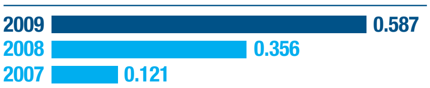
Business segment results continued

Distribution

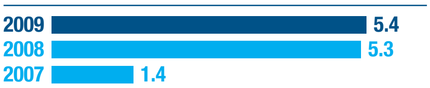
Distribution saw revenue growth in 2009, although it still represents a relatively modest portion of our overall sales. Sales increased 2.2% year on year from RUR 5.3bn in 2008 to RUR 5.4bn in 2009 (2007: RUR 1.4bn). EBITDA in 2009 was RUR 22.4m, down 59% from RUR 54.8m a year earlier (2007: RUR 72.3m). 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: 121 KMT) in sales through the outlets owned by EuroChem. Fertilizer sales in Russia and the CIS through both owned and independent distributors increased by 25% to 1.64 MMT (Russia only: 1.2 MMT) of product in 2009 from 1.31 MMT (Russia only: 1.0 MMT) of product in 2008.

EuroChem's distribution network consists of 39 outlets in 24 cities in key agricultural districts of Russia and Ukraine, out of which eight are owned by EuroChem and the rest are exclusive distributors of our products. 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.

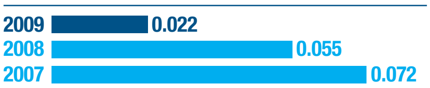
Sales volumes via own distribution network, MMT



Revenue, RUR bn



EBITDA, RUR bn



Distribution

RUR bn, or as indicated	**2009**	2008	Change 2008-2009	2007	Change 2007-2008
Revenue (including sales to other segments)	**5.39**	5.28	2%	1.36	288%
Cost of sales	**(4.97)**	(4.72)	5%	(1.25)	278%
Gross profit	**0.43**	**0.56**	**(24%)**	**0.11**	**409%**
Other expenses	**(0.43)**	(0.53)	(18%)	(0.05)	960%
EBIT	**(0.01)**	**0.03**	**(123%)**	**0.06**	**(50%)**
EBITDA	**0.02**	**0.06**	**(59%)**	**0.07**	**(14%)**
Gross profit margin	**8%**	11%	(3pp)	8%	3pp
EBIT margin	**0%**	1%	(1pp)	4%	(3pp)
EBITDA margin	**0%**	1%	(1pp)	5%	(4pp)
CAPEX	**0.02**	0.05	(53%)	–	–
Net working capital	**0.29**	0.55	(47%)	(0.33)	(267%)
Fixed assets	**0.20**	0.22	(10%)	0.09	144%
Total capital employed	**0.49**	**0.77**	**(36%)**	**(0.24)**	**(421%)**
ROCE	**(0.01)**	4%	(5pp)	(25%)	29pp
Staff	**187**	162	15%	72	125%
Sales (MMT) (top 5)					
Urea	**0.018**	0.011	65%	0.001	1000%
Ammonium Nitrate	**0.306**	0.112	175%	0.087	29%
UAN	**0.017**	0.006	179%	–	–
MAP	**0.092**	0.047	97%	0.019	147%
NP and NPK	**0.140**	0.180	(22%)	0.014	1186%

International sales

Similar to Logistics, our International sales infrastructure is not a reportable business segment. Currently it includes our fully-owned Swiss-based trader EuroChem Trading GmbH (19 staff at the end of 2009), which is responsible for global sales outside CIS and North America, and a US-based trading company, EuroChem Trading USA Corp. (four staff), responsible for North American sales. These companies are primarily responsible for the sales of our product globally and revenues and costs of these companies are attributed to the Nitrogen and Phosphate segments.

Logistics

Logistics is not a reportable business segment, but represents an important part of our vertically integrated business model and makes an important contribution to our competitiveness. Our logistics assets include three port facilities (Murmansk Bulk Terminal, Sillamae liquid terminal and Tuapse transhipment terminal), long-term leases on cargo ships and our own rail facilities (ca. 7,000 rail stock and 45 locomotives). The financial benefits that we extract from our logistics assets manifest themselves in costs of the reportable segments.

Reconciliation of segment and external sales volumes (KMT)

2009	Nitrogen	Phosphates	Distribution	Other	Intra-group sales	External sales
Nitrogen fertilizers						
Ammonia	**643**	**–**	**1**	**106**	**(302)**	**448**
Urea	**1,512**	**–**	**18**	**101**	**(17)**	**1,614**
AN	**1,830**	**2**	**306**	**–**	**(295)**	**1,843**
UAN	**665**	**–**	**17**	**–**	**(18)**	**664**
CAN	**16**	**–**	**13**	**–**	**(16)**	**13**
Organic synthesis products	**369**	**–**	**–**	**21**	**–**	**390**
Phosphates						
MAP, DAP	**–**	**1,668**	**92**	**–**	**(95)**	**1,665**
NP	**–**	**52**	**13**	**–**	**(10)**	**55**
Feed phosphates group	**–**	**163**	**–**	**–**	**–**	**163**
Complex fertilizers group	**341**	**18**	**126**	**1**	**(28)**	**459**
Apatite concentrate	**–**	**215**	**–**	**–**	**–**	**215**
Iron ore concentrate	**–**	**5,579**	**–**	**–**	**–**	**5,579**
Baddeleyite concentrate	**–**	**5**	**–**	**–**	**–**	**5**
	5,377	**7,701**	**587**	**229**	**(781)**	**13,112**

2008	Nitrogen	Phosphates	Distribution	Other	Intra-group sales	External sales
Nitrogen fertilizers						
Ammonia	616	–	–	66	(192)	489
Urea	1,168	–	11	63	(7)	1,234
AN	1,479	–	112	1	(102)	1,490
UAN	920	–	6	185	(11)	1,100
CAN	–	–	–	–	–	–
Organic synthesis products	492	–	–	11	–	503
Phosphates						
MAP, DAP	–	1,386	47	–	(59)	1,374
NP	–	116	29	–	(33)	112
Feed phosphates group	–	210	–	–	–	210
Complex fertilizers group	349	29	151	–	(42)	487
Apatite concentrate	–	273	–	–	–	273
Iron ore concentrate	–	4,688	–	–	–	4,688
Baddeleyite concentrate	–	7	–	–	–	7
	5,023	6,708	356	325	(446)	11,967