



**PHOSAGRO**

**9M 2015  
IFRS Results**





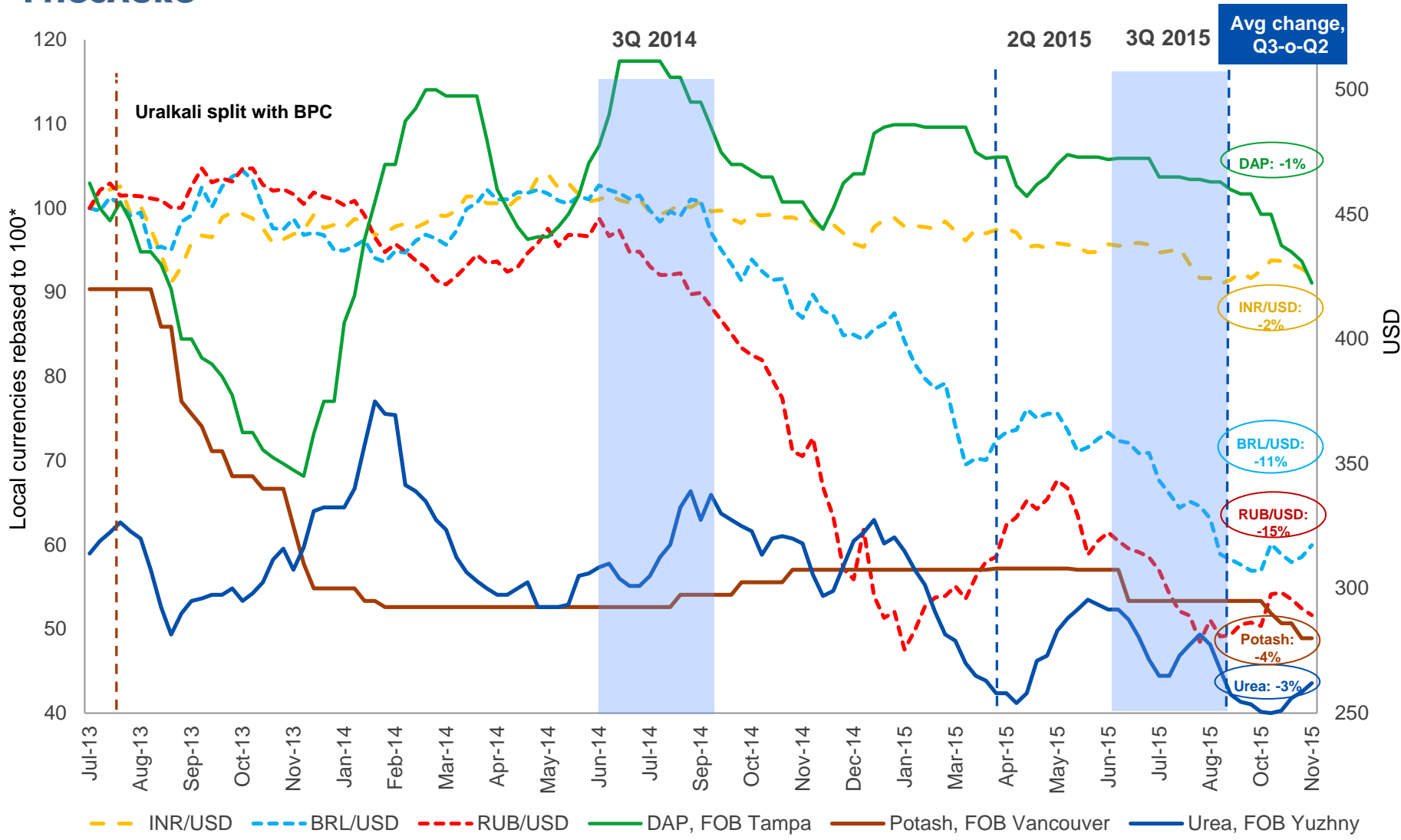
# 1. Market context



- The average DAP price in Q3 2015 was USD 465 per tonne FOB Tampa, versus USD 498 per tonne FOB Tampa in Q3 2014. The average DAP price for 9M 2015 amounted to USD 472 per tonne FOB Tampa (vs. USD 476 per tonne FOB Tampa in January-September 2014)
- Low inventories as well as favourable weather conditions have contributed to a significant increase in import demand for DAP and NPK in India. Total DAP imports to India for 9M 2015 amounted to 5.1 million tonnes, which is 2.5 times more than in 9M 2014. NPK imports also increased by 2.5 times year-on-year and amounted to 0.6 million tonnes. Bulk imports continued in October, and the annual volume of DAP imports to India is expected to reach around 5.8-6.0 million tonnes
- Brazil's imports of phosphate-based fertilizers (MAP/DAP/TSP/NPS/NPK) in 9M 2015 decreased by 27% year-on-year and amounted to 1.5 million tonnes of P<sub>2</sub>O<sub>5</sub>. During 9M 2015, MAP imports decreased by 29% year-on-year and amounted to 1.7 million tonnes. This decrease was due to economic challenges resulting in a sharp depreciation of the BRL against the USD, and a significant increase in interest rates in Brazil
- As a result of a dramatic increase of export supply from China and the low season in key markets (Europe and Latin America), urea prices gradually declined. The average urea price in Q3 2015 amounted to USD 265 per tonne FOB Baltic (16% below the average price in Q3 2014 of USD 314 per tonne FOB Baltic). The average urea price in 9M 2015 was USD 275 per tonne FOB Baltic, which is 12% below the average price for urea price in 9M 2014

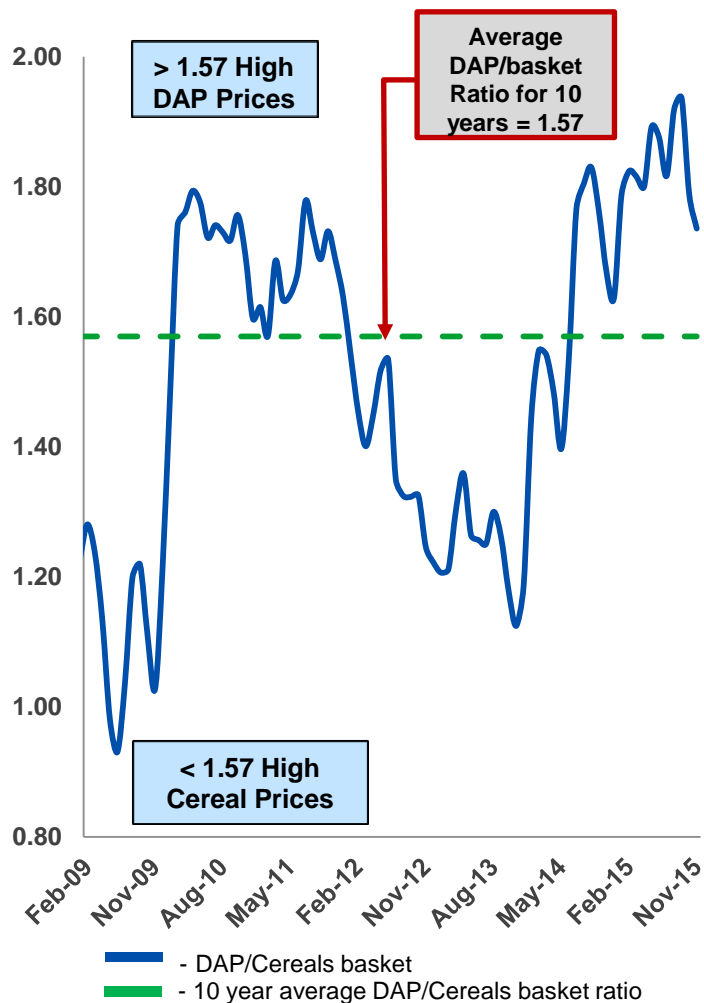


# Fertilizer price developments

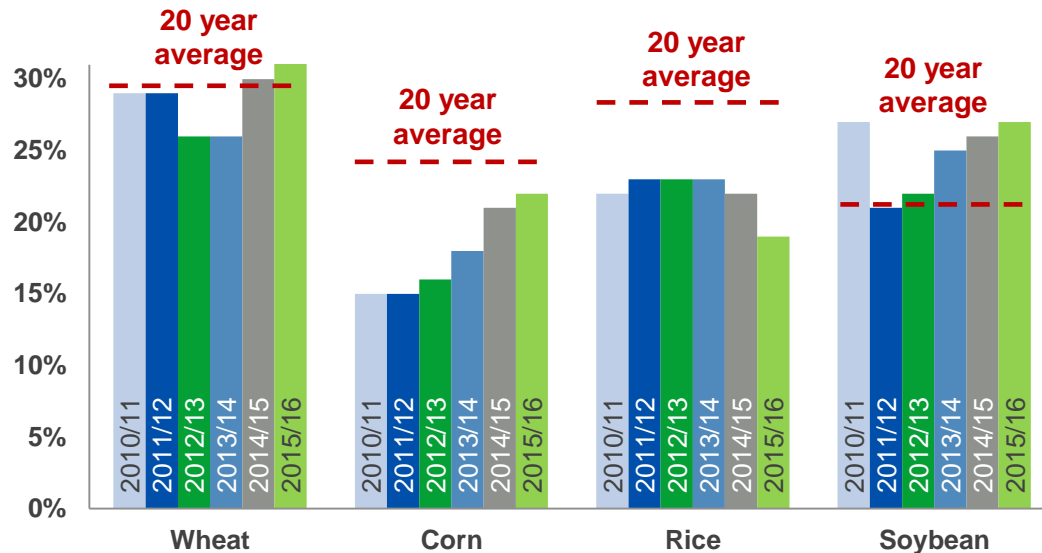


Source: Argus-FMB, Bloomberg, PhosAgro analysis  
 Note: (\*) – rebased at 1 July 2013

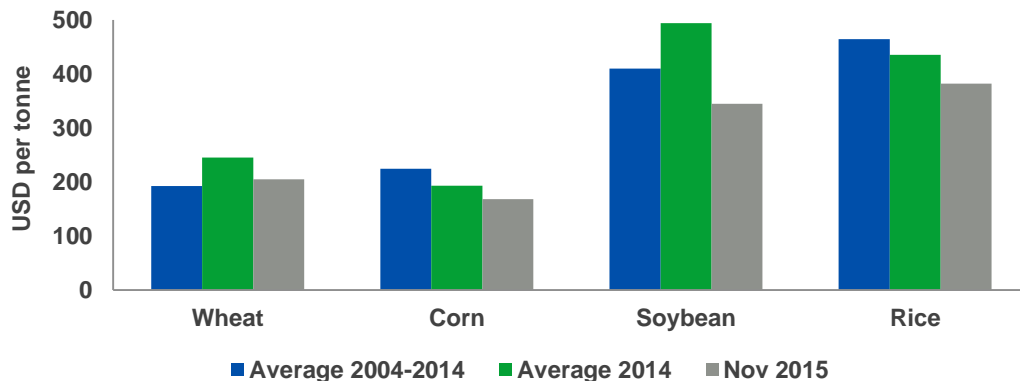
### DAP/cereal basket<sup>(1)</sup> ratio



### World grain stocks-to-use ratios, %



### Crop prices



Source: Argus-FMB, USDA, FAO

Note: (1) agricultural commodity prices are represented by a grain index calculated as follows: (wheat price\*7+ corn price \*8 rice price\*4.5+soybeans price\*2.5)/22



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## 2. Financial performance



- Revenue in 9M 2015 was 64% higher year-on-year, supported by growth of fertilizers sales volumes by 11% and increase in average realised prices denominated in roubles for DAP/MAP and NPK exports of over 71% and 63%, respectively
- EBITDA was RUB 62.8 bln for 9M 2015, up 144% year-on-year
- EBITDA margin was 44% for 9M 2015, vs 30% in 9M 2014
- Operating profit for the period was RUB 56.2 bln, up 185% from RUB 19.7 bln in 9M 2014
- The Company's net profit for 9M 2015 was RUB 31,6 bln, compared to a net profit of RUB 6.3 bln in 9M 2014
- Adjusted for the unrealised foreign exchange loss, net profit for 9M 2015 was RUB 43.3 bln; the total paid and proposed interim dividends for 2015 is RUB 21.8 bln, or 50% of adjusted net profit for the period.
- Earnings per share were RUB 244 in 9M 2015, up 430% year-on-year
- Net debt at 30 September 2015 stood at RUB 97.8 bln, up from RUB 93.1 bln at 31 December 2014. Most of the Company's debt is denominated in USD as a natural hedge against primarily USD-denominated sales
- The Company's net debt to EBITDA ratio decreased to 1.17x as of 30 September 2015, from 2.48x as of 31 December 2014.
- Capital expenditure in cash terms was RUB 30.5 bln in 9M 2015
- Free cash flow increased by 121% to RUB 21.4 bln in 9M 2015 from RUB 9.7 bln in 9M 2014

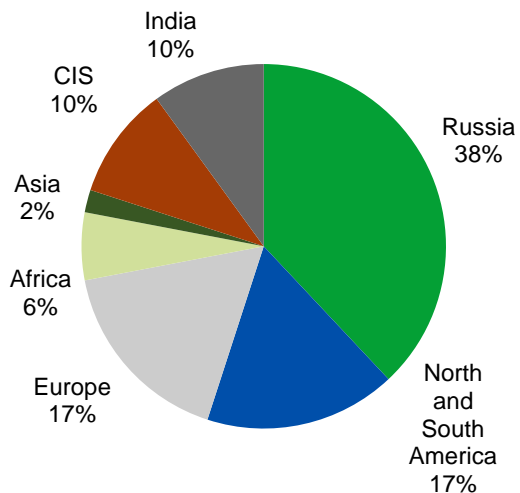
### Key financial highlights

	3Q 2015	2Q 2015	% change q-o-q	3Q 2014	% change y-o-y
<i>(RUB million, except EPS)</i>					
Revenue	49,068	43,206	14%	30,056	63%
Cost of sales	(21,457)	(21,434)	–	(16,760)	28%
Gross profit	27,611	21,772	27%	13,296	108%
<i>Gross profit margin</i>	56%	50%	6 p.p.	44%	12 p.p.
<b>EBITDA</b>	21,308	16,907	26%	9,531	124%
<i>EBITDA margin</i>	43%	39%	4 p.p.	32%	11 p.p.
<b>Net profit / (Loss)</b>	3,865	13,522	(71%)	(1,824)	–
<i>Net profit margin</i>	8%	31%	(23 p.p.)	(6%)	14 p.p.
Earning/(Loss) per share, RUB	30	105	(71%)	(14)	–
Free cash flow	3,278	7,917	(59%)	3,337	(2%)

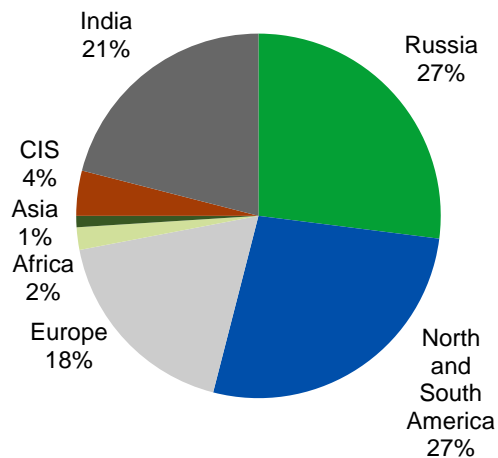
- The Company already paid an interim dividend in 2015 of RUB 6,216 million (RUB 48 per share / RUB 16 per GDR) and RUB 7,382 million (RUB 57 per share / RUB 19 per GDR)
- At its meeting on 16 November 2015, PhosAgro's Board of Directors recommended that shareholders approve a dividend of RUB 8,159 million, which represents RUB 63 per share (RUB 21 per Global Depositary Receipt). Shareholders will vote on the dividend recommendation at an Extraordinary General Meeting of Shareholders scheduled for 15 January 2016



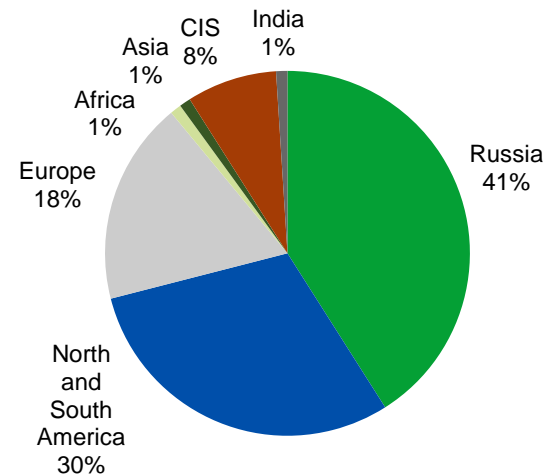
Revenue by geography 3Q 2015 (%)



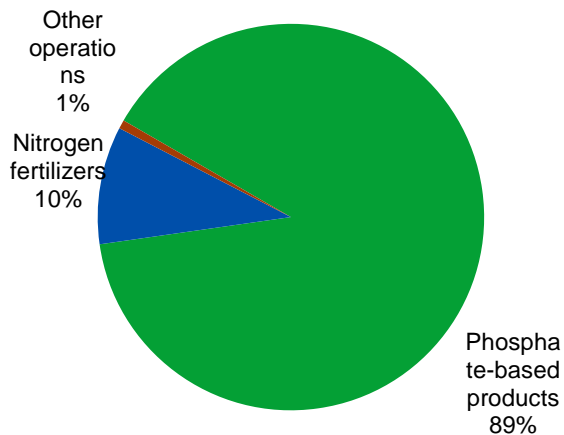
Revenue by geography 2Q 2015 (%)



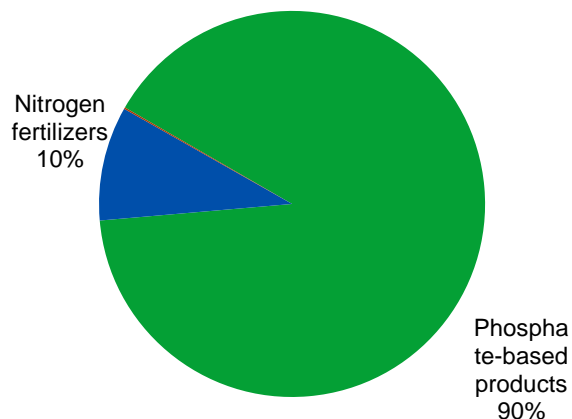
Revenue by geography 3Q 2014 (%)



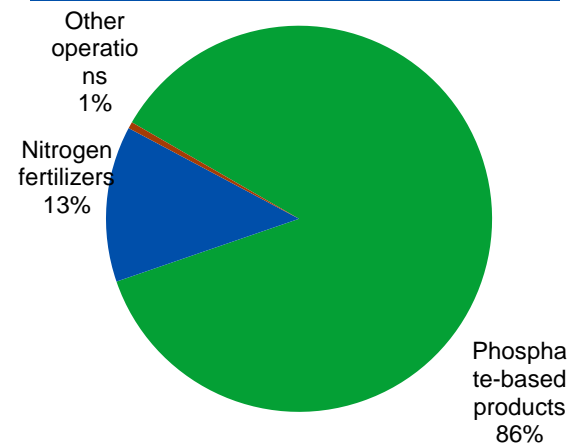
Revenue by segment 3Q 2015 (%)



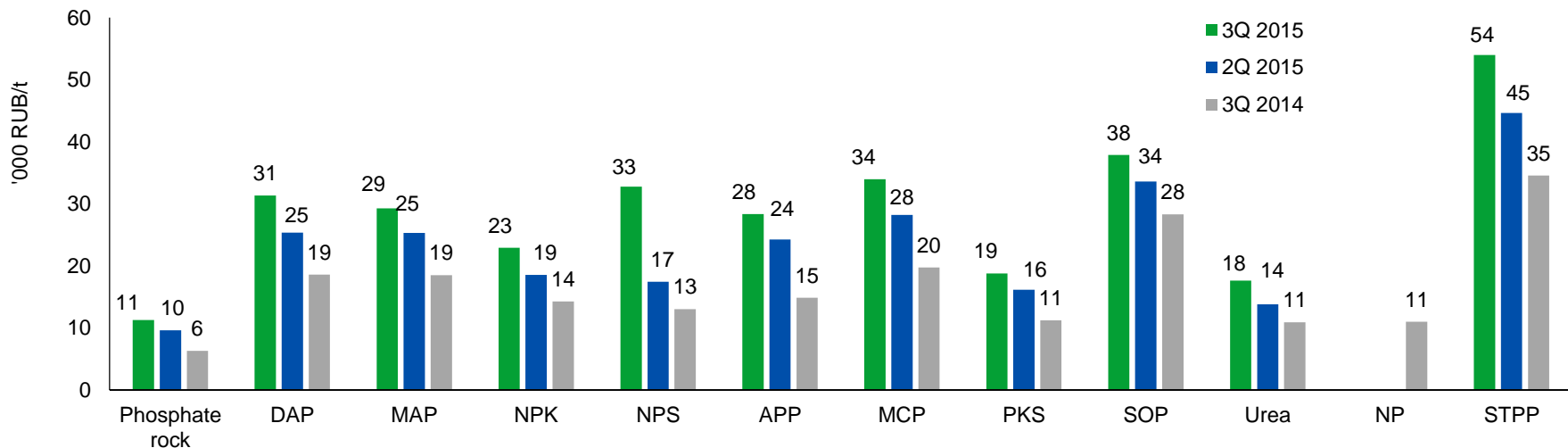
Revenue by segment 2Q 2015 (%)



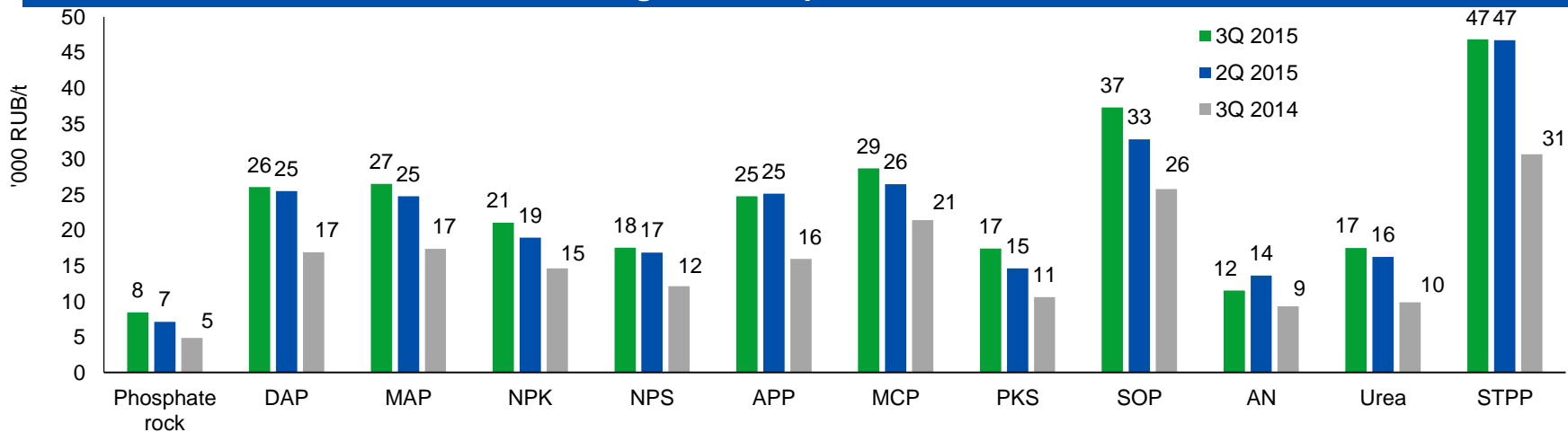
Revenue by segment 3Q 2014 (%)



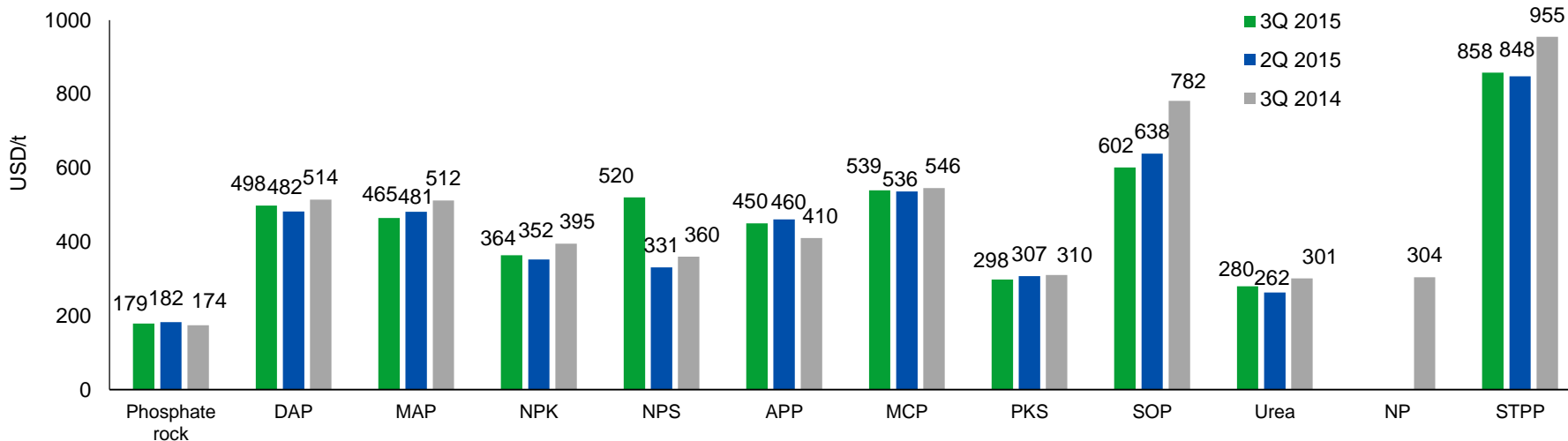
## Average revenue per tonne - export



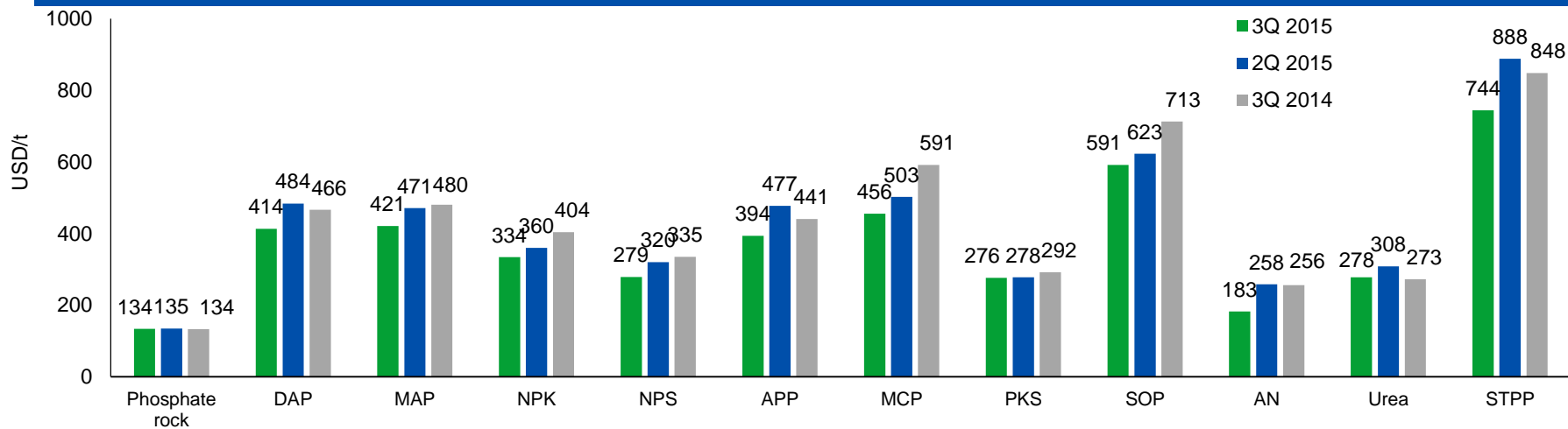
## Average revenue per tonne - domestic



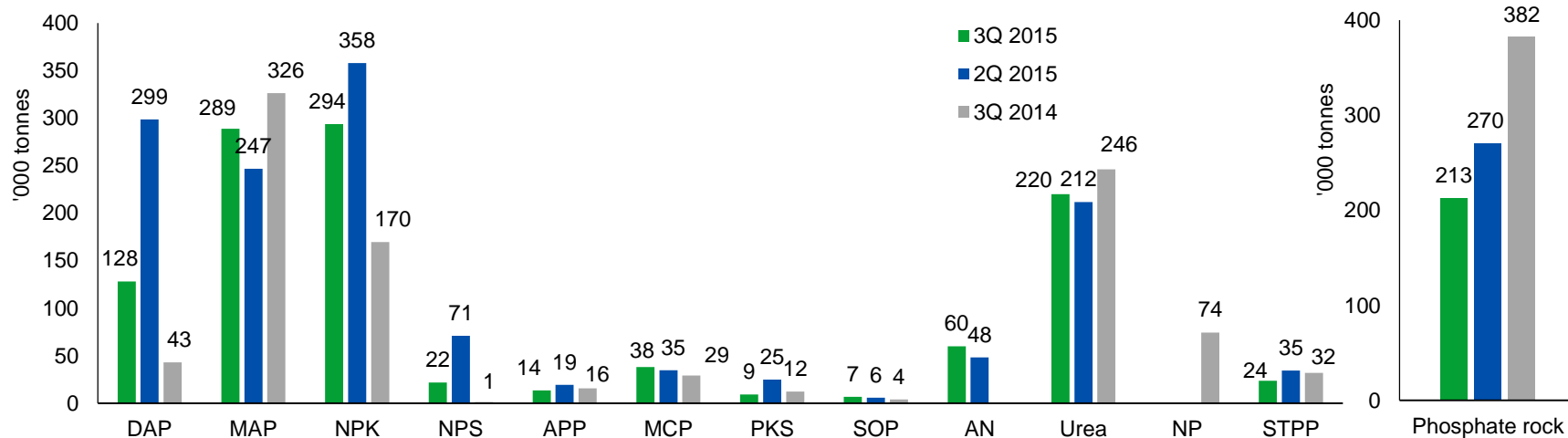
## Average revenue per tonne - export



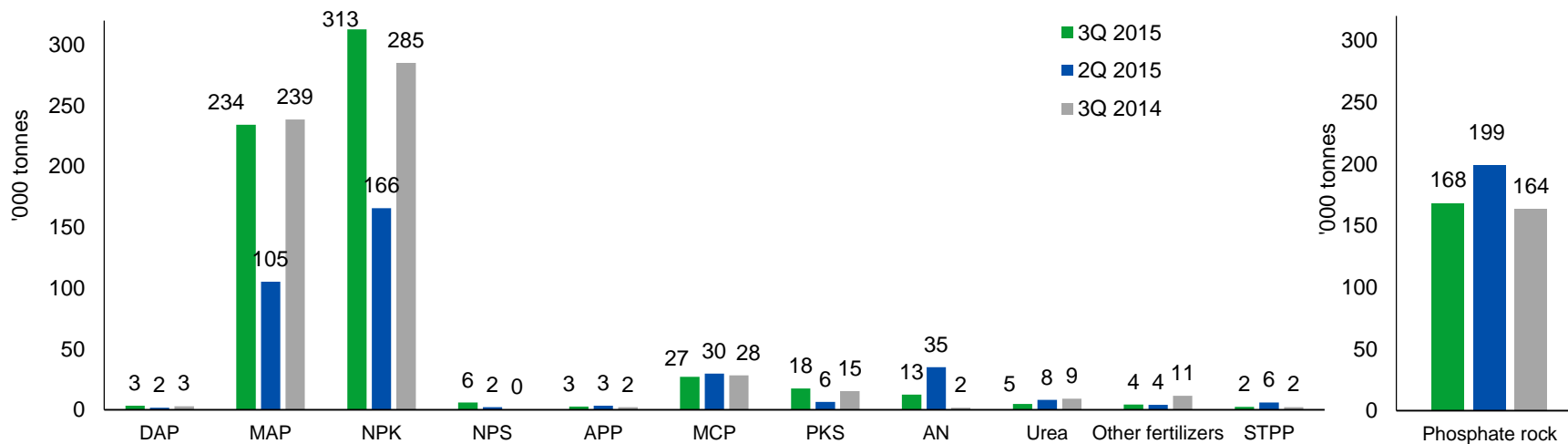
## Average revenue per tonne - domestic



## Sales volumes - export



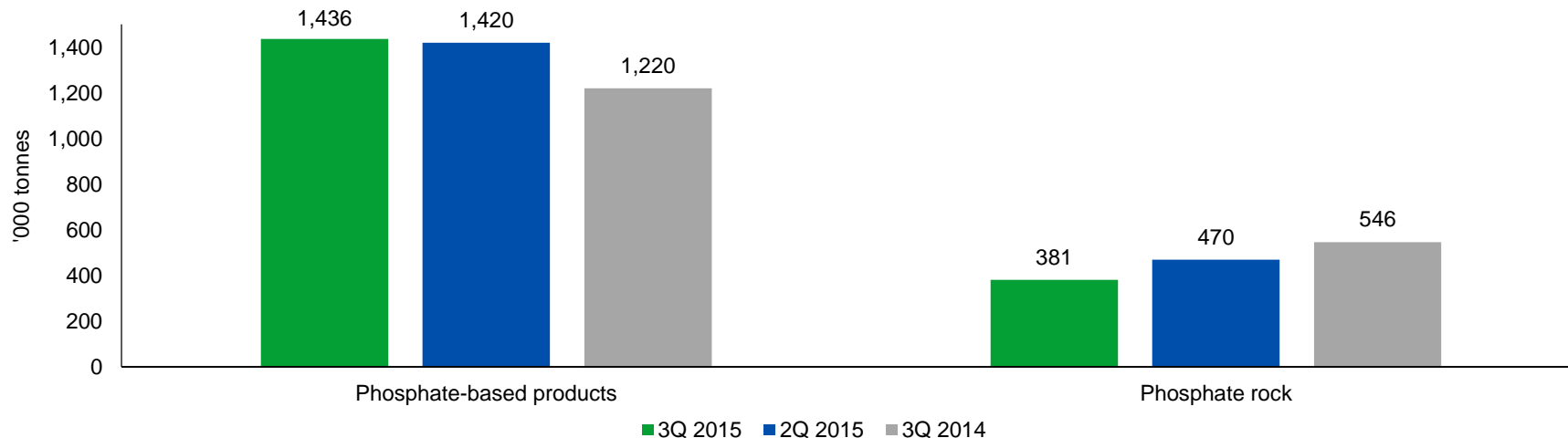
## Sales volumes - domestic



## Key financial highlights

(RUB million)	3Q 2015	2Q 2015	% change q-o-q	3Q 2014	% change y-o-y
Revenue	43,926	39,014	13%	25,966	69%
<i>Export</i>	25,819	28,093	(8%)	14,099	83%
<i>Domestic</i>	18,107	10,921	66%	11,867	53%
CoGS	(18,112)	(18,547)	(2%)	(14,779)	23%
Gross profit	25,814	20,467	26%	11,187	131%
<i>% margin</i>	59%	52%	6 p.p.	43%	16 p.p.

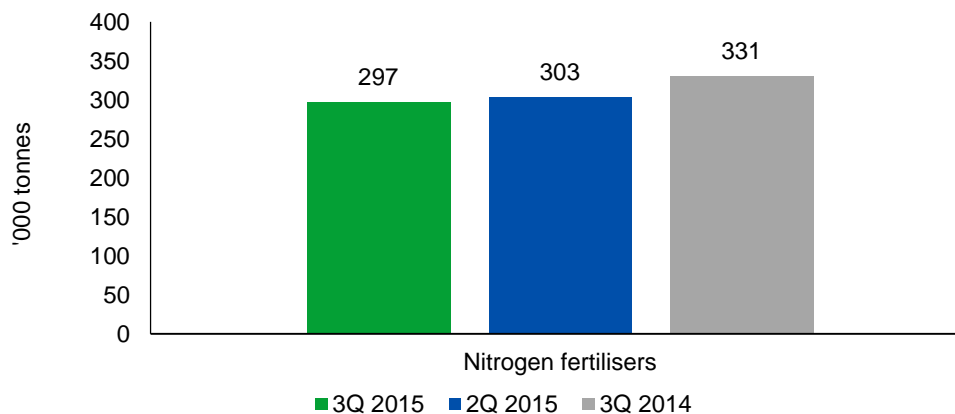
## Sales volumes <sup>(1)</sup>



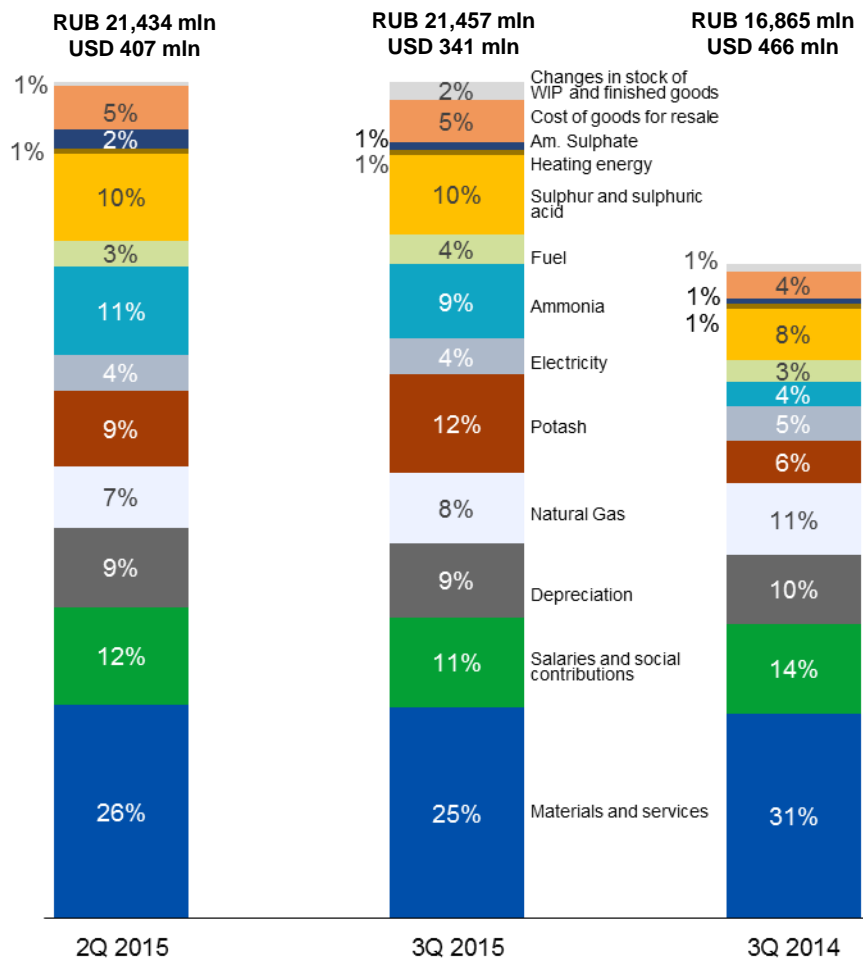
## Key financial highlights

(RUB million)	3Q 2015	2Q 2015	% change q-o-q	3Q 2014	% change y-o-y
External Revenue	4,789	4,136	16%	3,925	22%
<i>Export</i>	4,540	3,491	30%	3,801	19%
<i>Domestic</i>	249	645	(61%)	124	101%
CoGS	(3,029)	(2,836)	7%	(1,834)	65%
Gross profit	1,760	1,300	35%	2,091	(16%)
<i>% margin</i>	37%	31%	6 p.p.	53%	(16 p.p.)

## Sales volumes



## Cost of Goods Sold



## CoGS drivers 3Q 2015 vs 2Q 2015

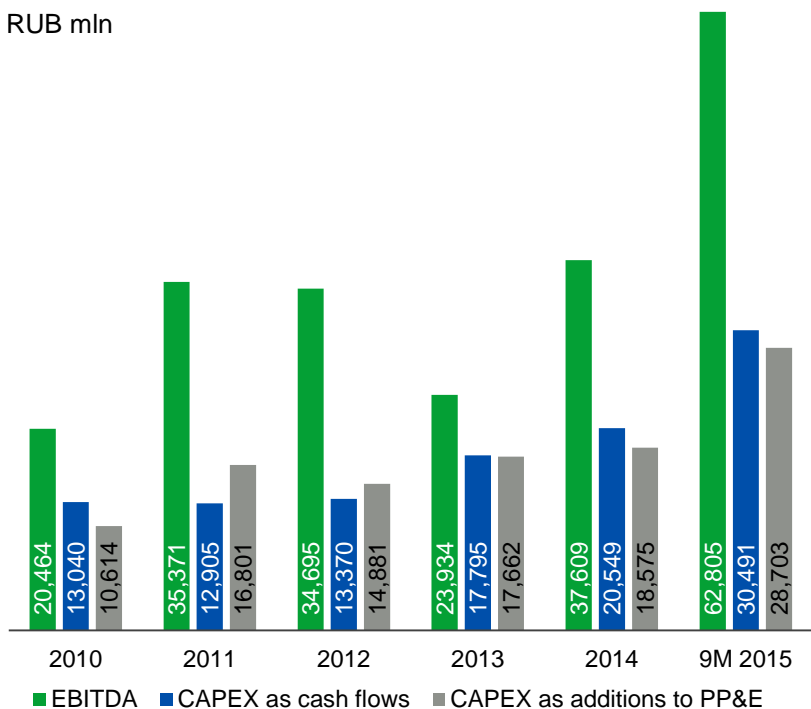
Both cost of goods sold and overall fertilizer sales volumes remained flat q-o-q.

The cost of goods sold structure was primarily due to changes in the product mix, which led to the following:

- A decrease in expenditure on ammonia purchased by 17%, or RUB 375 million, as a result of higher internal ammonia production volumes in 3Q after completion of scheduled maintenance performed mainly in 2Q.
- Natural gas costs increased by 13%, or RUB 201 million, due to higher ammonia production and an increase in regulated natural gas prices by 7.5% from 1 July 2015.
- A decrease in expenditure on ammonium sulphate by 59%, or RUB 292 million, as a result of a switch to production of NPK and NPS grades with lower nitrogen content.
- An increase in expenditure on potash by 30%, or RUB 586 million, mainly due to higher potash purchase volumes as a result of a 13% q-o-q increase in overall NPK production volumes, while production of NPK with high potash content (19%-30%) increased by 29% q-o-q.

## Capex / EBITDA

RUB mln



## Comment

- Capex is defined as all additions to PP&E – additions to PP&E do not necessarily match cash flow in the same period

Main projects:

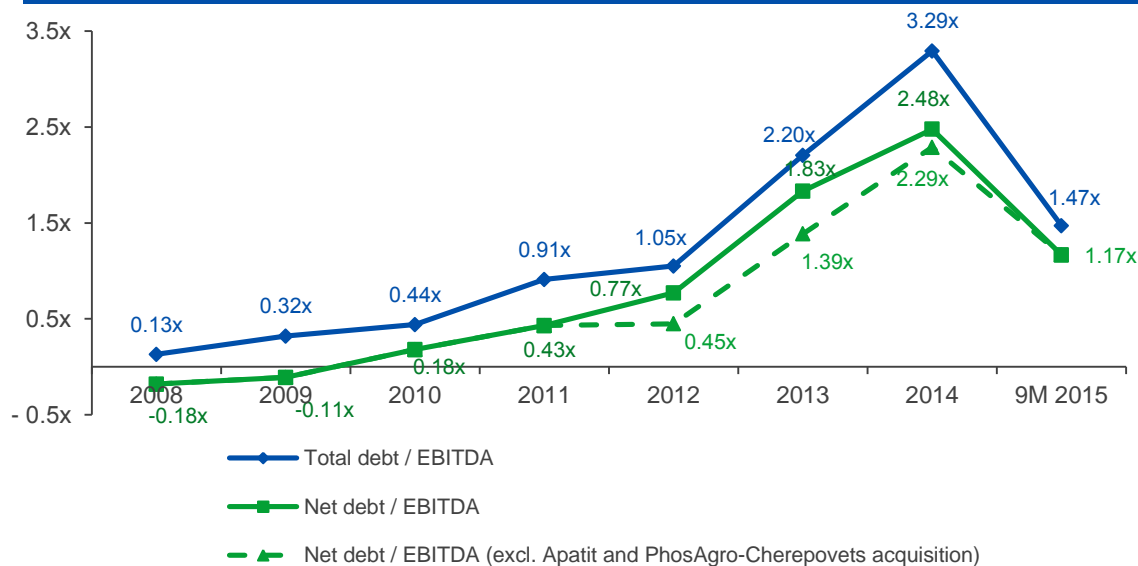
- Construction of Main Shaft № 2 at the Kirovsky underground mine
- Construction of a new 760 kt per annum ammonia plant
- Construction of liquid ammonia storage facilities in Balakovo

## Capex by segment (RUB m)

	3Q 2015	2Q 2015	3Q 2014
Phosphate mining and beneficiation	1,703	1,634	1,893
Phosphate-based products - downstream	2,476	1,116	1,562
Nitrogen fertilizers	10,279	5,484	1,482
Other	440	516	591
<b>Total capital expenditures</b>	<b>14,898</b>	<b>8,750</b>	<b>5,528</b>



## Total debt and net debt / annualised EBITDA



## Comment

PhosAgro carefully manages its balance sheet and cost of financing for all current initiatives, including both the consolidation of subsidiaries and growth projects

- The Company's net debt to EBITDA ratio decreased to 1.17x as of 30 September 2015, from 2.48x as of 31 December 2014.
- Net debt at 30 September 2015 stood at RUB 97.8 billion, up from RUB 93.1 billion at 31 December 2014. Most of the Company's debt is denominated in USD as a natural hedge against primarily USD-denominated sales.
- Fitch Ratings has affirmed the Company's long-term foreign currency Issuer Default Rating (IDR) of BB+/Stable. Standard & Poor's left PhosAgro's BBB-/Negative rating unchanged after that agency's downgrade of the Russian sovereign rating in January 2015, while Moody's Investor Service adjusted the Company's long-term Issuer Rating to Ba1/Negative on 25 February 2015, following its downgrade of the Russian Federation sovereign ceiling

## Public debt

### Eurobonds issued on February 2013 (LPN)

Issue size	\$US 500 mln		
Corporate ratings	Ba1 Moody's	BBB- S&P	BB+ Fitch
Tenor	5 years		
Coupon frequency	Semi annually		
Spread	mid swaps+ 320 bps; UST + 335.8 bps		
Coupon rate	4.204%		
Maturity Date	02/13/2018		



# 3. Conclusion



- The record grain and soybean harvests forecast for the second year in a row contributed to relatively low prices for basic agricultural products. However, high yields of corn and soybean (particularly in the USA) deplete soil nutrients, requiring increased fertilizer application
- Weaker local currencies in most agricultural markets outside the US, combined with lower fuel costs, support farmer economics and more than compensate for the decline in grain prices
- Low fertilizers imports in Brazil in 2015 will contribute to a significant reduction in carryover stocks, spurring an early resumption of demand in the next year
- The introduction of VAT on all fertilizer sales in China in September as well as higher seasonal internal demand will curb the DAP/MAP exports from China in the short term
- The upcoming seasonal demand in Europe, the US, Central and South America will support a recovery in fertilizer prices in 1Q2016

- RUB depreciation accelerated in autumn, and there is limited potential for significant strengthening before the end of the year, which should offset the low-season price environment
- PhosAgro is in the process of launching new sales offices in Sao Paulo (Brazil), Zug (Switzerland) and Warsaw (Poland), which will strengthen the Company's position in the priority markets of Europe and Latin America. New sales offices will enable PhosAgro to better understand the needs of local customers, help it to react faster to market demand, facilitate promotion of the PhosAgro brand as the supplier of the best-quality phosphate-based fertilizers, and ensure the Company offers local customers the right solutions in terms of nutrient mix
- As a result of the marketing efforts at new sales offices, the Company intends to invest further into expanding the number of NPK and other fertilizer grades it produces
- All major development projects are on track, including the new ammonia plant designed to increase cost efficiency and support further expansion of PhosAgro's complex fertilizer production capacity
- PhosAgro has signed 12-year, EUR 73.4 million loan from UniCredit Bank Czech Republic and Slovakia, a.s. with insurance cover from the Czech Republic Export Guarantee and Insurance Corporation ("EGAP") for the construction of a granulated urea production line with a capacity of 500 thousand tonnes/year at PhosAgro-Cherepovets in the Vologda region.



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*Thank you!*



