

Spring is always  
around the corner...



## 2014 IFRS RESULTS

13 APRIL 2015

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1. 2014 Highlights
2. Financial Performance
3. Debt Position
4. 2015 Outlook
5. Q&A

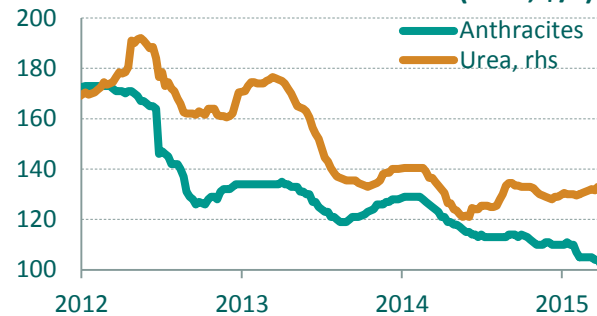


# MINERAL FERTILISER MARKET IN 2014

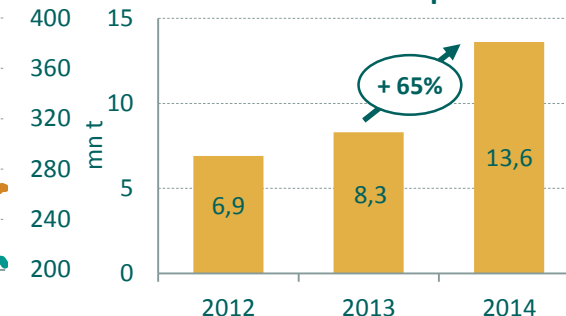
## Nitrogen Fertilisers

- China continued increasing its nitrogen fertilisers exports as both urea export tariffs and coal price went down.
- In contrast, in some countries exporting nitrogen products, including Ukraine, Egypt and Iran, disrupted gas supplies kept output down.
- As a result, the market was balanced in 2014.

Urea and Coal in China (EXW, \$/t)



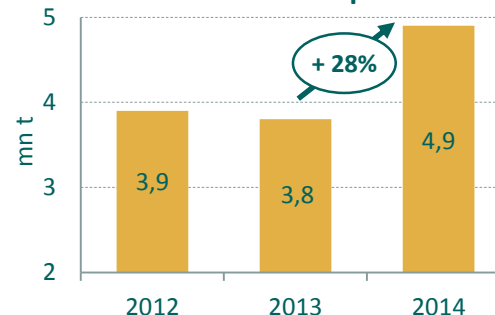
China's Urea Exports



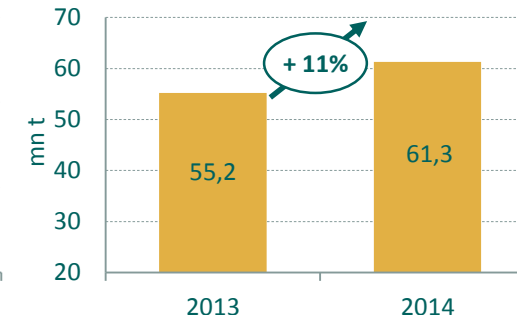
## Phosphate Fertilisers

- Indian consumers pulled back the second year in a row due to subsidy cuts.
- China increased its DAP exports on the back of lower export tariffs.
- Production of DAP remained unchanged year-on-year because Mosaic stopped its DAP operations due to high feedstock prices.

China's DAP Exports



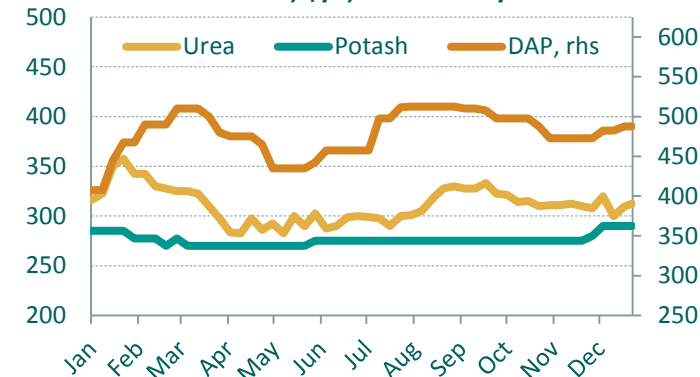
Potash Sales



## Potash Fertilisers

- Demand increased due to stronger consumers' purchasing power and replenished inventories. Potash fertiliser sales reached their record levels.
- At the same time, Russia and Belarus posted record production volumes. The competition in the sector increased, having resulted in limited price growth.

Prices in 2014, \$/t, FOB Baltic/Black Sea



Source: China National Chemical Inform, China Fertilizer Market, IFA, Fertecon, FMB, The Market, Bloomberg



# 2014 HIGHLIGHTS

- ✓ **Progress in implementation of investment projects**
  - The Oleniy Ruchey mine reached capacity of 1.0 mn tpa of apatite concentrate
  - Ammonia-4 project passed its investment phase peak
- ✓ **The Group sold its 19.9% stake in VPC (the Talitsky potash project) to Sberbank Investments Limited for USD 174 mn\*.**
- ✓ **The Group reduced its stake in Uralkaliy to 0.93% from 1.77% as at the beginning of the year. Proceeds from the sale of the stake were USD 104 mn\*.**
- ✓ **The Group earmarked 47% of its 2013 IFRS net profit as dividends. Dividends reached their record high of RUB 152 per share.**
- ✓ **Sales in 2014 were up 2% and hit the record of 6.3 mn t.**
- ✓ **Costs remained under control due to a cost saving programme, full vertical integration in phosphate feedstock and freezing of Russian natural monopolies' tariffs.**
- ✓ **Weaker rouble significantly contributed to stronger financial performance and helped reduce the debt burden.**
  - EBITDA margin was up to 27%, from 23% year-on-year
  - Net Debt / EBITDA in dollar terms was down to 1.9 from 2.3 as at the beginning of 2014

\* At the average RUB/USD rate for 2014



# KEY FINANCIALS

	RUB mn			USD mn		
	2014	2013	Growth,%	2014	2013	Growth,%
Revenue	74,631	67,904	+9.9%	1,943	2,132	-8.9%
EBITDA	20,249	15,386	+31.6%	527	483	+9.1%
EBITDA margin	27%	23%	+4 p.p.	27%	23%	+4 p.p.
Net profit	6,904	13,019	-47.0%	180	409	-56.0%
Net profit margin	9%	19%	-10 p.p.	9%	19%	-10 p.p.
Assets	195,940	146,104	+34.1%	3,483	4,464	-22.0%
Cash and cash equivalents incl. irrevocable bank deposits	24,773	13,554	+82.8%	440	414	+6.3%
Total debt	80,561	50,187	+60.5%	1,432	1,533	-6.6%
Net debt	55,788	36,633	+52.3%	992	1,119	-11.3%
Net debt / EBITDA	2.8	2.4	+16.7%	1.9	2.3	-17.4%
Net cash flow from operating activities	12,694	14,360	-11.6%	330	451	-26.8%
Capital expenditures*	-11,478	-14,443	-20.5%	-299	-453	-34.0%
Leveraged free cash flow	1,216	-83	-	31	-2	-
Sales volume (kt)	6,300	6,180	+1.9%			

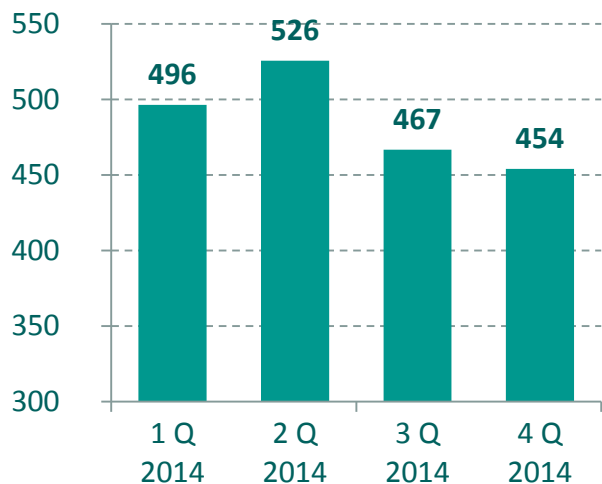
\*Basing on Purchase of property, plant and equipment statement, which is included in Cash Flow

**Note:** exchange rate, for conversion into foreign currency, as of 31.12.2014 amounted to 56.2584 RUB/USD, as of 31.12.2013 – 32.7292 RUB/USD, average annual exchange rate amounted 38.4217 RUB/USD in 2014 and 31.8480 RUB/USD in 2013.

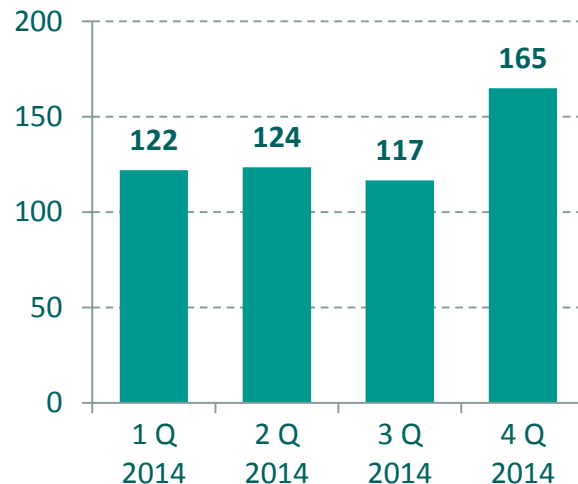


# QUARTERLY RESULTS

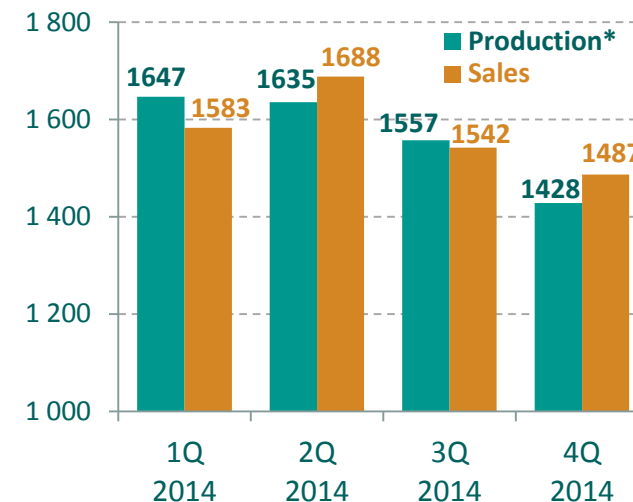
### REVENUE (USD mn)



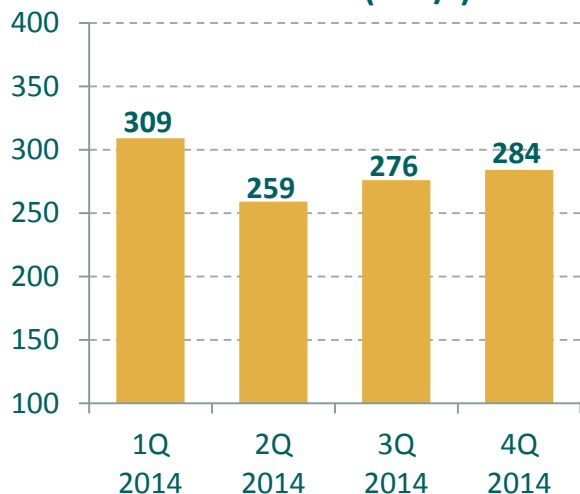
### EBITDA (USD mn)



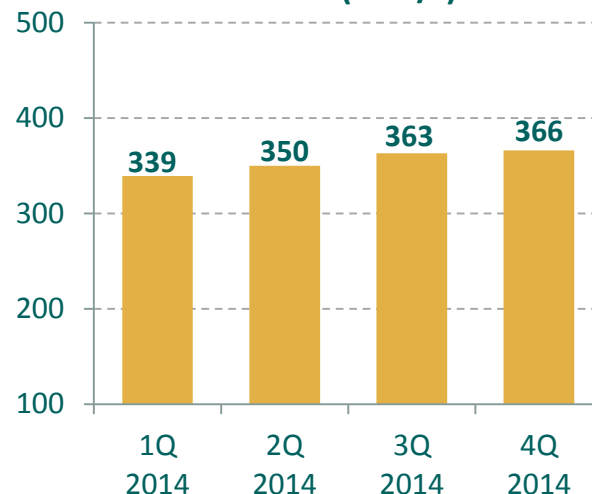
### PRODUCTION & SALES (kt)



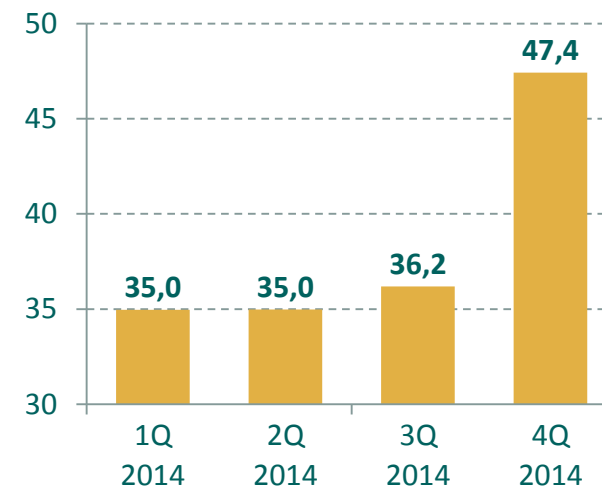
### WORLD PRICES: AMMONIUM NITRATE FOB BALTIC (USD/t)



### WORLD PRICES: NPK 16-16-16 FOB FSU (USD/t)



### RUB/USD DYNAMICS

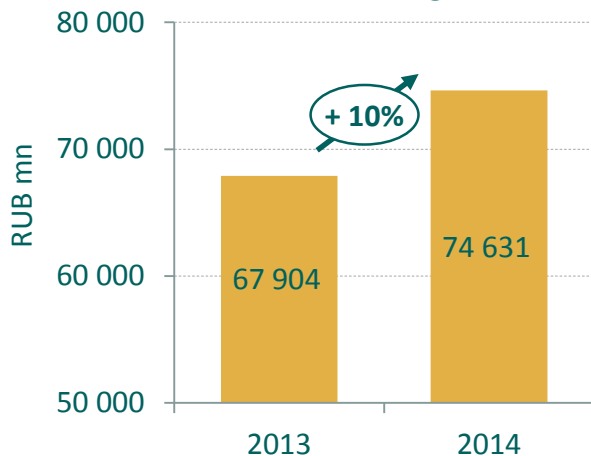


\* Group's commercial output

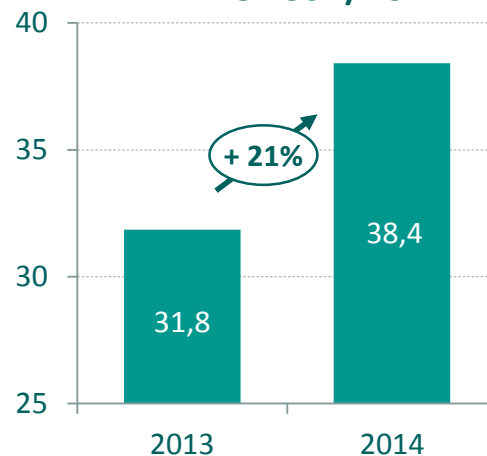


# REVENUE DYNAMICS

## REVENUE

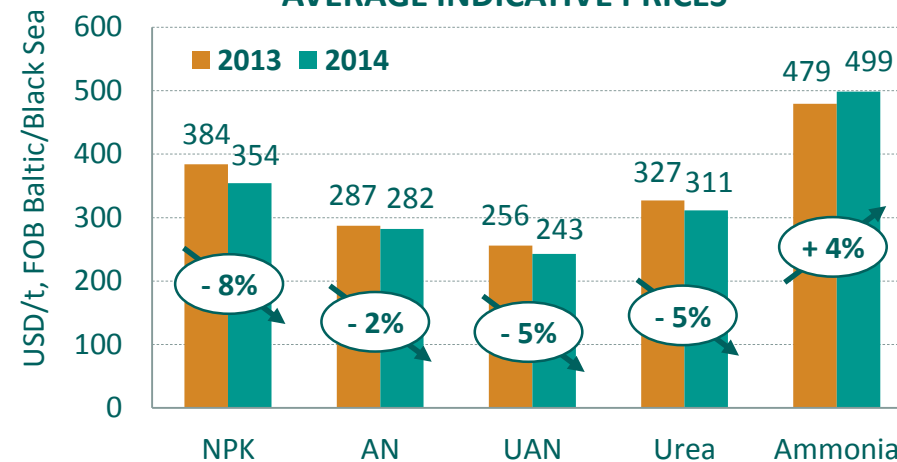


## AVERAGE USD/RUB



Source: CBR

## AVERAGE INDICATIVE PRICES

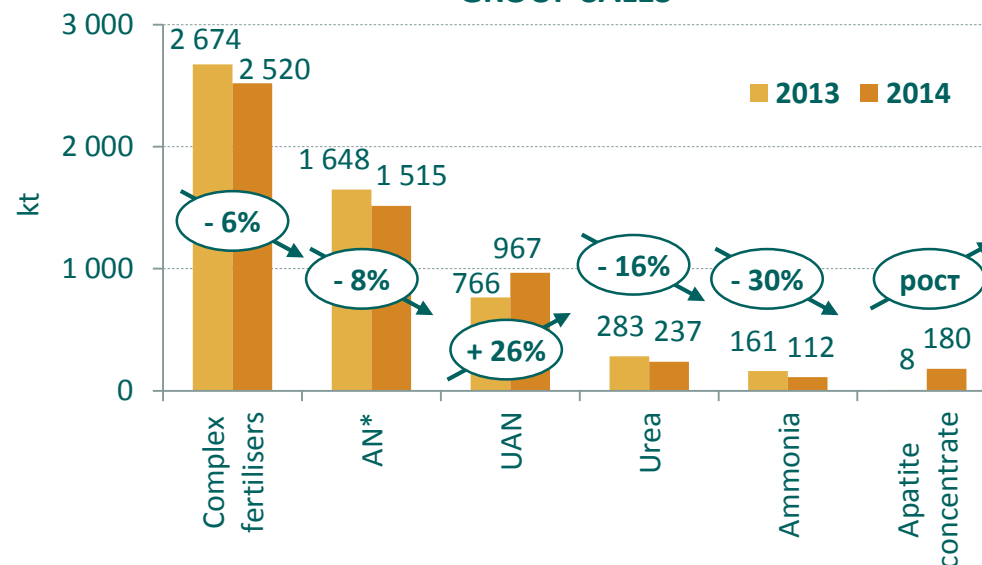


Source: Fertecon, FMB, The Market

## PRODUCTION RESULTS

- **GROUP sales** increased 2% to 6.3 mn t
- **ACRON:** commercial output was up 5%, mainly accounting for NPK and UAN
- **DOROGOBUZH:** commercial output decreased 12% because of scheduled repairs
- **HONGRI ACRON:** commercial output was down 1% because of scheduled repairs
- **NWPC:** apatite concentrate output was up 39% due to capacity ramp up

## GROUP SALES

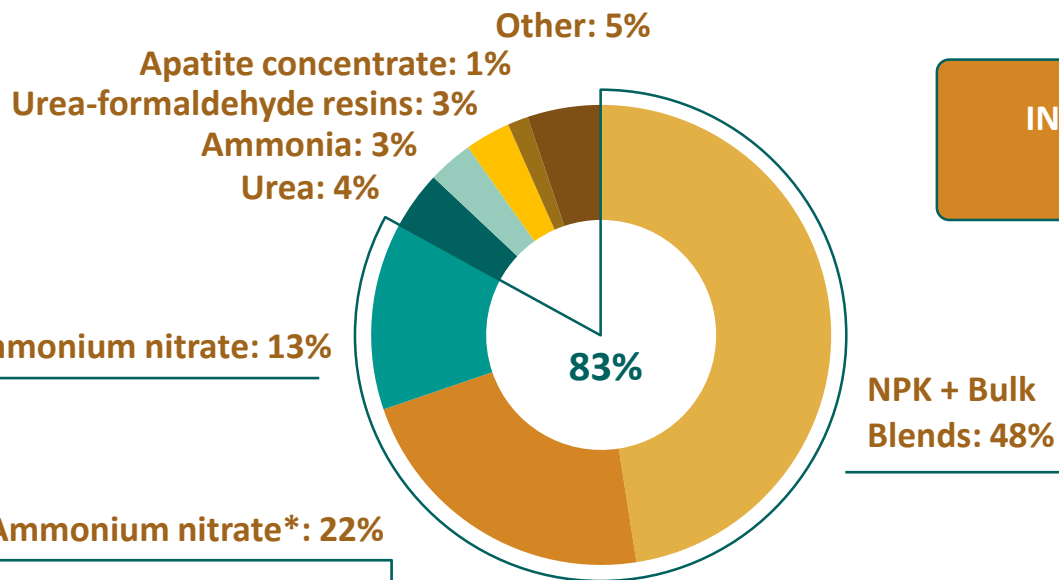


\* Including technical-grade and low-density AN





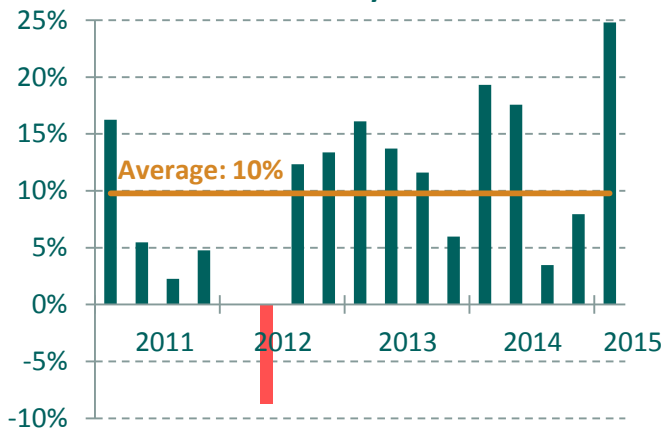
# REVENUE STRUCTURE



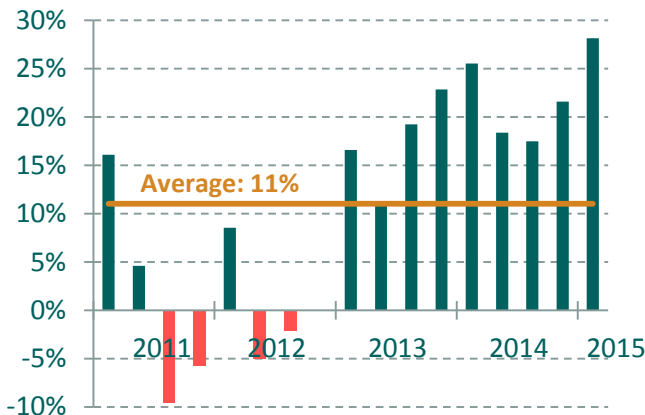
**IN 2014, ACRON GROUP MAINTAINED OPTIMAL PRODUCT PORTFOLIO**

## PRODUCT PREMIUMS REMAIN HIGH

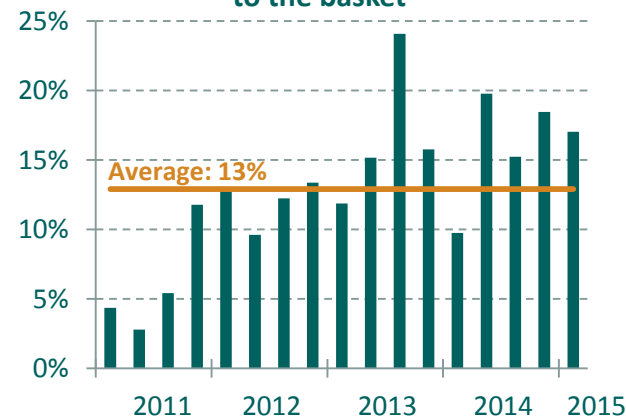
UAN premium/discount to Urea by nutrient



AN premium/discount to Urea by nutrient



NPK premium to the basket\*\*



\* Including technical-grade and low-density AN

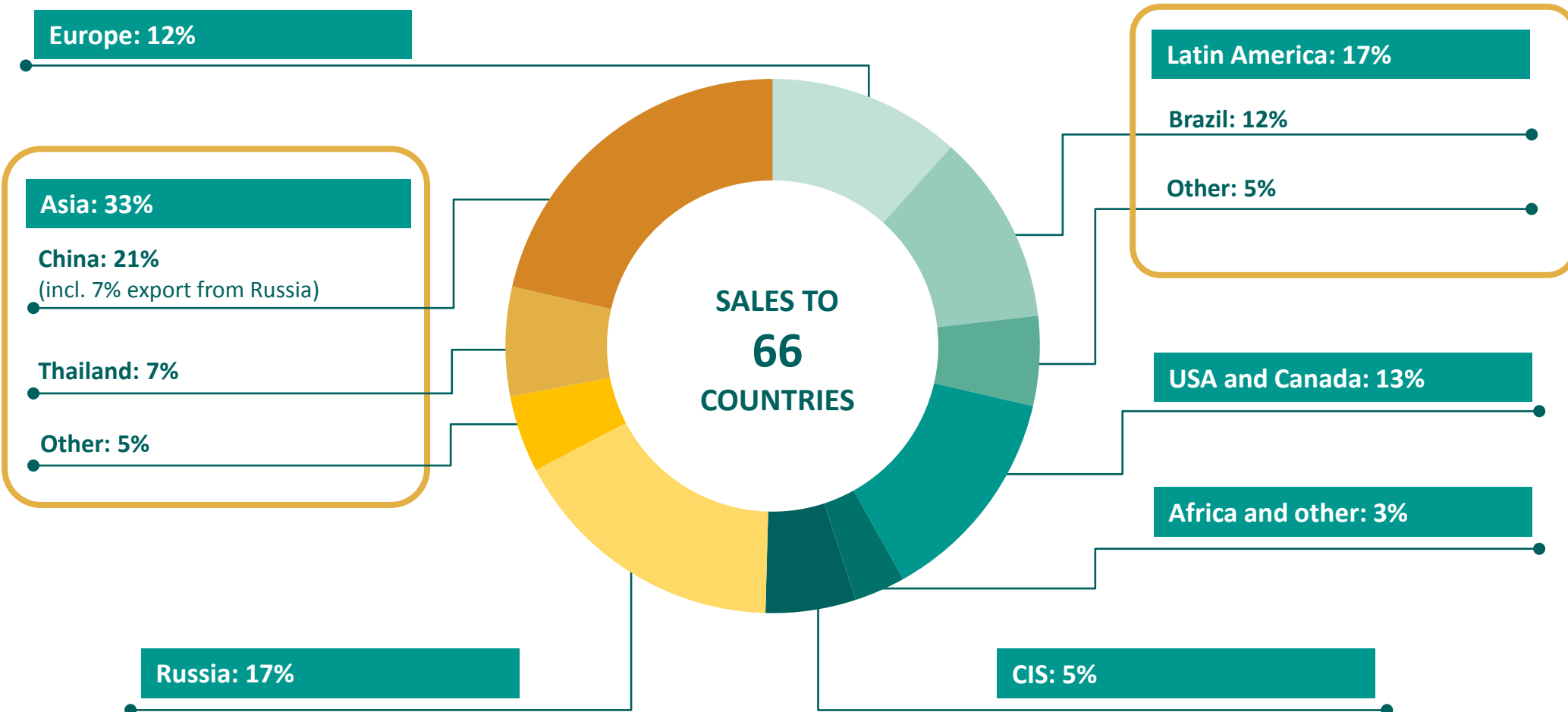
\*\* Calculated via urea, DAP and potash



# DIVERSIFIED SALES MARKETS

## Acron Group

- #1 AN supplier to Brazil (45% of AN imports)
- #2 NPK supplier to China (28% of NPK imports)
- #2 UAN supplier to USA (28% of UAN imports)

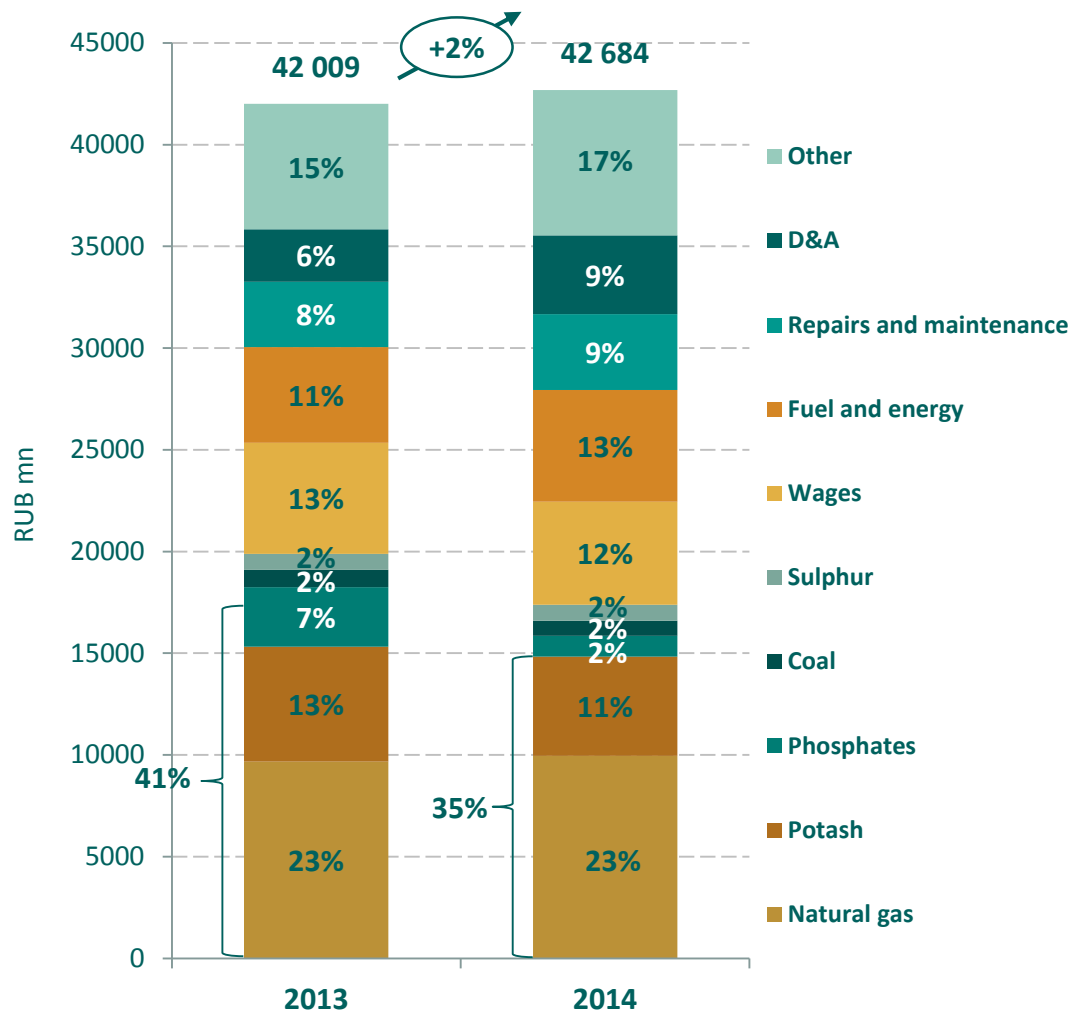


Note: sales in monetary terms



# COST SIDE

## COGS STRUCTURE



## COMMENTS

- COGS were up 2% on the back of 2% increase in sales. Thus, **costs remained under control**.
- Expenditures for **phosphate feedstock** decreased as the Group's Russian facilities used only own-produced apatite concentrate.
- **Personnel costs** went down due to a 4% decrease in the number of employees to 15,100 people.
- Russian **natural monopolies' tariffs** were frozen.

Note:

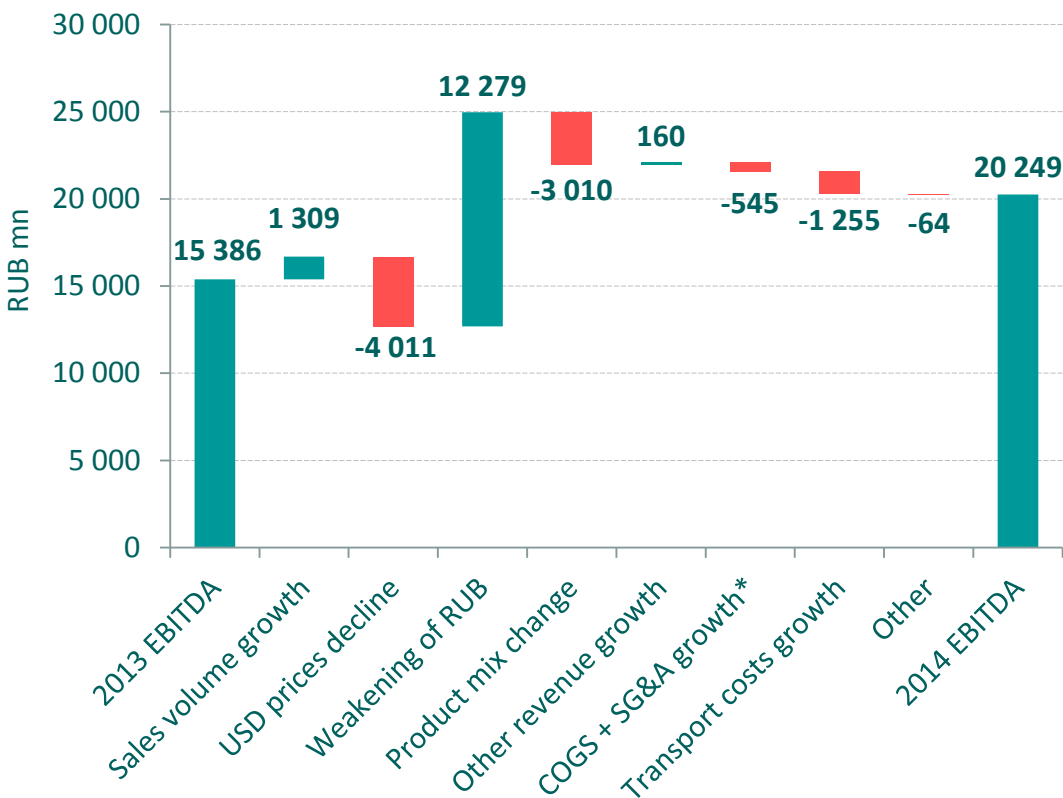
Sulphur, coal and phosphate rock are consumed only at Hongri Acron.

Natural Gas is consumed in Russia only.

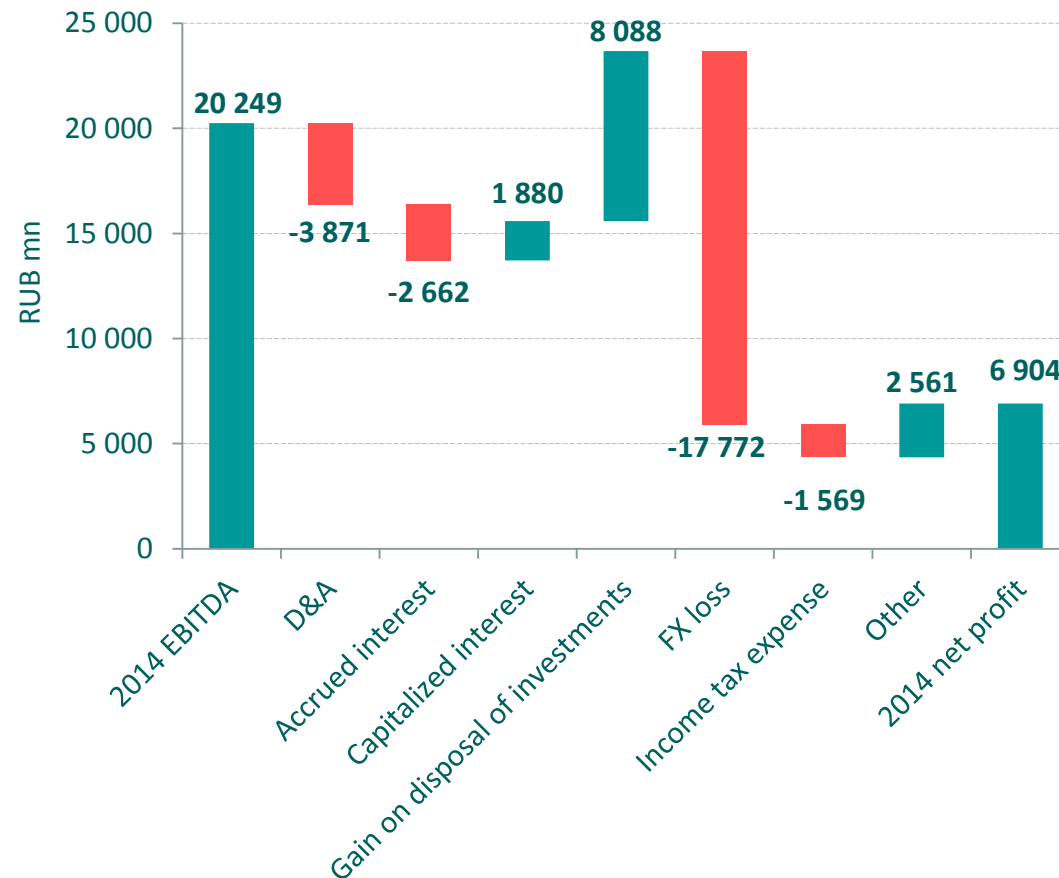


# EBITDA ANALYSIS

## EBITDA BRIDGE



## EBITDA AND NET PROFIT

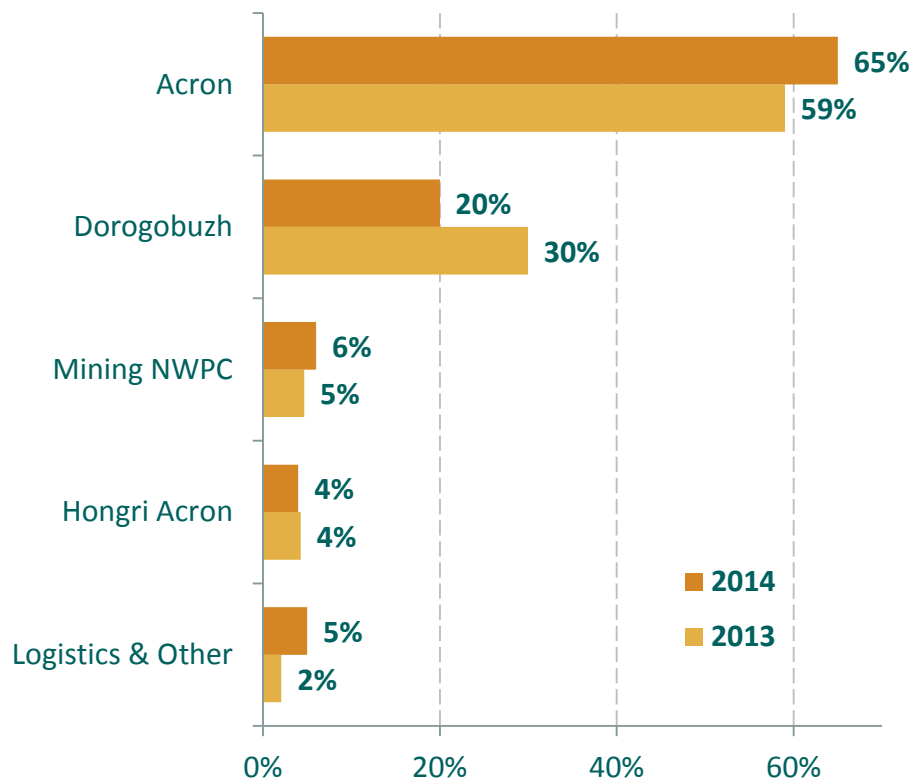


EBITDA grew mainly due to a weaker rouble

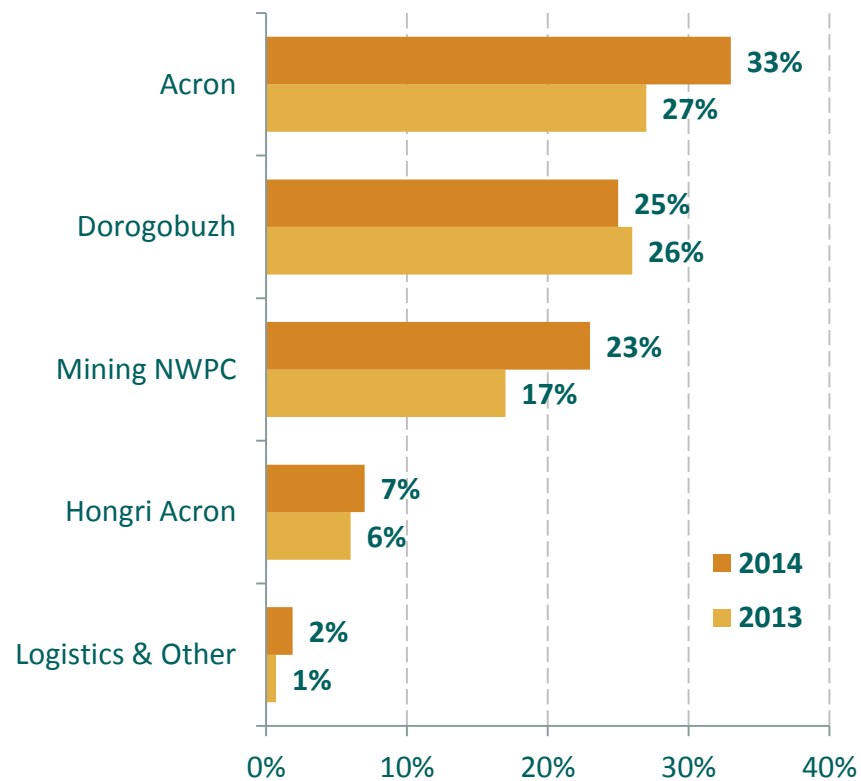
Net profit was lower due to FX loss on debt revaluation which was partially offset by profit from disposed investments

\* excl. depreciation and amortisation

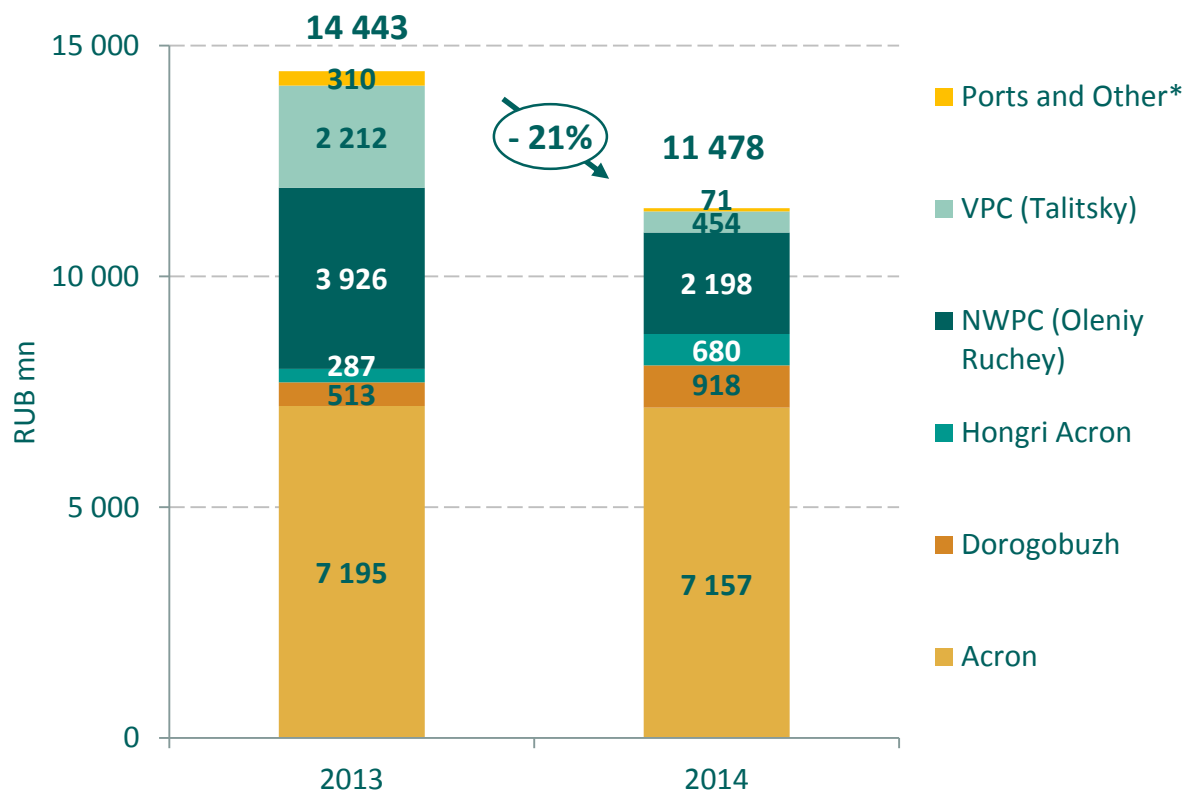
## CONTRIBUTION TO GROUP'S EBITDA



## EBITDA MARGIN



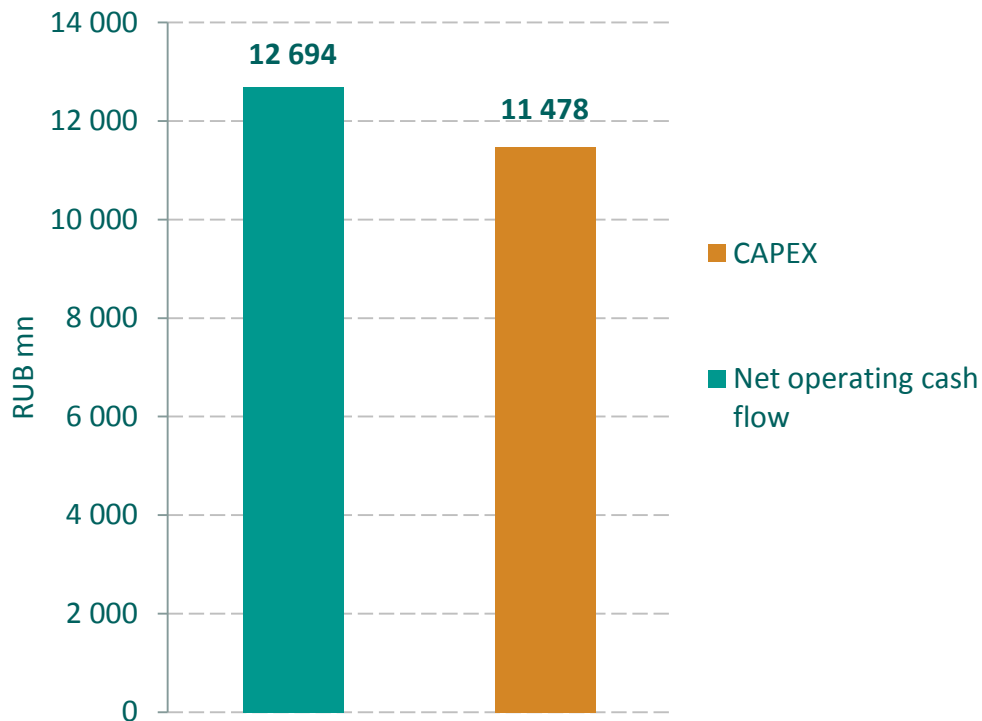
## CAPEX STRUCTURE



### IN 2014

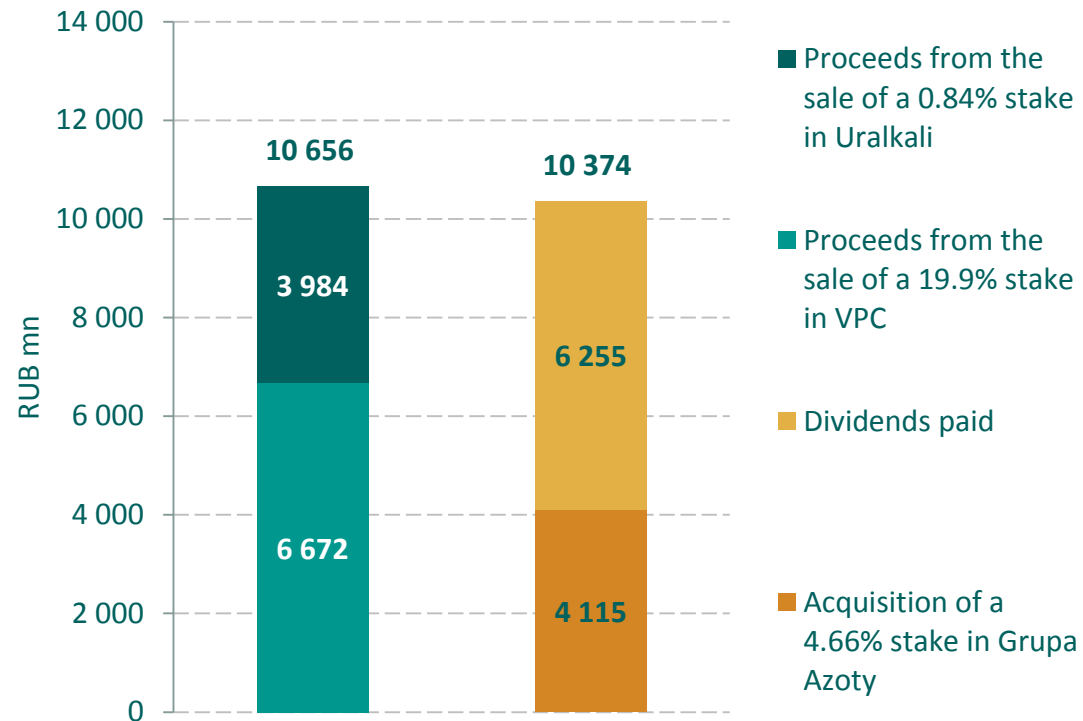
- **CAPEX was down 21%** to RUB 11.5 bn
- VPC (the Talitsky potash project) CAPEX decreased due to licence terms extension
- Hongri Acron and Dorogobuzh CAPEX increased due to scheduled repairs
- The Ammonia-4 project passed its investment phase peak

## OPERATING CASH FLOW VS. CAPEX



**CAPEX was fully covered by operating cash flow**

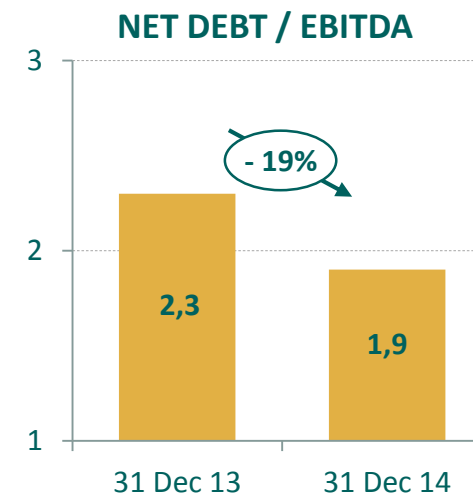
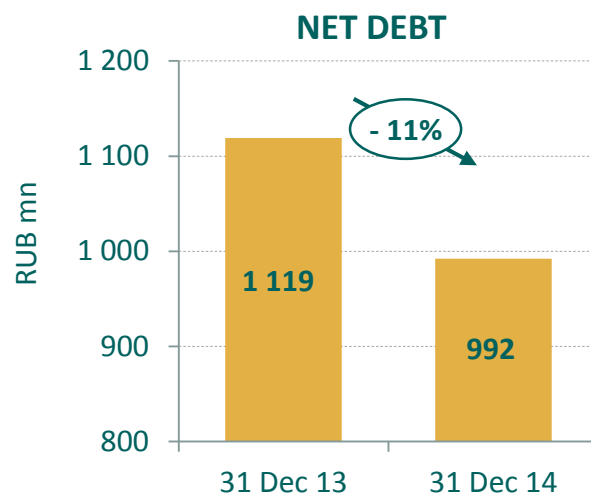
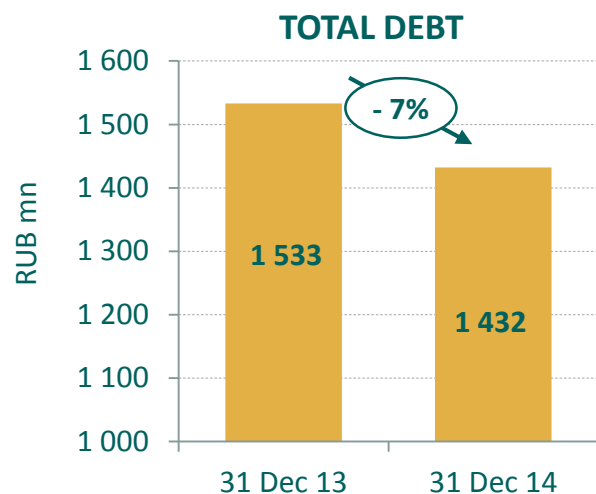
## STAKE SALES PROCEEDS VS. DIVIDENDS PAID



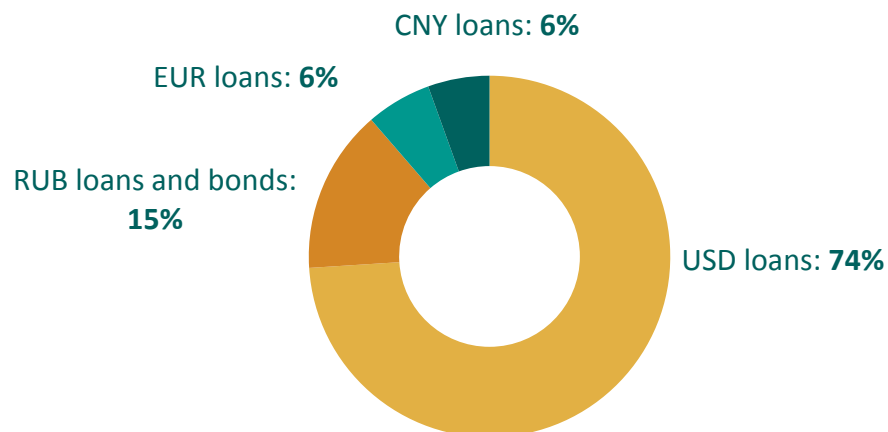
**Proceeds from the sale of VPC and Uralkali stakes sourced dividends paid and Grupa Azoty share acquisition**



# DEBT POSITION



## CREDIT PORTFOLIO



## AS AT 31 DECEMBER 2014

- Net debt / EBITDA declined to **1.9** from **2.3** on 31 December 2013
- Average interest rate: **4.61%**, versus **4.50%** on 31 December 2013
- Liquid stakes in Uralkali and Grupa Azoty cover **43%** of the net debt.
- Credit ratings: Moody's B1/stable, Fitch B+/positive. In mid-2014, Fitch changed the outlook for positive. Moody's kept the rating unchanged.
- On 30 December 2014, Acron executed a 5-year syndicated pre-export facility agreement for USD 525 mn.





# 2015 OUTLOOK: MARKET

## Nitrogen Fertilisers

- In 1Q, nitrogen fertiliser prices significantly decreased due to increased Chinese exports on the back of lowered urea export tariffs, cancellation of seasonal export window and further decline of coal prices.
- In February, China stated its intention to reduce coal supplies and consumption to address environment issues and increase its economic energy efficiency. This supposes a limited potential for decrease in nitrogen fertiliser prices, which are currently defined by marginal costs of Chinese producers.

## Phosphate Fertilisers

- DAP exports from China are expected to grow due to lowered export tariffs and cancellation of seasonal export window.
- Along with that, consumption recovery is expected in India, whose inventories are at low level.

## Potash Fertilisers

- Global potash fertiliser trading volume is expected to decrease due to high inventories.
- Poor price discipline among producers limits price growth.

## Market overview

- Consumption growth is expected in all 3 market segments.
- Despite market imbalances, Russian mineral fertiliser producers enjoy greater competitiveness due to weaker rouble.

Consumption	2014E		2015F	
Nitrogen fertilisers, N	111.8	+0.8%	113.3	<b>+1.3%</b>
Phosphate fertilisers, P <sub>2</sub> O <sub>5</sub>	41.6	-1.3%	41.8	<b>+0.6%</b>
Potash fertilisers, K <sub>2</sub> O	30.6	+1.7%	30.9	<b>+0.9%</b>

Source: IFA, November 2014



## 2015 OUTLOOK: COMPANY

- ✓ At the beginning of the year, the Oleniy Ruchey mine reached its maximum capacity of 1.1 mn tpa of apatite concentrate.
- ✓ Acron continues talks with potential strategic investors for the Talitsky potash project.
- ✓ End of construction and starting the test-run of the Ammonia-4 project are scheduled for the end of 2015. Successful completion of the project will mark the end of the project investment phase and the start of cash inflow starting from 2016, which will increase the Group's free cash flow.
- ✓ Weaker rouble contributes to the Group's stronger financial performance. Furthermore, CAPEX decreases in dollar terms because more than half of it is denominated in roubles.
- ✓ The Group focuses on further decrease of debt burden in absolute and relative terms.

**THANK YOU FOR YOUR ATTENTION!**

**QUESTIONS?**