



EUROCHEM
MINERAL AND CHEMICAL COMPANY



Shale gas development consequences on Russian fertilizer producers – experience of EuroChem
October 2013

Summary



Strategy : targeting a top 5 global position by size and profitability

Cost leadership

- ✓ Target full self-sufficiency in low-cost natural gas, phosphate rock and potash
- ✓ Build leading low-cost potash business
- ✓ Further cost efficiency through vertical integration in logistics

Broad value-added product range

- ✓ High-margin branded / specialty fertilizers
- ✓ Expand industrial nitrogen portfolio (melamine, LDAN)

Proximity to customers

- ✓ Maintain market share in growing Russia/CIS markets and strengthen distribution in Europe, US, Asia, and LatAm



EuroChem's global footprint

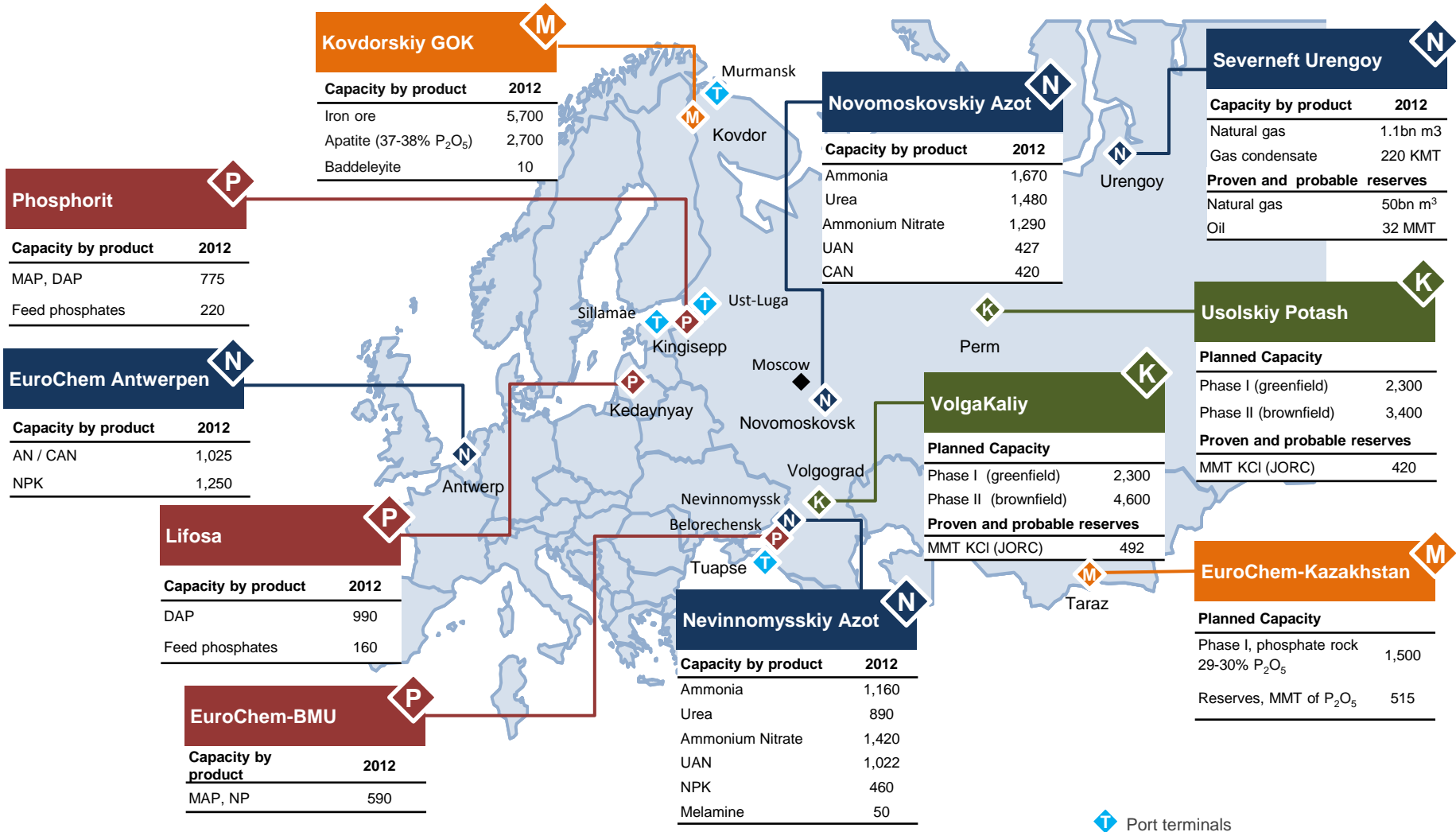


At the end of March, 2012 EuroChem completed its acquisition of BASF's **Antwerp nitrogen fertilizers facilities** (AN/CAN – 1.0 MMT per year, NPK – 1.3 MMT per year).



In July 2012, acquisition of **K+S Nitrogen** fertilizer distribution platform was completed.





All capacity volumes are expressed in thousands of tonnes, except where otherwise specified



N Nitrogen segment

- **3 Nitrogen plants** (2 in Russia, 1 in Europe) – 2.7 MMT of ammonia and c.10 MMT of fertilizer product capacity;
- **Natural gas operator** (Russia) – 1.1bn m³ of annual capacity (c.25% of EuroChem's annual consumption).

P Phosphate segment

- **3 Phosphate plants** (2 in Russia and 1 in Lithuania) – 2.0 MMT of MAP/DAP;
- **Apatite and iron ore mine** (Russia) – P₂O₅-rich (37%-38%) and low Minor element ratio (MER) content (0.057) apatite ore (2.7 MMT per year) covers c.75% of own production needs for all phosphate plants and Antwerp.
Apatite co-product : up to 5.7 MMT of iron ore (Fe content 64%).

K Potash segment

- **Construction of own Potash (K) capacity** is well underway (targeted capacity of c.8 MMT of KCl per year).

T Port terminals and other logistic facilities

- **Logistics** in Russia – 3 port facilities, Panamax/Handymax vessels, and own rail facilities (c. 7,000 rail stock; 45 locomotives).

Total employees of > 20,000.

FY 2012 revenues USD 5.4bn; EBITDA USD 1.6bn.

Nitrogen

Vertically integrated producer



Novomoskovskiy Azot



Capacity by product

Ammonia	1,670
Urea	1,480
Ammonium Nitrate	1,290
UAN	427
CAN	420

EuroChem Antwerpen



Capacity by product

NPK (c. 30 grades)	1,250
AN / CAN	1,025

Nevinnomysskiy Azot



Capacity by product

Ammonium Nitrate	1,420
Ammonia	1,160
UAN	1,022
Urea	890
NPK	460
Melamine	50

Severneft Urengoy



Capacity by product

Natural gas	1,1bn m ³
Gas condensate	220 KMT

Proven and probable reserves

Natural gas	50bn m ³
Oil	32 MMT



All capacity volumes are expressed in thousands of tonnes, except where otherwise specified

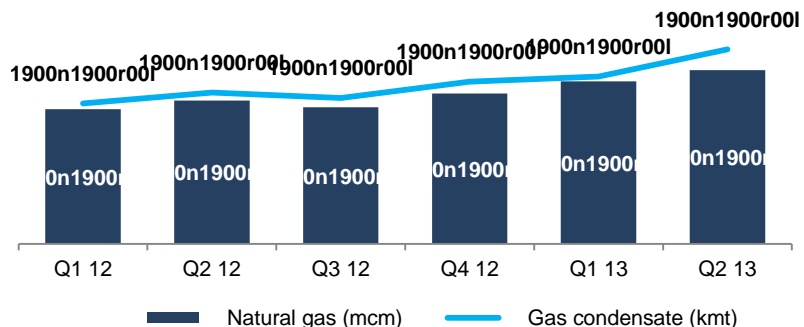


Severneft-Urengoy (SNU) / Novomoskovskiy



Agreement with Gazprom on gas transportation from SNU to Novomoskovskiy Azot (NAK) since 2012.

Sales volumes



Cost benefits

- **Current gas cost at Novomoskovskiy: \$3.65 /mmBtu***
- Could rise to over \$4.5 /mmBtu by 2016

Benefits from SNU acquisition - assuming production of **1.1bn m³** of gas and **220 KMT** of gas condensate :

	(per mmBtu)
Cost of gas at the well:	\$1.28
+ mineral resource extraction taxes:	\$0.67**
+ transportation cost to Novomoskovskiy:	\$2.07
- revenue from gas condensate:	(\$1.92)

Delivered cost to Novomoskovskiy Azot: \$2.10

Long-term goals

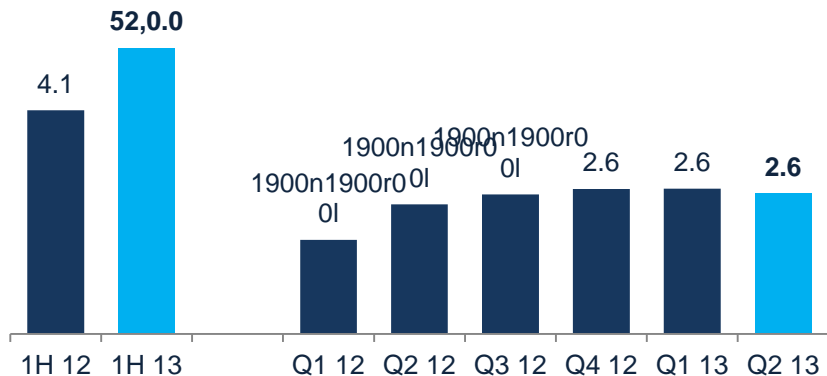
- Reviewing the option of fully covering the needs of our nitrogen production chain through internal gas production
- Close the raw material gap in ammonia
- Increase the share of industrial products in portfolio

* average of RUB 3,643 per 1000m³ at Novomoskovskiy Azot for 1H 2013 (1H 2013 average RUB/USD exchange rate: 31.02)

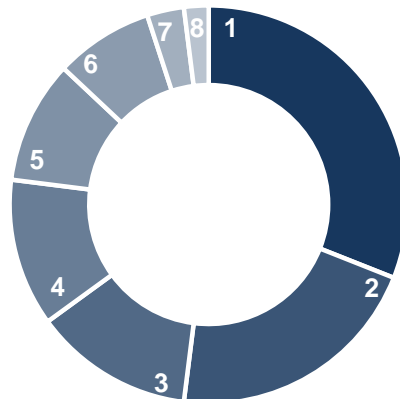
** Assuming mineral resources extraction tax (MET) of RUB 552/1,000m³ from 2015



Revenue¹, RUBbn

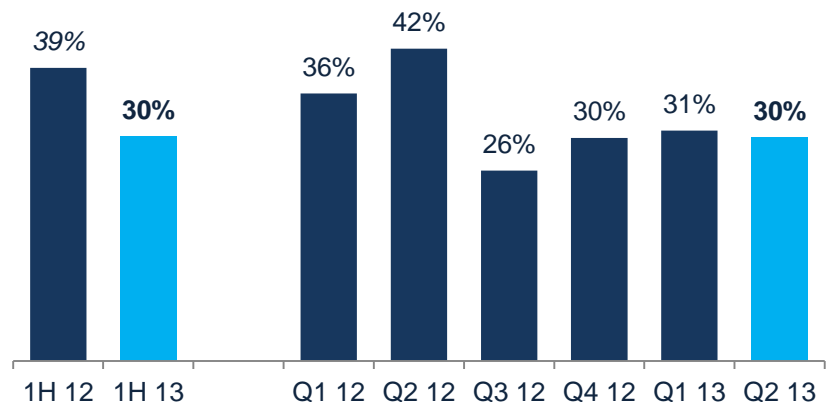


Sales¹ by region (1H 2013)

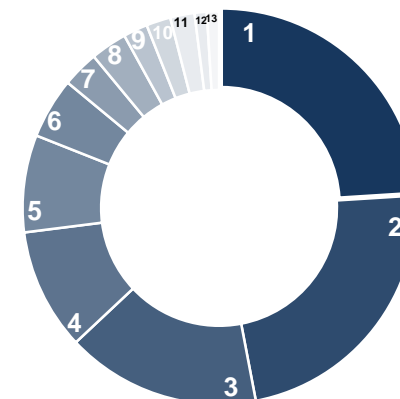


	1H 2013 Share (%)	Change to 1H 2012 (PP)
1 Europe	31%	+12
2 Russia	21%	-7
3 Asia	13%	+6
4 North America	12%	-2
5 Latin America	10%	-9
6 CIS ⁽²⁾	8%	+1
7 Africa	3%	-
8 Australasia	2%	-1

EBITDA margin



Sales¹ by product (1H 2013)



	1H 2013 Share (%)	Change to 1H 2012 (PP)
1 Urea	24%	-13
2 Complex	23%	+10
3 Ammonium Nitrate	16%	-4
4 UAN	10%	+3
5 CAN	8%	+2
6 Other	5%	-2
7 ANF	3%	+3
8 Methanol	3%	-1
9 NP	2%	+2
10 Acetic Acid	2%	-
11 Hydrocarbons	2%	-
12 Ammonia	1%	-1
13 Melamine	1%	+1

⁽¹⁾Revenue and sales volumes include sales to other segments

Nitrogen includes organic synthesis products and hydrocarbons, as well as EuroChem Antwerpen and EuroChem Agro operations, except third-party product sales.

⁽²⁾CIS excluding Russia

Phosphate

Targeting self-sufficiency



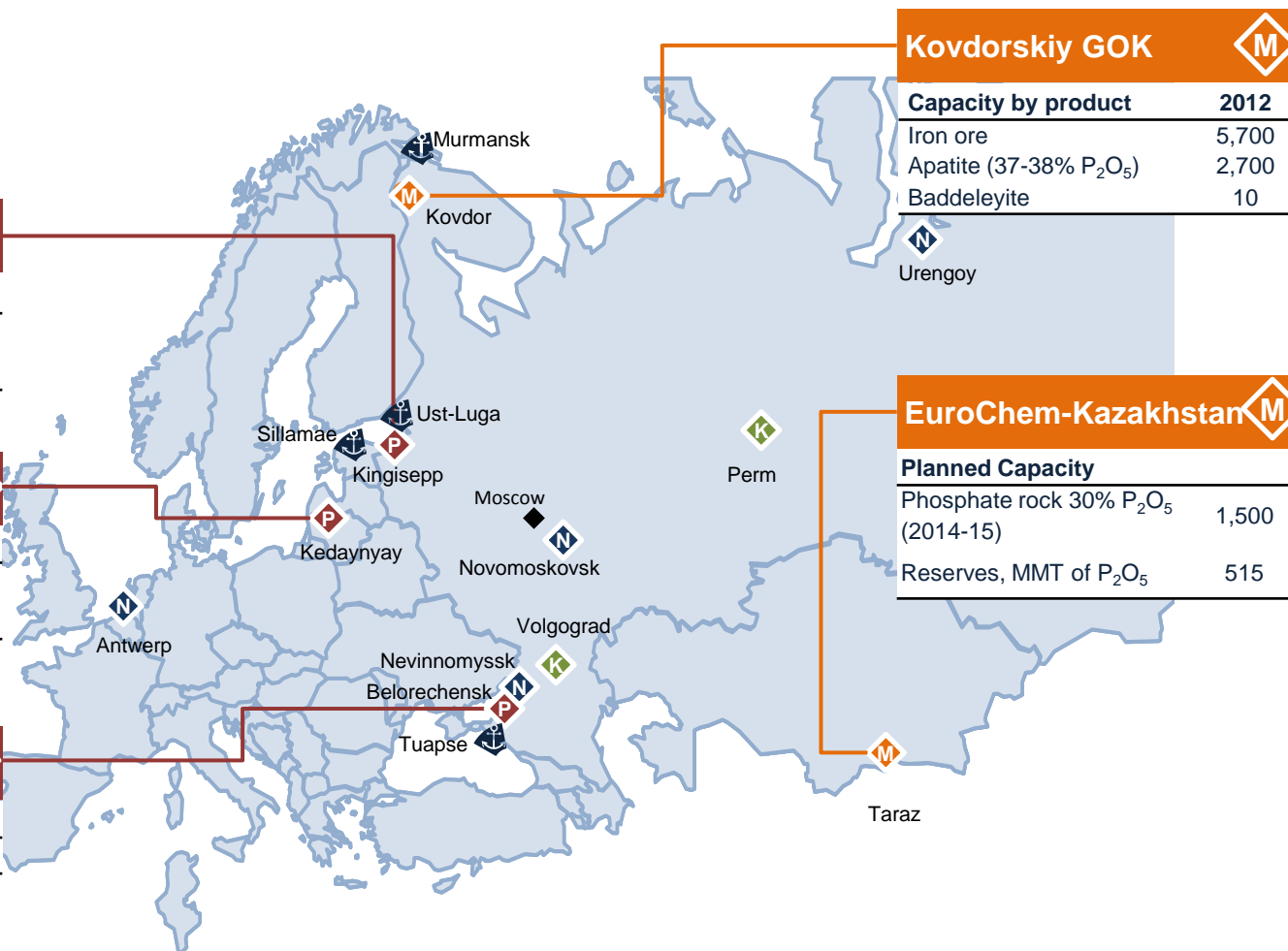
Phosphorit	
Capacity by product	2012
MAP, DAP	775
Feed phosphates	220

Lifosa	
Capacity by product	2012
DAP	990
Feed phosphates	160

EuroChem-BMU	
Capacity by product	2012
MAP, NP	590

Kovdorskiy GOK	
Capacity by product	2012
Iron ore	5,700
Apatite (37-38% P ₂ O ₅)	2,700
Baddeleyite	10

EuroChem-Kazakhstan	
Planned Capacity	
Phosphate rock 30% P ₂ O ₅ (2014-15)	1,500
Reserves, MMT of P ₂ O ₅	515



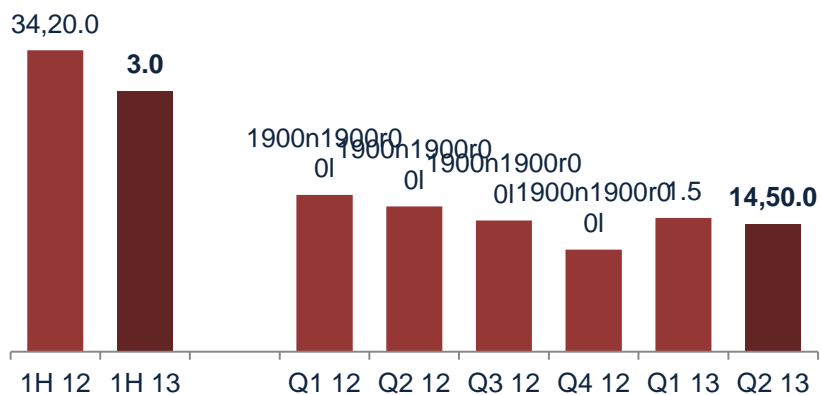
All capacity volumes are expressed in thousands of tonnes, except where otherwise specified

Phosphate

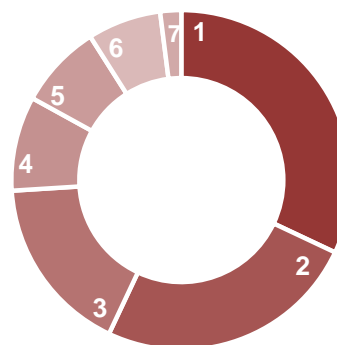
Segment performance



Revenue¹, RUBbn

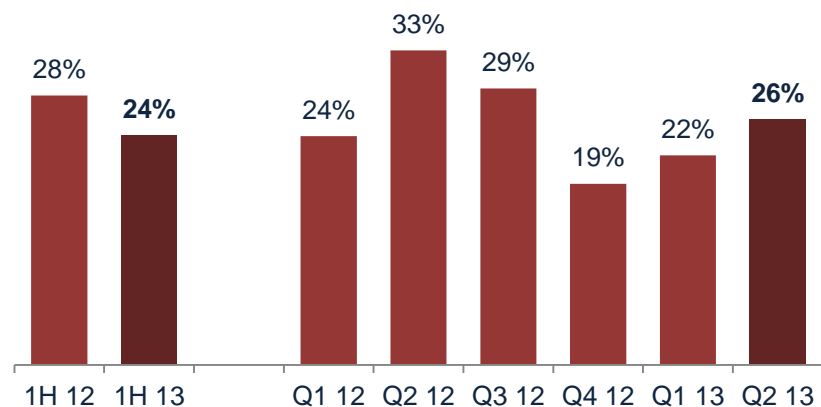


Sales¹ by region (1H 2013)

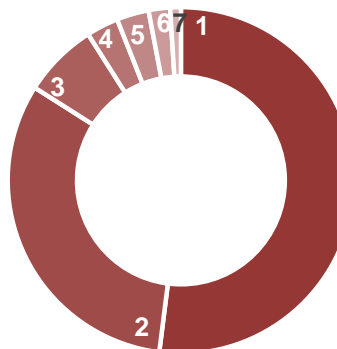


	1H 2013 Share (%)	Change to 1H 2012 (PP)
1 Europe	32%	+6
2 Asia	25%	-5
3 Russia	17%	-3
4 Latin America	9%	-4
5 CIS ⁽²⁾	8%	+2
6 North America	7%	+4
7 Africa	2%	-

EBITDA margin



Sales¹ by product (1H 2013)



	1H 2013 Share (%)	Change to 1H 2012 (PP)
1 MAP/DAP	52%	-1
2 Iron ore	32%	+2
3 Feed	7%	-
4 NP	3%	-1
5 Others	3%	-
6 Apatite	2%	-
7 Baddeleyite	1%	-

¹Revenue and sales volumes include sales to other segments
The phosphate segment includes iron ore and baddeleyite (co-products of apatite production)

⁽²⁾CIS excluding Russia



Development

Phase I

- Capacity of **2.3 MMT** p.a., involves the construction of social infrastructure, cage shaft (C), skip shaft #1 (S1) and processing facility.
- Investments to date: **USD 1,297m** out of **USD 3,037m**

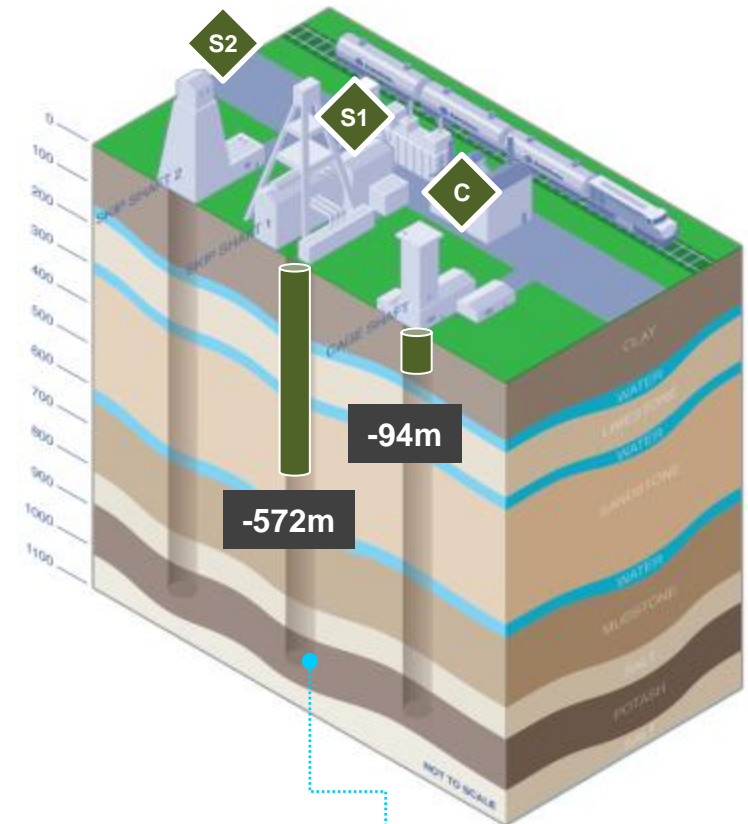
Phase II:

- Additional capacity of **2.3 MMT** p.a., involves the construction of skip shaft (S2) and expansion of processing facility.
- Planned investments: **USD 1,447m**

IRR sensitivity to CAPEX overrun and potash prices

MOP US\$/t, FOB Baltic	CAPEX overrun, %					
	0%	5%	10%	15%	20%	25%
\$ 400	17.0%	16.8%	16.5%	16.2%	16.0%	15.7%
\$ 350	15.3%	15.1%	14.8%	14.5%	14.3%	14.0%
\$ 300	13.4%	13.1%	12.9%	12.6%	12.4%	12.2%
\$ 250	11.1%	10.9%	10.6%	10.4%	10.2%	10.0%

Status – 30 June 2013



- JORC proven and probable reserves: **492 MMT (39.5% KCl content)**
- useful life of mine: **+40 years**



Development

Phase I

- Capacity of **2.3 MMT** p.a., involves the construction of social infrastructure, cage shaft (C), skip shaft #1 (S1) and processing facility.
- Investments to date: **USD 475m** out of **USD 2,384m**

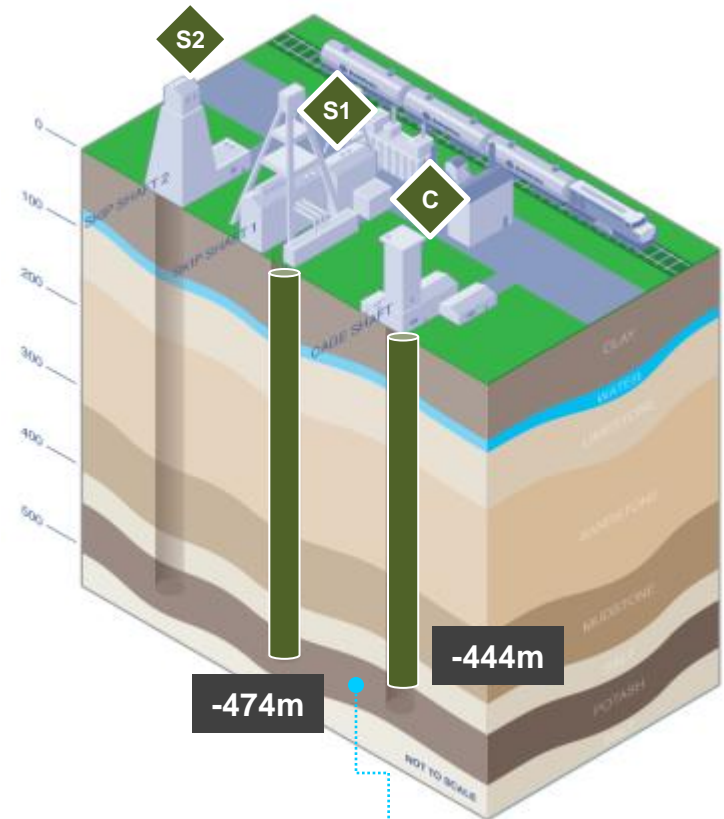
Phase II:

- Additional capacity of **1.4 MMT** p.a., involves the construction of skip shaft (S2) and expansion of processing facility.
- Planned investments: **USD 340m**

IRR sensitivity to CAPEX overrun and potash prices

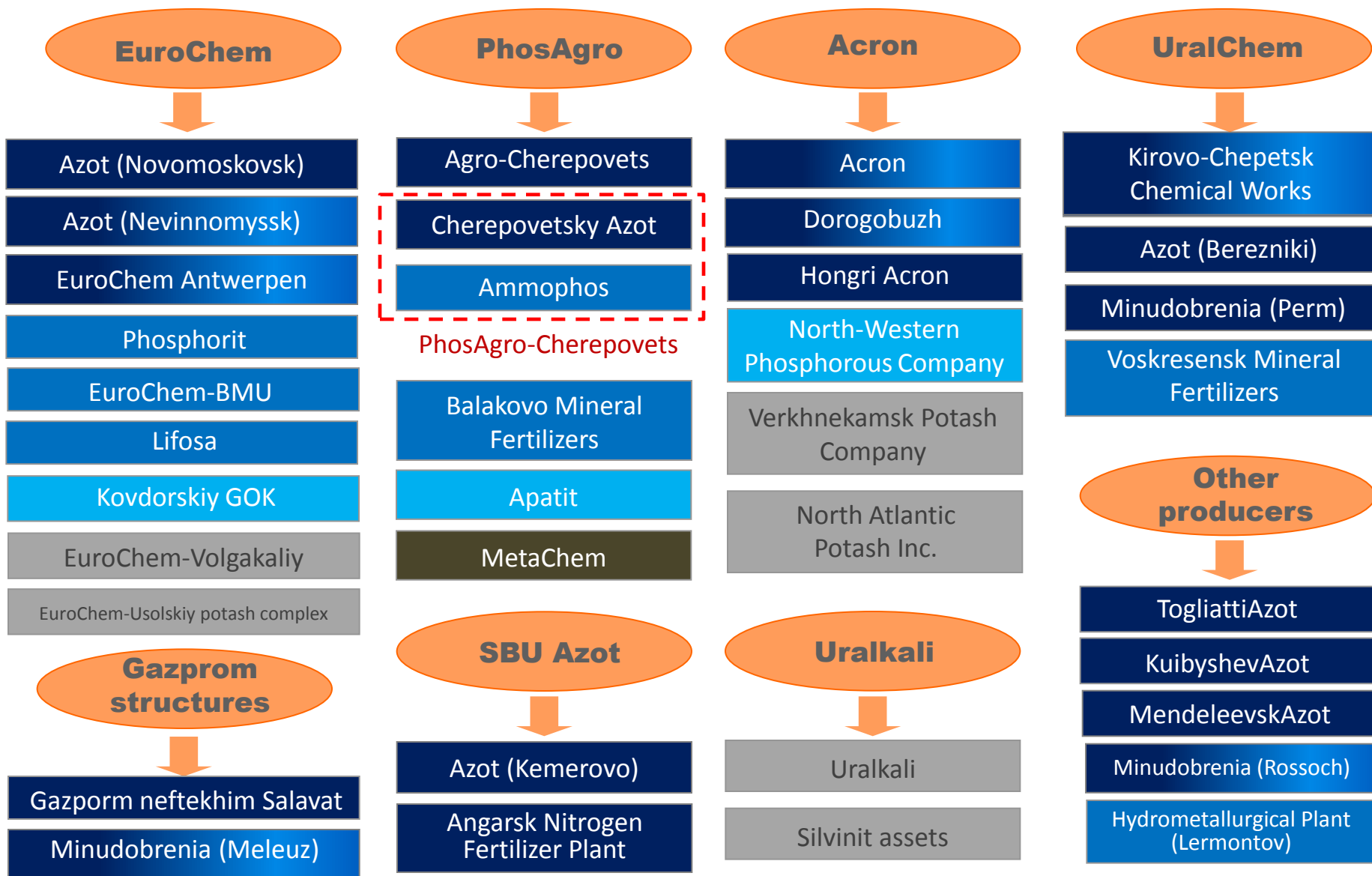
MOP US\$/t, FOB Baltic	CAPEX overrun, %					
	0%	5%	10%	15%	20%	25%
\$ 400	18.8%	18.3%	17.9%	17.6%	17.2%	16.8%
\$ 350	16.6%	16.2%	15.9%	15.5%	15.2%	14.8%
\$ 300	14.2%	13.8%	13.5%	13.2%	12.8%	12.5%
\$ 250	11.3%	11.0%	10.7%	10.4%	10.1%	9.8%

Status – 30 June 2013



- JORC proven and probable reserves: **420 MMT (30.8% KCl content)**
- useful life of mine: **+35 years**

Structure of Russian fertilizer industry

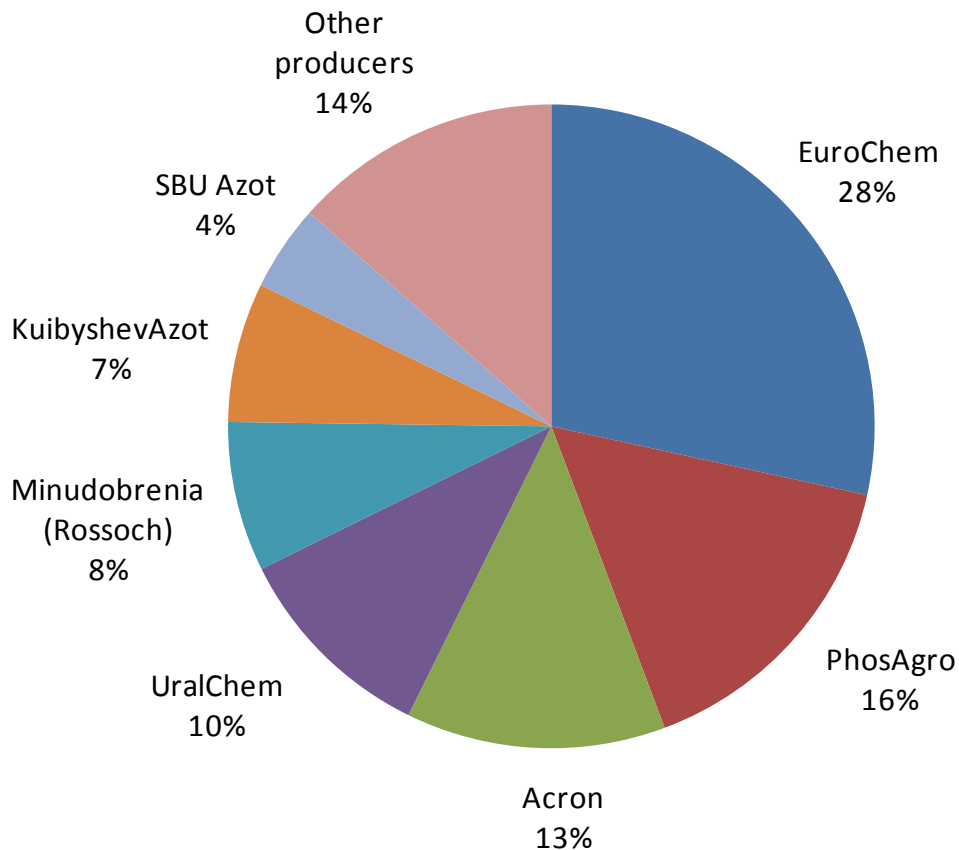


Producers:

- nitrogen fertilizers
- phosphate and complex fertilizers
- apatite concentrate
- potassium chloride
- potassium sulphate



Distribution networks



EuroChem Agricultural Network

7 EuroChem-owned;
18 independently-owned
distribution centers
in Russia and Ukraine



PhosAgro-Region

10 distribution centres;
18 agricultural chemicals
storage facilities in Russia



Agronova

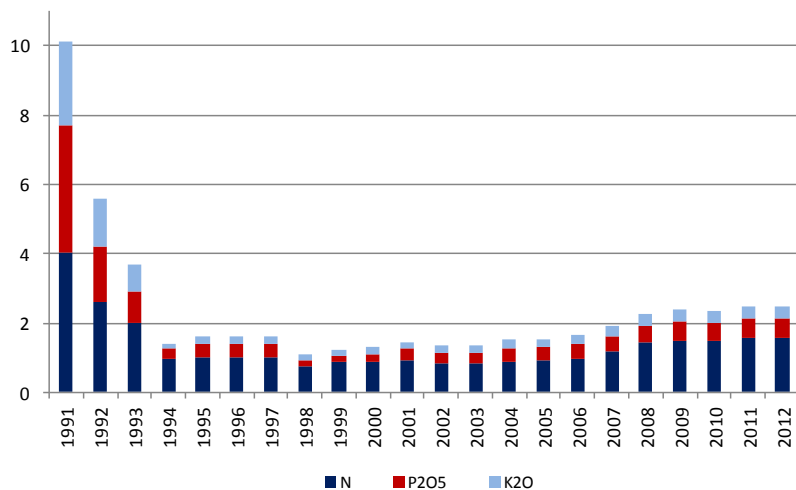
19 sales offices;
16 warehouses in Russia

* – calculated from product

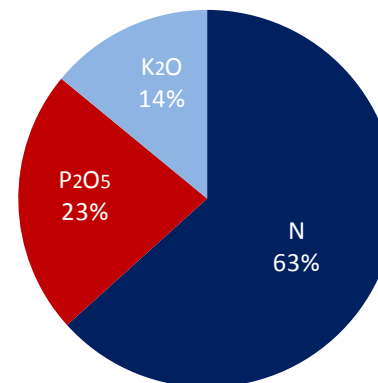
Consumption of mineral fertilizers in Russia



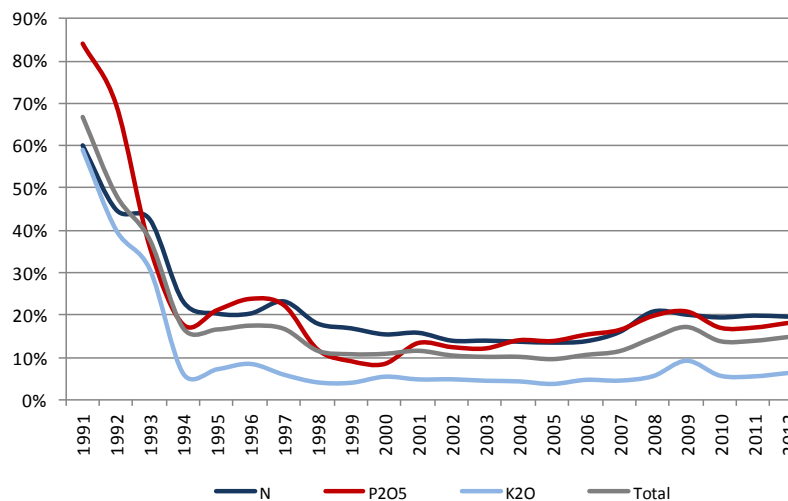
Dynamics of fertilizer supplies for agriculture in 1991-2012, MMT of nutrients



Structure in 2012



Share of agricultural supplies in fertilizer production, %





Thank you, please visit
www.eurochem.ru for further details

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