



**EuroChem**

Mineral & Chemical Company, OJSC

**APPROVED**

by the Board of Directors  
of EuroChem Mineral & Chemical Company, OJSC  
Minutes No. № 07.02.26-03/10-9 dated 26 February 2007

# **Financial Policy Regulations**

**EuroChem Mineral & Chemical Company, OJSC**

**Moscow, 2007**

1. These Regulations shall be approved by the Board of Directors of EuroChem Mineral and Chemical Company Open Joint Stock Company (hereinafter referred to as the «Company») for the purpose of laying down the fundamental principles of the Company operations intended to maintain financial stability. Such principles shall be of a long-term nature and applied to draw long-range development programs, annual budgets and business plans of the Company.
2. For the purpose hereof the following terms shall have the meaning described below:
  - **Total Debt** shall mean the Company's consolidated total long-term and short-term debt to banks, lending institutions and other parties at interest charged according to market usage and relevant agreements including liabilities under financial and operating leasing as shown in quarterly accounts as of the last balance-sheet date prepared in accordance with IAS.
  - **EBITDA** shall mean a financial ratio calculated based on regular accounts for four previous periods prepared in accordance with IAS as the sum of net profit, income tax, net financial expenses, depreciation and other non-cash expenses.
  - **Net financial expenses** shall mean total interest paid on the Company's Total Debt less financial income as shown in regular accounts for four previous periods prepared in accordance with IAS.
  - **Regulations** shall mean these Financial Policy Regulations of EuroChem Mineral and Chemical Company Open Joint Stock Company.
  - **Financial Policy** shall mean the ratios and principles described in these Regulations governing the Company operations.
  - **Accounts prepared in accordance with IAS** shall mean consolidated accounts of EuroChem Mineral and Chemical Company Open Joint Stock Company and its subsidiaries prepared with International Accounting Standards.
3. This Financial Policy shall specify the principles and ratios applied by the Company to develop plans, budgets, business plans, development programs, cash flow strategies and the amount of the Total Debt.
4. This Financial Policy shall apply to the operations as carried out by the Company at the time of approval hereof. If any major strategic initiatives relating to a pronounced change in the Company business such as major mergers and acquisitions may result in the impairment of this Financial Policy the Company management and the Board of Directors shall make every effort to select instruments of financing enabling the Company to maintain financial stability, liquidity, creditworthiness and solvency.
5. Financial ratios provided for by these Regulations shall be deemed reference ratios intended to maintain financial stability, creditworthiness, solvency and liquidity of the Company current operations. Control over compliance with the above principles shall be exercised based on quarterly accounts prepared in accordance with IAS and management report of the Company.
6. The Company shall maintain minimum cash reserves required for current payments. Such reserves may include balances of bank accounts, deposits, short-term financial investments and other instruments which may be ranked as cash and cash equivalents under international accounting standards. The minimum cash reserves continuously maintained by the Company shall also include available credit facilities with or without liabilities of banks, their credit limits extended to the Company and its subsidiaries except used credit limits and facilities.
7. The Company shall maintain the reserves referred to in paragraph 5 of these Regulations equal to at least 10% of the Company revenue over for previous accounting periods (quarters).
8. The Company shall control the amount of its Total Debt based on the Total Debt to EBITDA ratio which shall not exceed 1.5.

9. The Company shall control its cost burden in terms of net financial expenses based on the EBITDA to net financial expenses ratio which shall not be lower than 10.
10. The Company shall develop plans for any cash flow, dividend, investment period subject to the ratios referred to in paragraphs 6 to 9 of these Regulations and follow the approved Financial Policy.
11. The Company's Financial Policy and information on compliance therewith shall be published as specified by the Company's Information Policy.
12. These Regulations may be amended by the Board of Directors of the Company. If any provisions hereof become inconsistent with requirements of applicable law of the Russian Federation or the Company's Articles of Association requirements of applicable law of the Russian Federation and the Articles of Association shall prevail and these Regulations shall be amended accordingly. Invalidity of any provision hereof shall not imply invalidity of other provisions of these Regulations or the Financial Policy.