



**PHOSAGRO®**

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# **Presentation for 1-on-1 meetings**

**April 2018**



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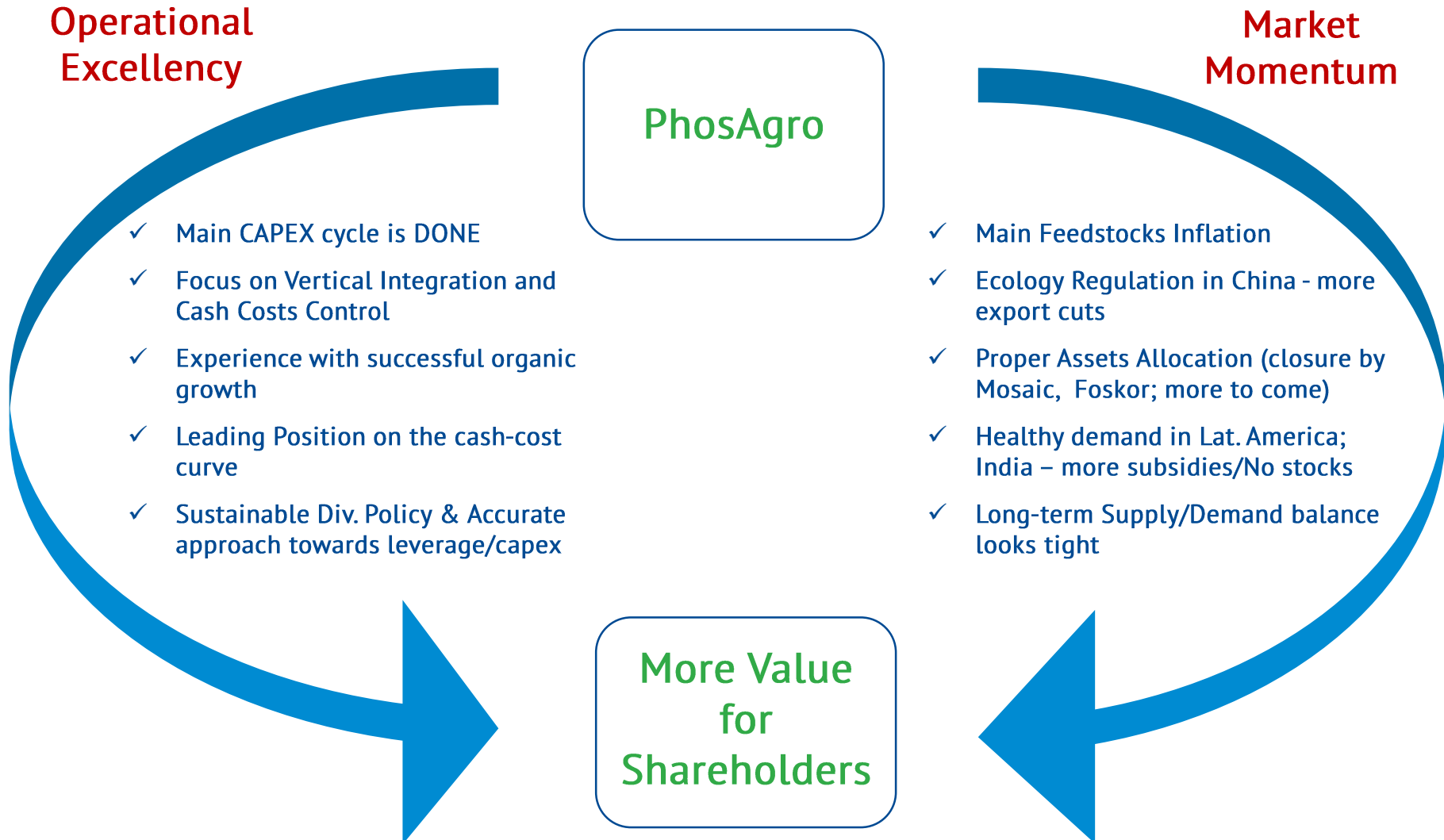
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# Operational Excellency & Market Momentum







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## Sustainable Advantages in a Changing Environment



# PhosAgro at a glance



## World class integrated phosphate producer

- #1 global producer of high-grade phosphate rock
- Top 5 global DAP/MAP producer<sup>(1)</sup>
- Overall fertilizer capacity of 8.3 mln t as of 2017

## Self-sufficiency in key feedstocks provides for low costs

- Strong resource base -70+ years of mines life
- Self-sufficient in major inputs<sup>(2)</sup>: 100% in phosphate rock, 90%+ in ammonia in 4Q17
- The lowest DAP cash cost producer globally and in the 1<sup>st</sup> quartile for urea production

## Flexible production and sales

- Flexible production lines – 46% of phosphate production is fully flexible into NPK
- Top-3 markets: Russia and CIS, Europe and Latin America
- Net back driven sales model with a global presence

## Strong financial profile

- Strong profitability and one of the highest gross margins in phosphate segment
- Corporate Ratings: BBB-/Baa3/BBB-
- The lowest leverage among global and domestic peers
- Mid-term goal is to return capex to normal level (up to 50% of adj. EBITDA)

## High corporate governance standards

- Transparent ownership structure with 25.9% shares in free float
- 6 INED members of the Board of Directors
- Dual listing on LSE and MoEx since 2011 and membership in MSCI Russia Index
- Dividend payout (based on adj. NI) is 30-50%

## Key metrics

RUB mln	2014	2015	2016	2017
Fertilizers sales, mln t	6.1	6.6	7.2	8.1
Revenue	123.1	189.7	187.7	181.4
Adjusted <sup>(4)</sup> EBITDA	37.6	82.5	72.4	51.3
Adjusted <sup>(4)</sup> EBITDA margin	30.5%	43.5%	38.6%	28.3%
Net profit	-13.4	36.4	59.9	25.3
Adjusted <sup>(4)</sup> net profit	20.2	58.6	42.9	21.2
Adjusted <sup>(4)</sup> net margin	16.4%	30.9%	22.9%	11.7%
Net debt / LTM EBITDA (x)	2.5x	1.3x	1.5x	2.3x

## Shareholders structure <sup>(5)</sup>

Free Float  
25.87%

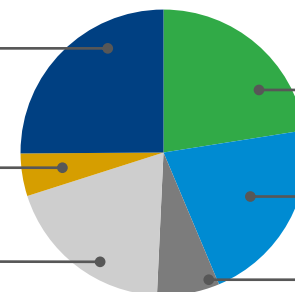
Evgeniya Guryeva  
4.82%

Vladimir Litvinenko  
19.35%

Chlodwig Enterprises Limited  
22.51%

Adorabella Limited  
21.15%

Igor Antoshin  
6.30%



Note: (1) Excluding Chinese producers

(2) Self –sufficiency depends on the composition of the products produced by PhosAgro

(3) After the launch of ammonia plant, the Company has become 100% self-sufficient in ammonia

(4) Adjusted for non-cash FX items

(5) Based on information available to the Company the shares of Chlodwig Enterprises Limited and Adorabella Limited are held in trusts where the economic beneficiaries are Mr. Andrey Guriev and members of his family

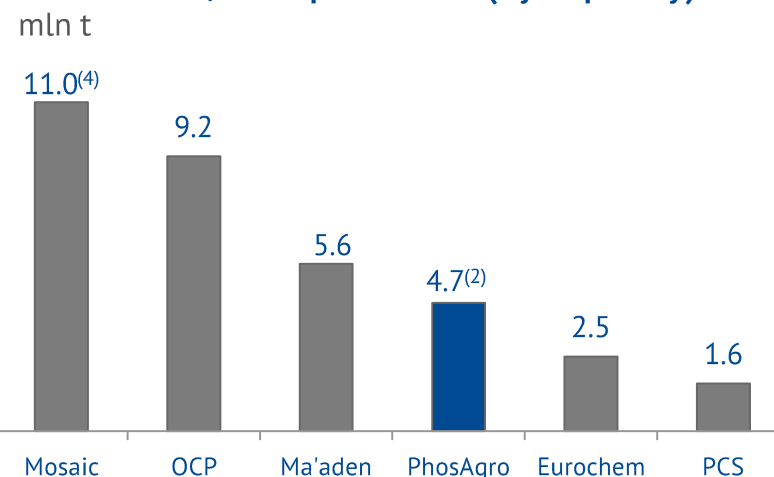
Source: IFA, CRU, companies data, PhosAgro

# Market position

## Comments

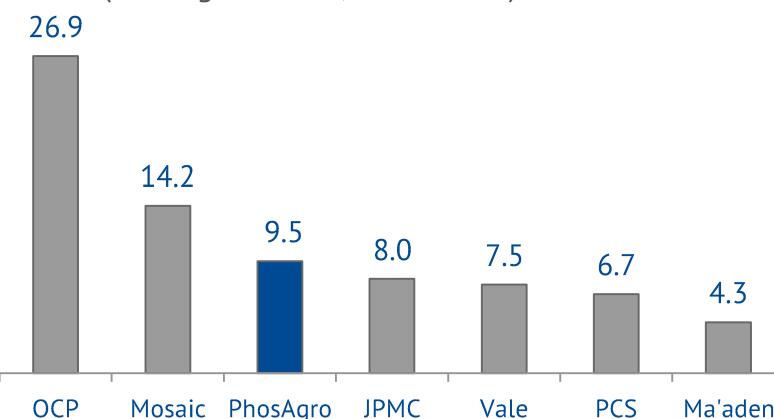
- ✓ Top-3 producer of phosphate rock global by capacity and the leader in production of high-grade phosphate rock with  $P_2O_5$  content of over 35.7%
- ✓ Top-5 global producer of DAP/MAP by capacity
- ✓ The Company is the largest supplier of DAP/MAP and NPK fertilizers to Russia with the market share of 75% and 55%, respectively. The second largest supplier holds less than 20% in each market
- ✓ PhosAgro has strong market positions on premium European market and fast-growing Latin America market

## Global DAP/MAP producers (by capacity)<sup>(1)</sup>



## Global producers of PhosRock (by capacity)

mln t (PhosAgro – 2017, rest – 2016)



## PhosAgro market share in 2016

	DAP/MAP	NPK
Russia <sup>(3)</sup>	75%	55%
Europe	19%	13%
Latin America	9%	10%

Notes:(1) Excluding Chinese producers

(2) Production of all phosphate fertilizers converted into DAP/MAP by the average grade

(3) Based on production volumes (4) Including Vale assets

Source: IFA, CRU, companies data, PhosAgro

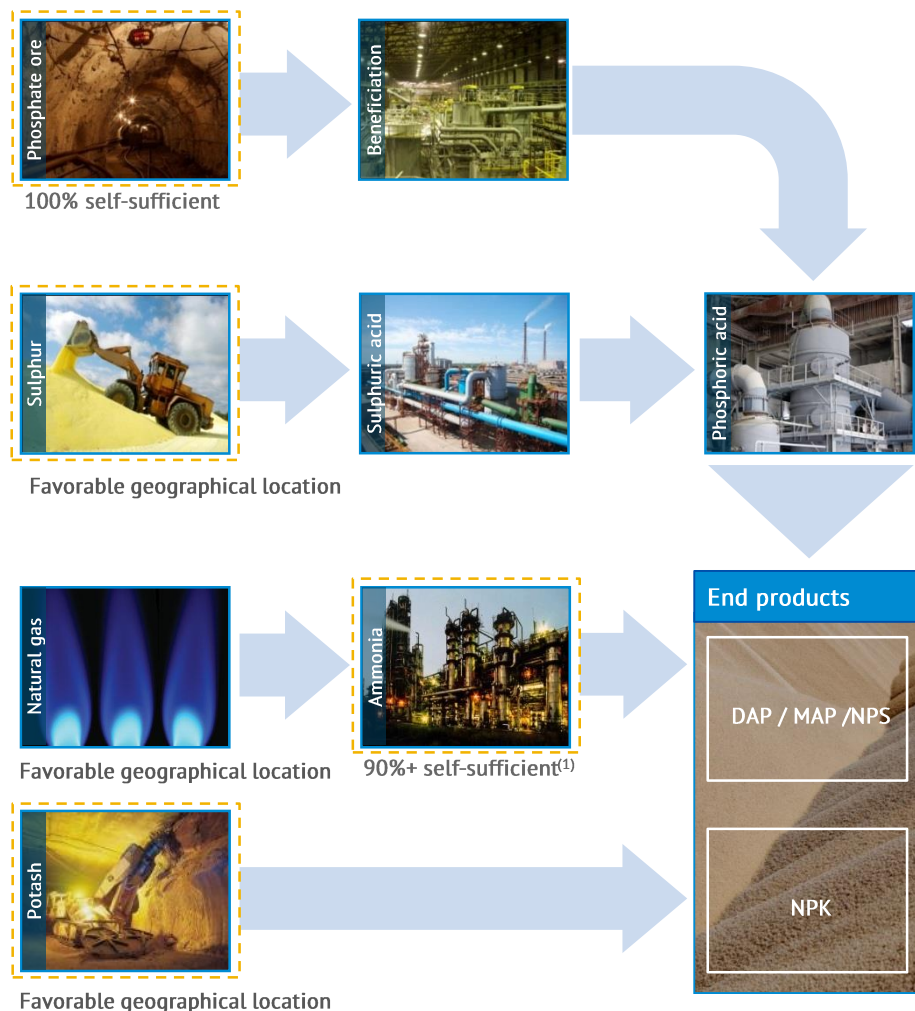
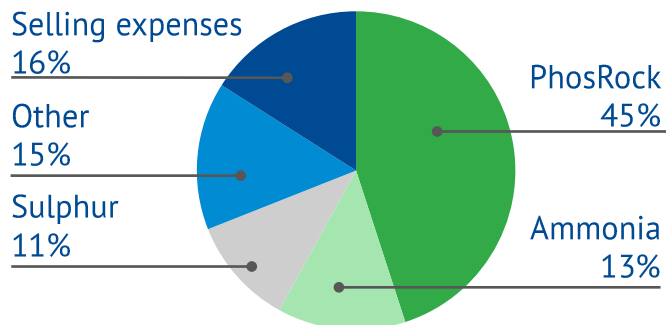
# Vertical integration

## Comments

- ✓ Production of phosphate fertilizers is very complex and require 3 types of feedstocks: 1) phosphate rock or acid, 2) sulphur or sulphuric acid and 3) ammonia. In addition, NPK fertilizers production requires potash.
- ✓ PhosAgro is the global leader in production of high-grade phosphate rock
- ✓ After the launch of new 760 ktpa ammonia facility in 4Q17, PhosAgro has become 90%+ self-sufficient in the feedstock
- ✓ PhosAgro secures the access to local supplies of sulphur at competitive prices
- ✓ Vertical integration secures margins against growing feedstock prices

## DAP cash cost at FOB breakdown in 2017

RUB



Note: (1) After the launch of ammonia plant in 4Q 2017

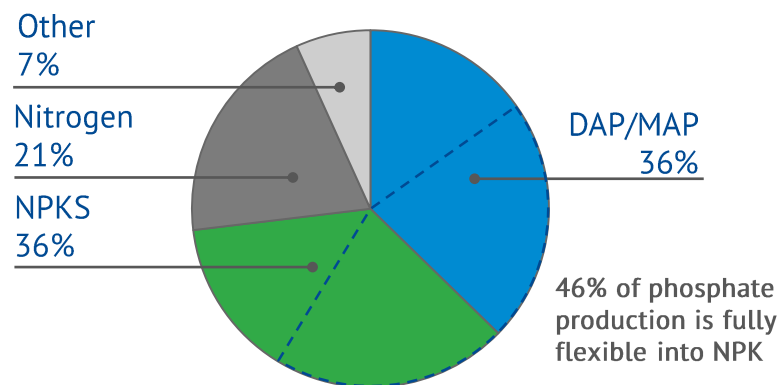
# Flexible production model and key products

## Comments

- ✓ Key products for sale – phosphate-based products that contribute to 90% of revenue in 2017, of which MAP/DAP/NPKs account for almost 70%
- ✓ PhosAgro is able to produce MAP, DAP, NPK and NPS on the same production lines with 3.0 mln t of phosphate production fully flexible into NPK
- ✓ Special focus of PhosAgro on value-added NPKs secures extra margins vs. the basket of separate nutrients
- ✓ Quality of phosphate rock enables the Company to achieve high utilization rates, while flexibility of production helps to optimize netback prices

## PhosAgro fertilizer production structure

2017, %



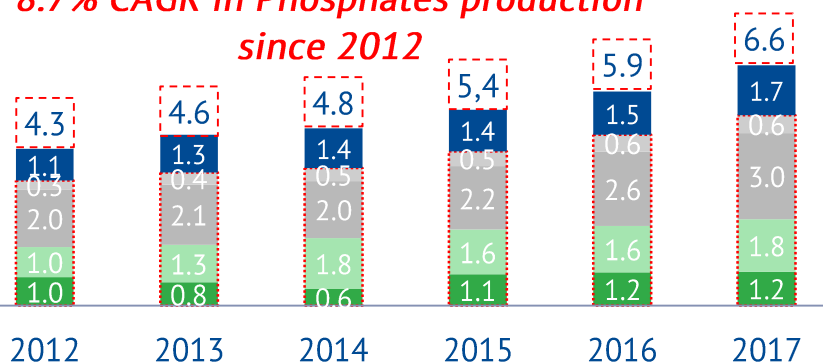
## Fertilizer production dynamics

mln t

■ DAP ■ MAP ■ NPK/NPS ■ Other P2O5-based ■ All P2O5 ■ Nitrogen

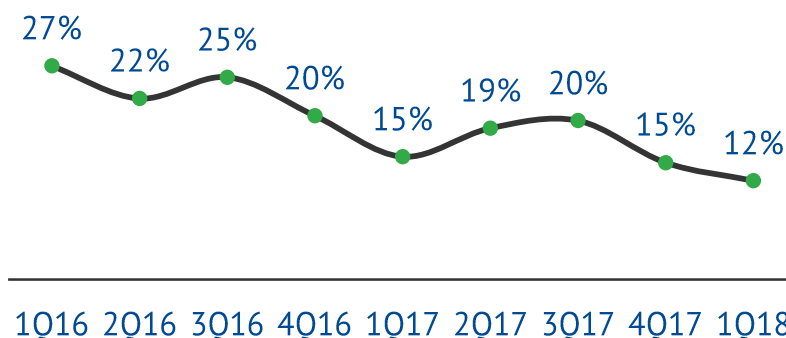
**8.7% CAGR in Phosphates production**

**since 2012**



## NPK premium dynamics

%



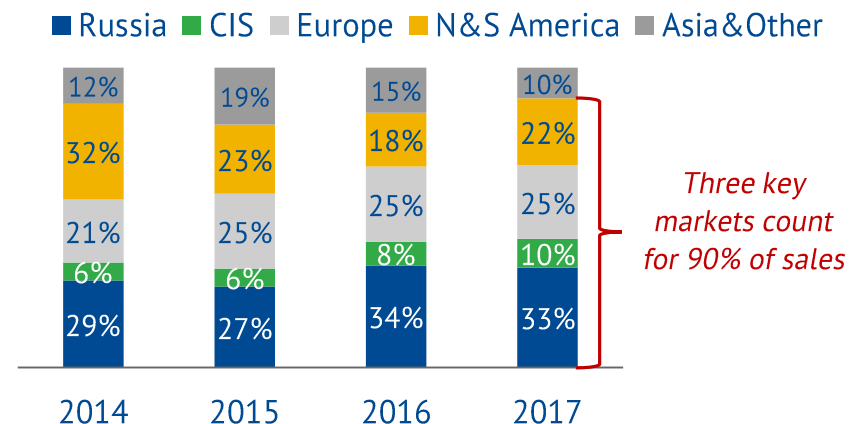


# Key markets

## Comments

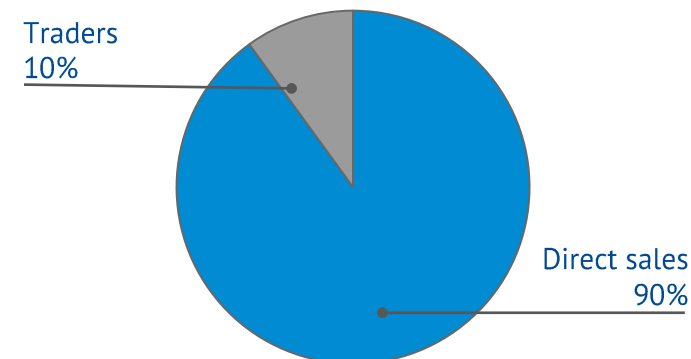
- ✓ The priority markets for the Company are Russia&CIS, Europe, North and South America, which contributed circa 90% to revenue in FY2017
- ✓ Ca. 90% of sales are direct sales to end-customers, while the rest via traders vs. only ca. 20% of direct sales in 2011
- ✓ PhosAgro is the largest supplier of MAP and NPK in Russia with a market share of 80% and 60%, respectively, in 2017
- ✓ PhosAgro's sales of phosphate fertilizers to domestic market grow faster than the market consumption for the second consecutive year pushing market share higher

## Revenue breakdown by regions



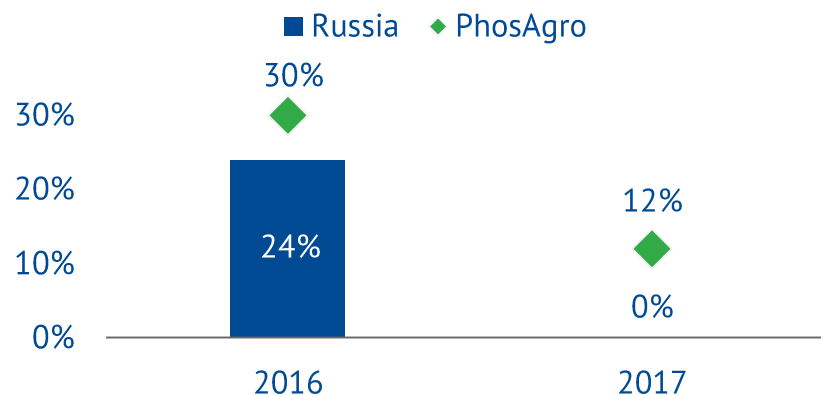
## PhosAgro sales breakdown in 2017

RUB



## Group's phosphates sales growth in Russia

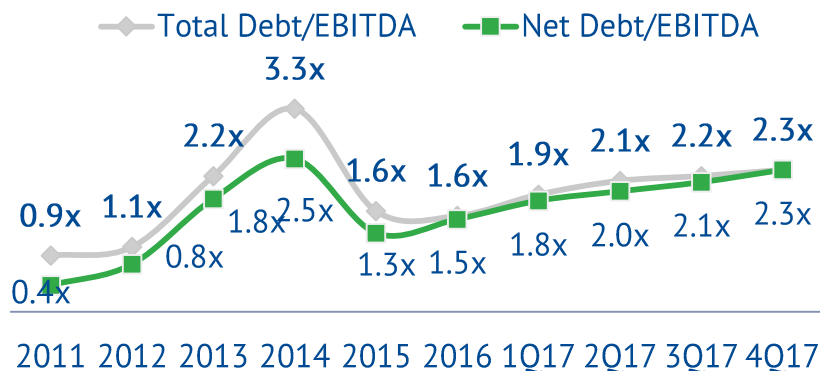
%, y-o-y



# Key corporate policies

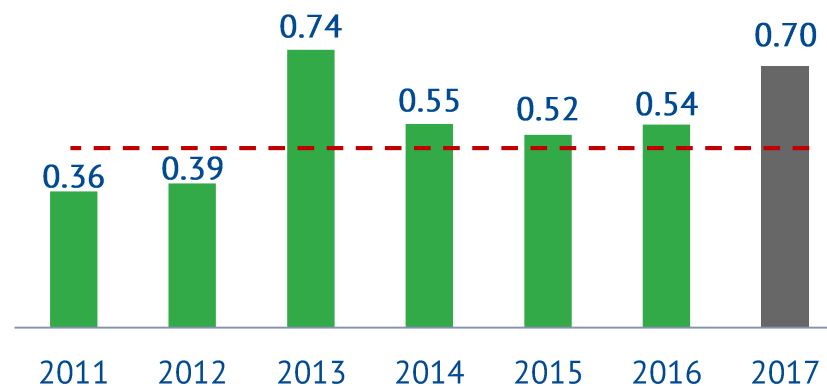
## Net debt/EBITDA ratio

X



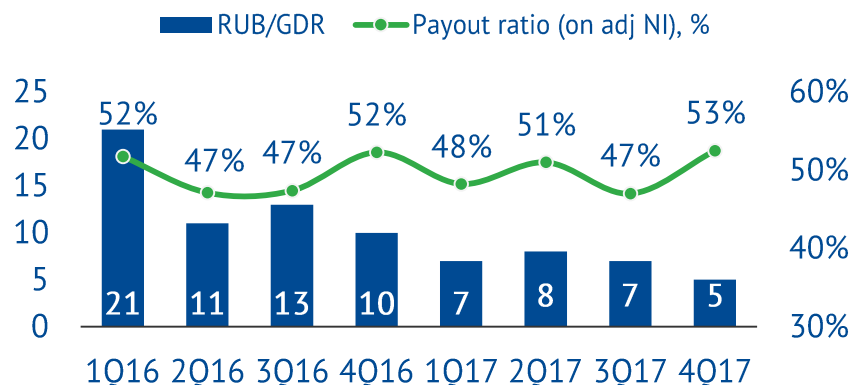
## CAPEX/EBITDA ratio

X



## Dividend payout

%



## Key corporate policies are intact

- ✓ Net Debt/EBITDA target is 1
- ✓ Capex/EBITDA ratio is 0.5
- ✓ Dividend payout (based on adjusted NI) is 50%



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# Financial Review



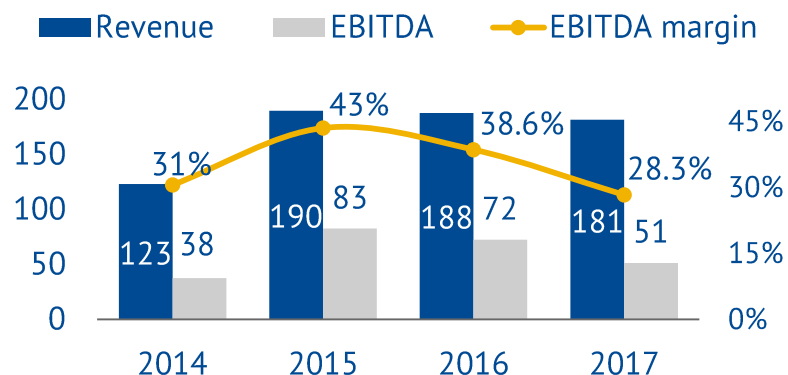
# Key financials

## Comments

- ✓ 2017 Revenue slipped 3% y-o-y to RUB 181.4 bln on the back of lagging price effect and RUB appreciation
- ✓ Adjusted EBITDA fell to RUB 51 bln from RUB 72 bln in 2016, as Ruble appreciation, cost inflation and surged expenses on transportation completely offset the growth of sales in volumes. Therefore adjusted EBITDA margin was at 28.3% compared to 38.6% in 2016
- ✓ Despite challenging pricing environment, PhosAgro managed to pass the peak of its capex-intensive cycle, completing ammonia and urea units ahead of recovery in fertilizer market.

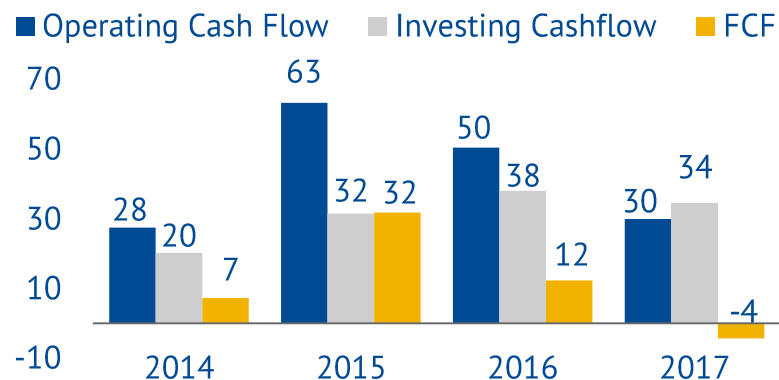
## Revenue and EBITDA performance

RUB bln



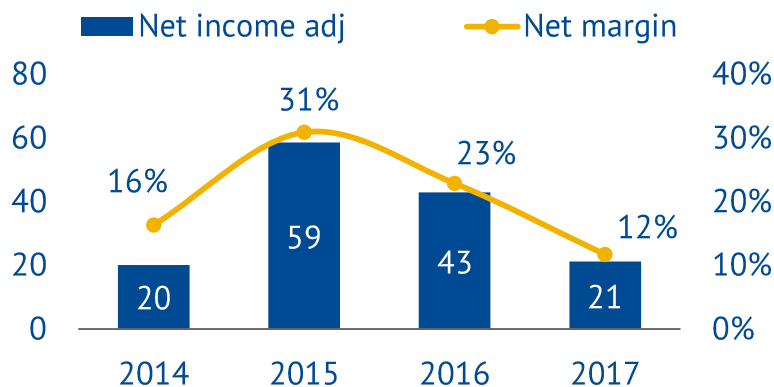
## Operating and free cash flow

RUB bln



## Net Income and Net Margin performance

RUB bln



Note: (1) FCF is defined as cash flows from operating activities (operating cashflow) minus cash flows used in investing activities (investing cashflow)

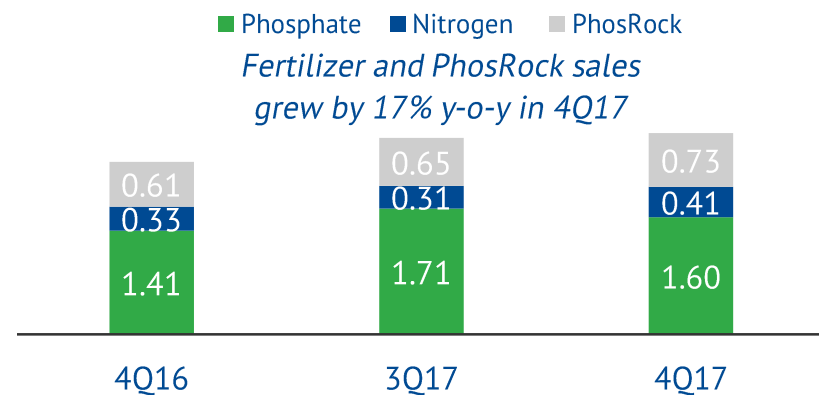
(2) Net income and net margin adjusted to exclude the impact of FX gain/loss

Source: PhosAgro

# Market Context

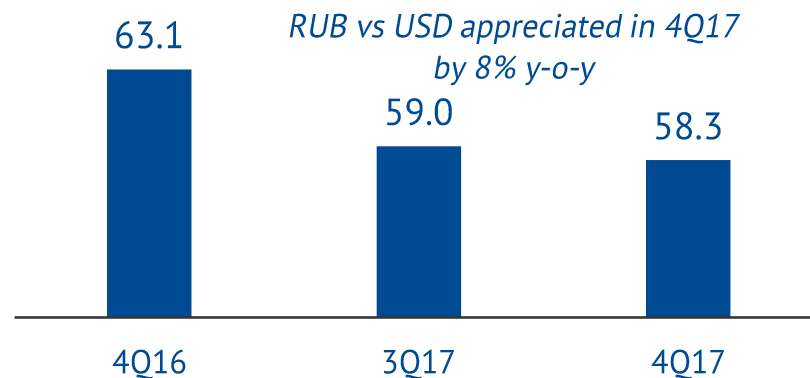
## Strong sales in 4Q 2017...

Fertilizer and PhosRock sales, mln t



## Were offset by y-o-y RUB appreciation

RUB per USD



## EBITDA bridge

RUB bln

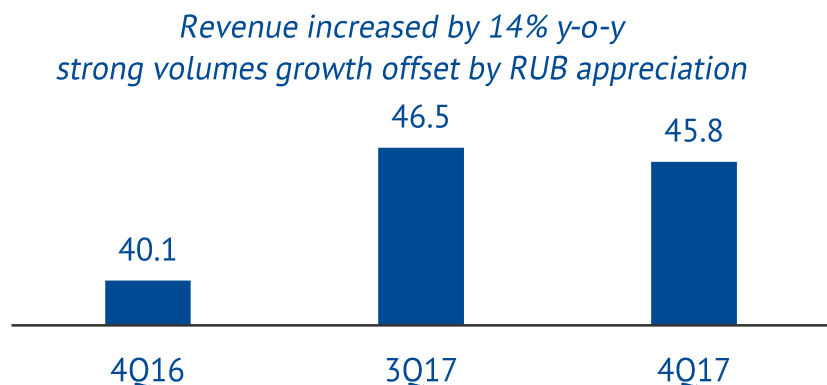




# 4Q17 Revenue Breakdown

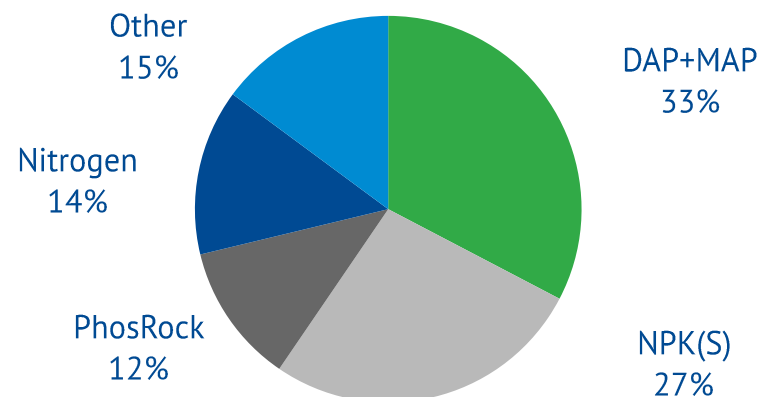
## Revenue dynamics in 4Q17

RUB bln



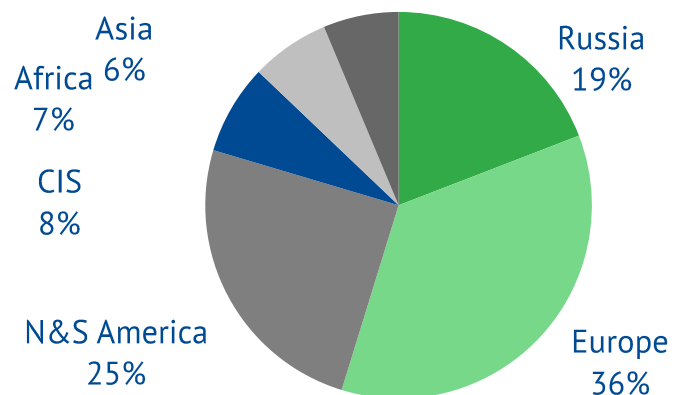
## Revenue by key products in 4Q17

%



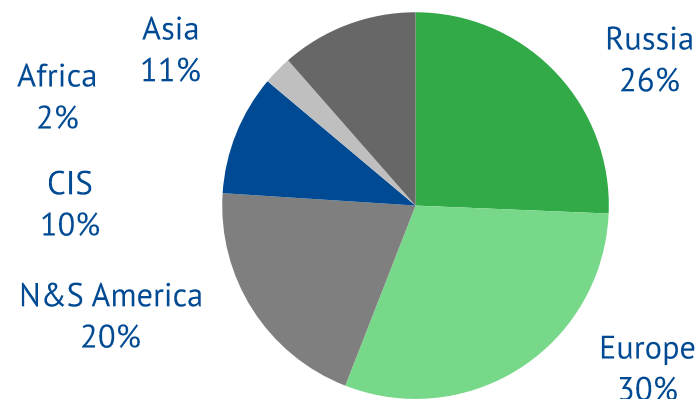
## Revenue by key regions in 4Q17

%



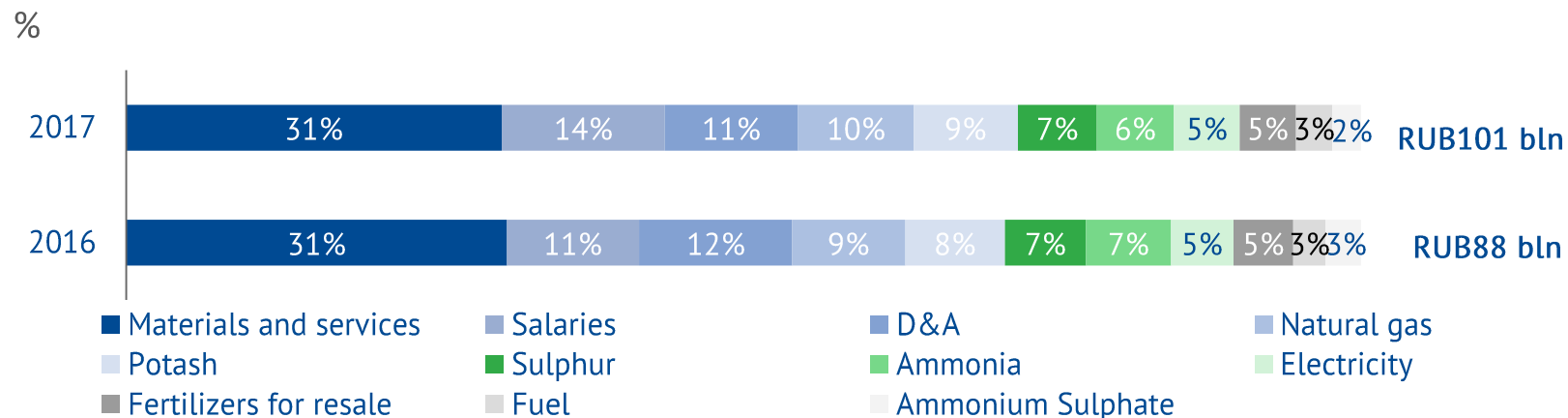
## Revenue by key regions in 4Q16

%



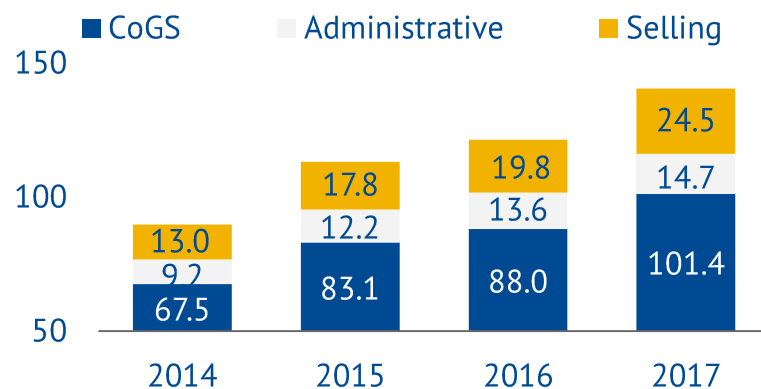
# Cost analysis

## Cost of Goods Sold Structure



## Dynamics of major cost items

RUB bln



## CoGS dynamics 2017 vs 2016

%



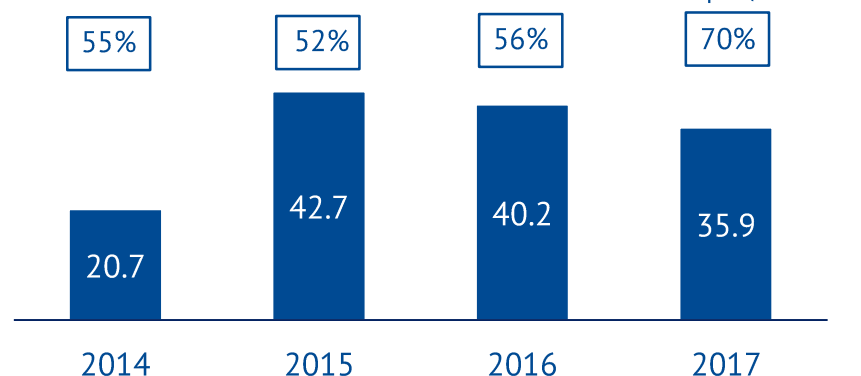
# Capex review and outlook

## Comments

- ✓ The Company has successfully passed the peak of its capex-intensive period, completing ammonia and urea units.
- ✓ Major investment projects were completed in 2015-2017
- ✓ No plans to undertake any new significant capital expenditure investments in 2018-2019
- ✓ Consequently, going forward Capex/EBITDA ratio target is below 0.5x

## Capex dynamics<sup>(1)</sup>

RUB bln



## Key Completed Projects in 2015-2017:

- ✓ Construction of 760 th t/year ammonia plant
- ✓ Construction of 500 th t/year urea plant
- ✓ Development of Kirovsky mine
- ✓ Ammonia pipeline to Balakovo

## Key Projects in 2018-2019:

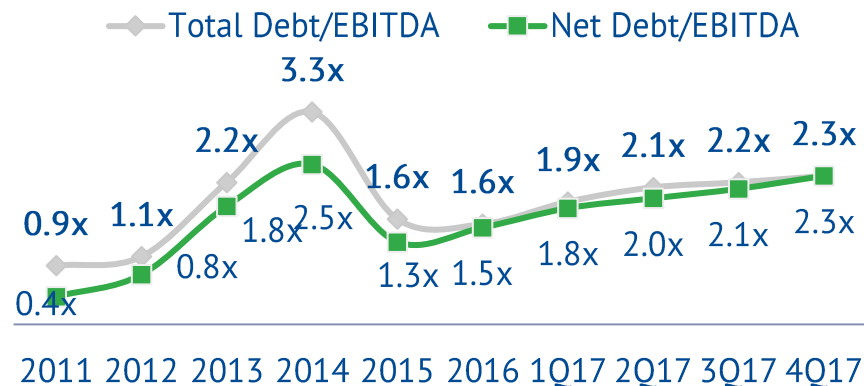
- ❑ Construction of sulphuric acid plant in Cherepovets
- ❑ Sludge collector #2 for phosphogypsum
- ❑ Construction of ammonium sulphate plant
- ❑ Conveyor system at Kirovsk branch
- ❑ Modernization of phosphoric acid production

# Debt overview

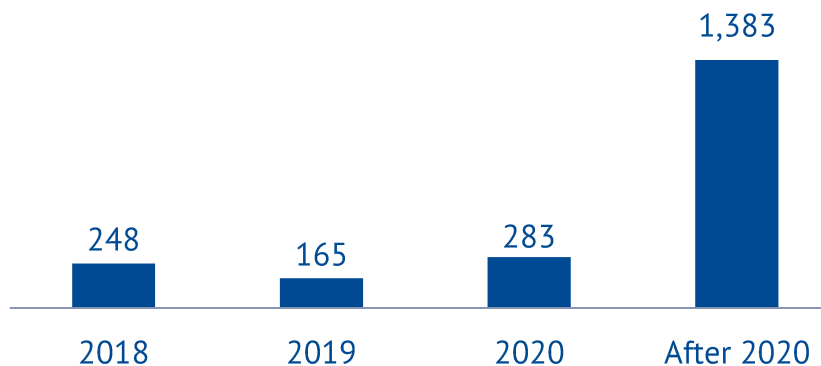
## Comments

- ✓ Net Debt as of end-December stood at RUB 120 bln, representing a Net Debt / EBITDA ratio of 2.3x.
- ✓ PhosAgro mid-term targeted leverage level is Net Debt/EBITDA of 1.0x, mainly driven by EBITDA growth
- ✓ Most of the Company's debt is denominated in US Dollars and naturally hedged by USD-denominated sales

## Debt/EBITDA Ratios



## Maturity profile as of 31Dec 2017 mln USD





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# Fertilizer Industry



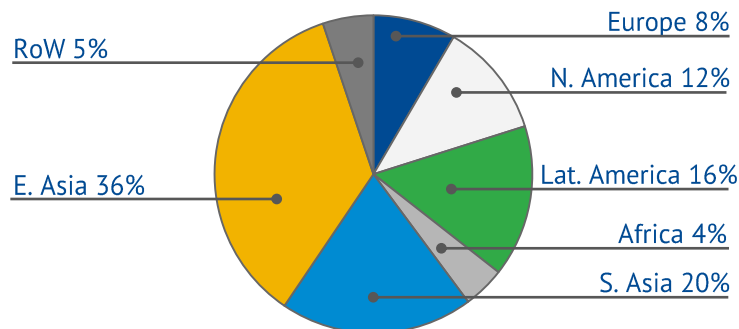


# Phosphate fertilizers: demand

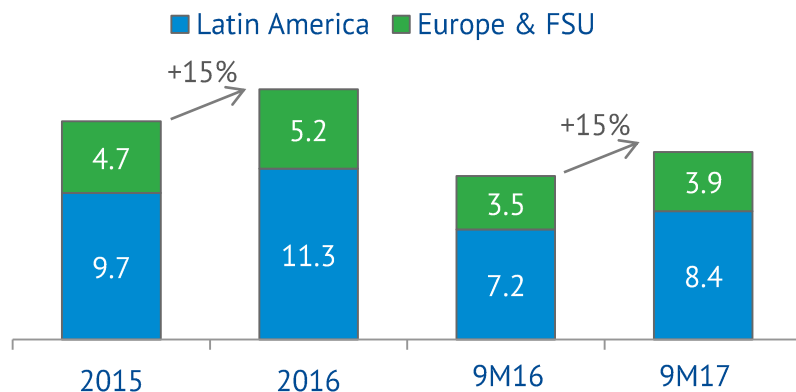
## Comments

- ✓ Brazil: phosphate imports grew by 30%+ y-o-y in FY17 to 3.6 mln t  $P_2O_5$
- ✓ India: DAP imports decreased by 10% y-o-y to 4.0 mln t in 2017 which is coupled with 60% y-o-y drop in inventories
- ✓ Russia: DAP/MAP/NPK demand remained flat y-o-y at 2.4 mln t in 2017
- ✓ Strong soft commodity production 2017YTD assumes high removal rates for phosphate fertilizers
- ✓ In October 2017 European Parliament adopted new regulation on cadmium limits in phosphate fertilizers

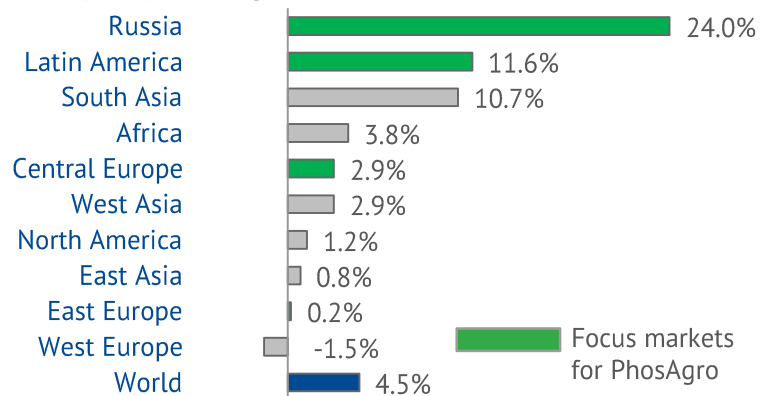
## Regional breakdown of phosphates consumption (in nutrients in 2016)



## Phosphate imports of PhosAgro's focus markets mln t of DAP/MAP/NPS/TPS



## Regional growth in phosphate demand % y-o-y change in 2016



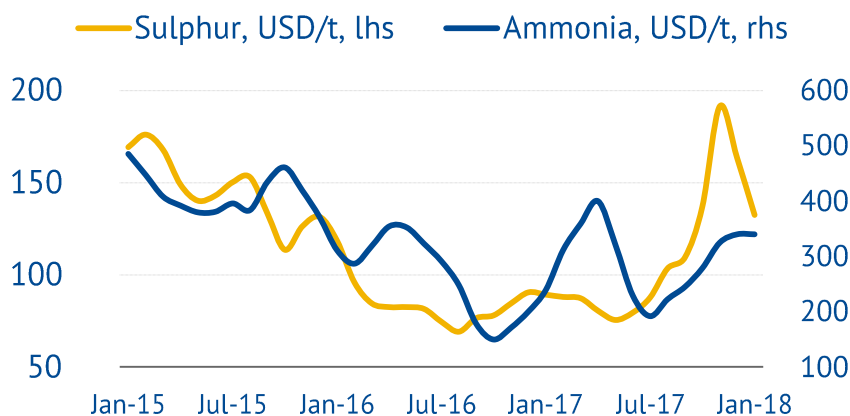
# Phosphate fertilizers: supply

## Comments

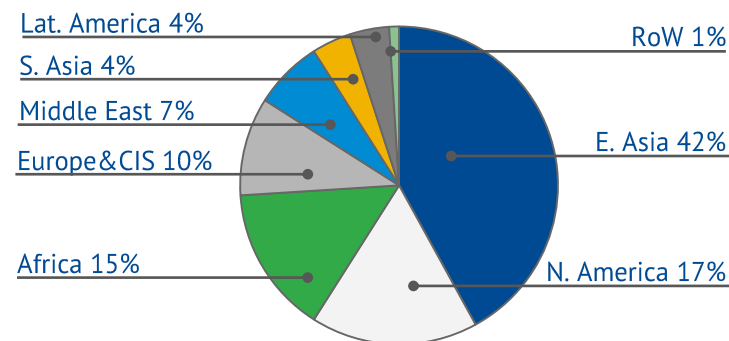
- ✓ Recent rally in the main feedstock prices, ammonia and sulphur, has led to significant inflation in the industry cash costs, especially for Chinese producers
- ✓ China: export of phosphates grew by 10% y-o-y to 11.0 mln t in 2017 though collapsed by 30% y-o-y in 4Q17
- ✓ China: stricter regulation on air pollution, health and safety. Water tax is introduced since December 1, 2017
- ✓ Mosaic idled 950 ktpa  $P_2O_5$  Plant City facility for at least 1 year effective 1 January 2018, which should help balancing the supply
- ✓ New projects: JPH-3 by OCP was completed in 1Q17, Ma'aden JV-2 was launched in 3Q17, JPH-4 is delayed by 1H18

## Key feedstock price dynamics

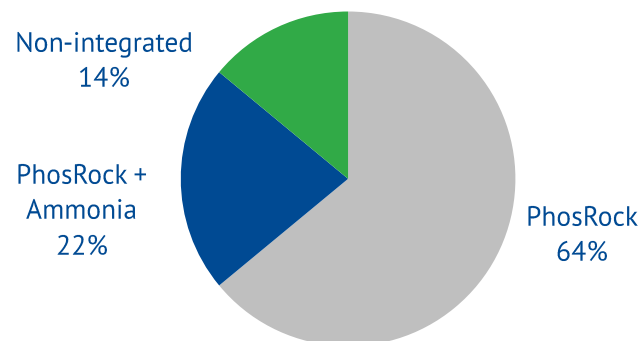
Sulphur and Ammonia (USD/t, FOB M. East)



## Regional breakdown of phosphates production (in nutrients in 2016)



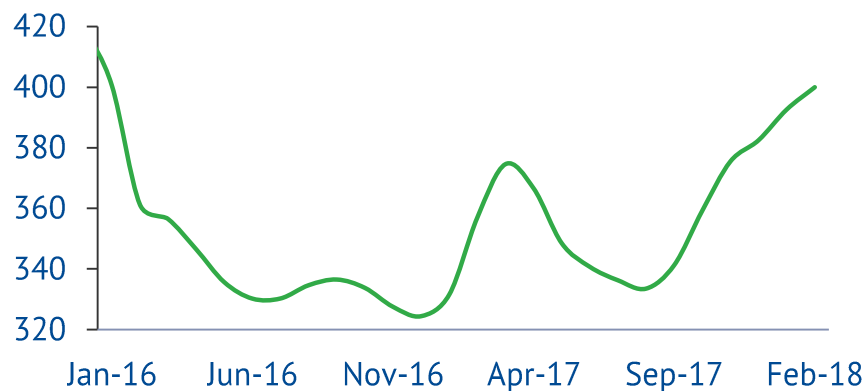
## Industry breakdown by scale of integration % of integrated players



# Phosphates Price Performance

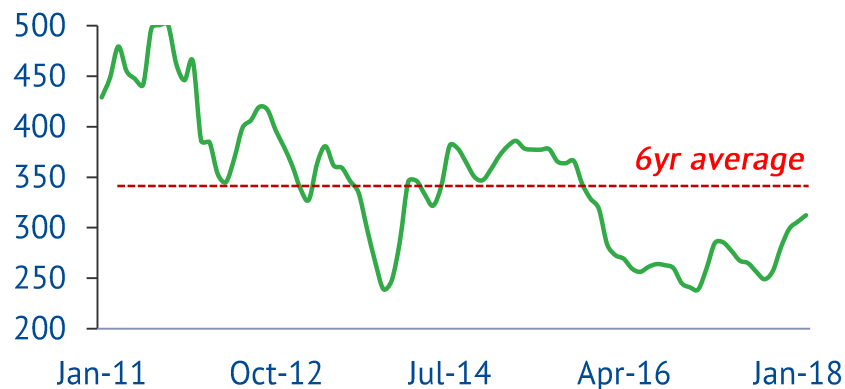
## DAP price performance

USD/t, FOB Baltics



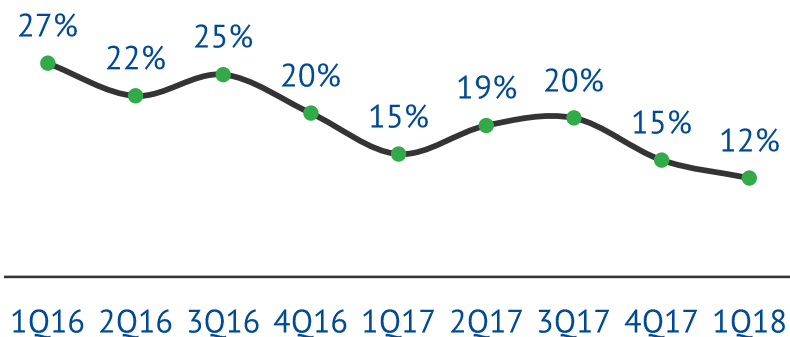
## Dynamics in "pure" P

DAP net of N component<sup>(1)</sup> dynamics, USD/t



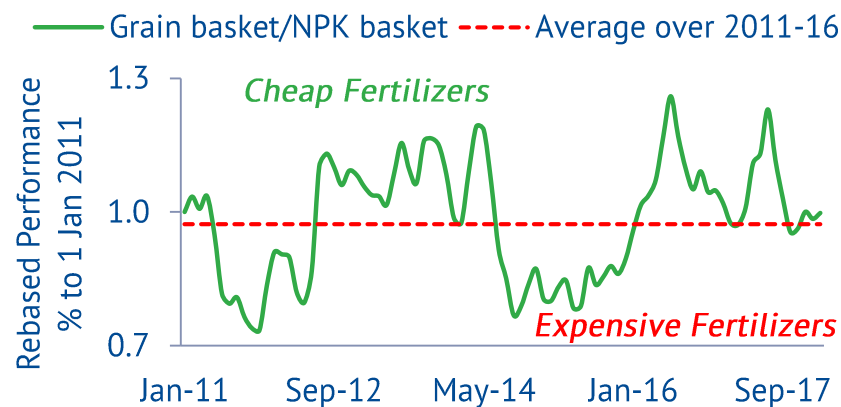
## NPK price performance

NPK (16-16-16) FOB Baltics Premium/Discount<sup>(2)</sup>



## Fertilizers vs. Soft Commodities

Dynamics in Grain basket/NPK basket<sup>(3)</sup>



Note: (1) Calculated as DAP (FOB Baltics) – Urea (FOB Baltics)\*18/46

(2) Premium/Discount to main nutrients, %

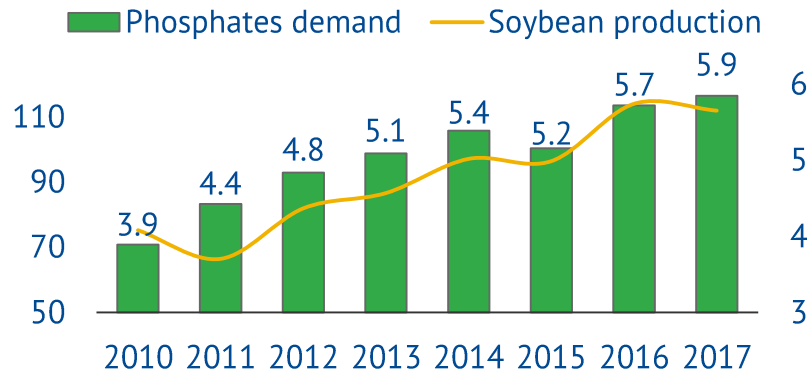
(3) Rebased Performance % to 1 Jan 2011

Source: CRU, PhosAgro

# Fertilizer industry – Latin America

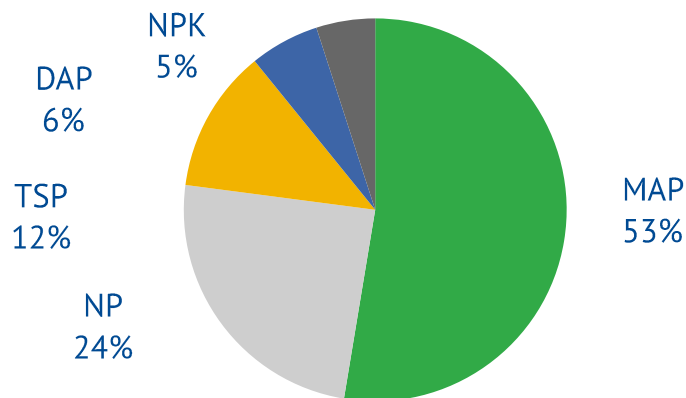
## Main focus on soybean production

Soybean prod. (mln t, lhs) and  $P_2O_5$  demand (mln t, rhs)



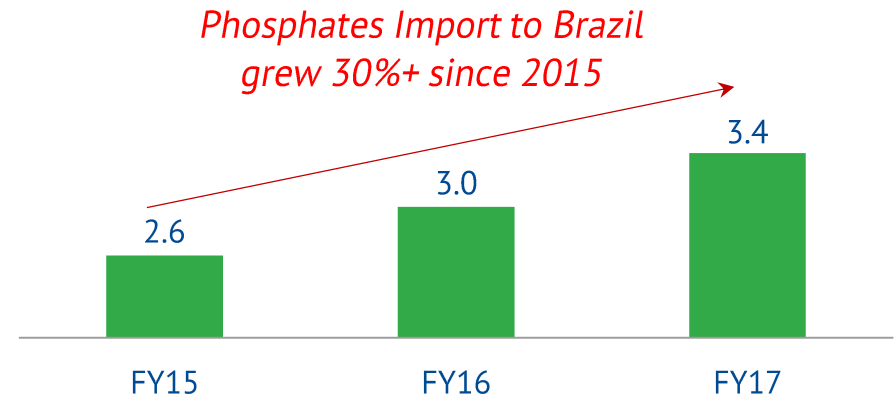
## Product structure of phosphates import

% in  $P_2O_5$ , FY2017



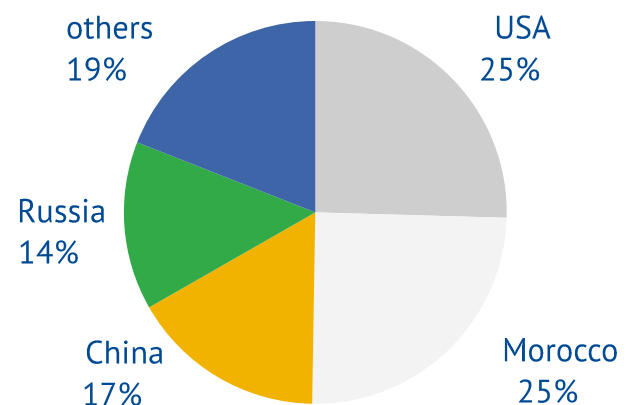
## $P_2O_5$ Import to Brazil added 30%+ in 2017

$P_2O_5$  '000 t



## Key Importers of phosphates to Brazil

% in  $P_2O_5$ , FY2017

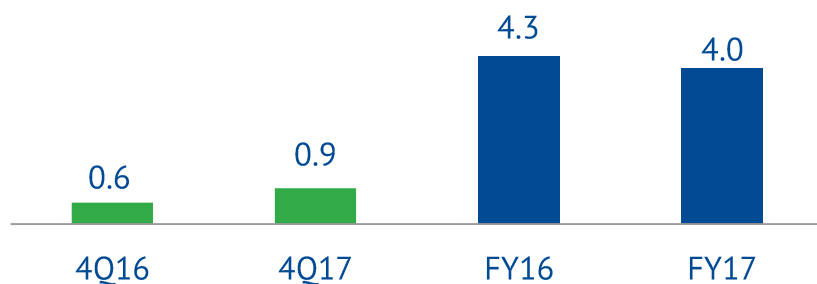


# Fertilizer industry – India

## DAP Imports to India

mln t

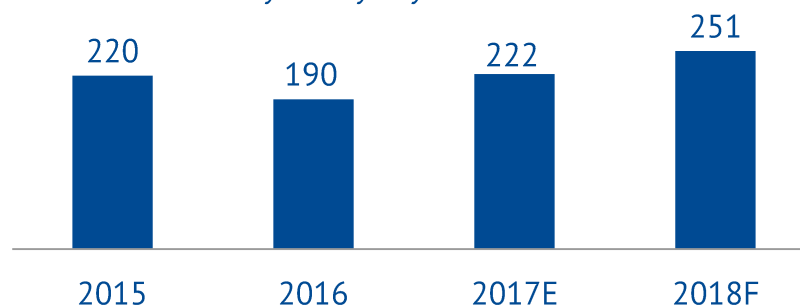
*DAP imports to India decreased 10% y-o-y in 2017 but accelerated in 4Q*



## Subsidies for P&K in India

INR bln

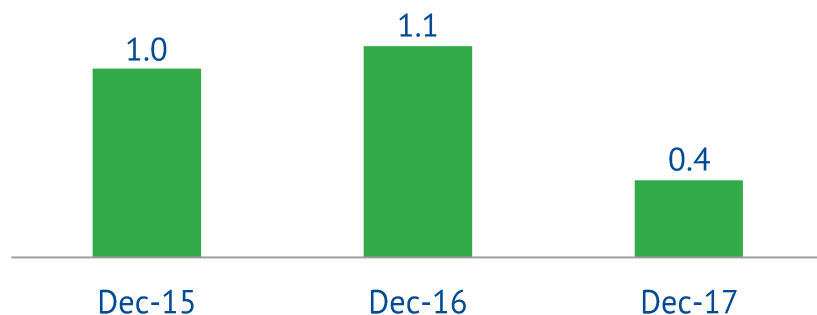
*Subsidy for P&K to grow by 13% y-o-y in 2018*



## Dynamics in DAP inventories

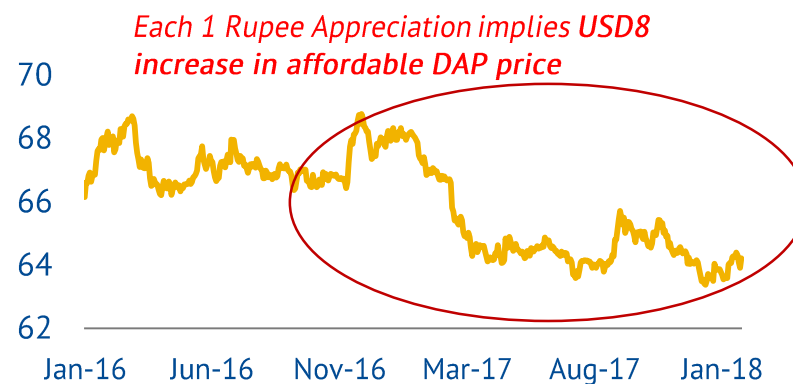
mln t

*DAP inventories dropped by 60% y-o-y*



## Strong rupee to support import

INR/USD exchange rate

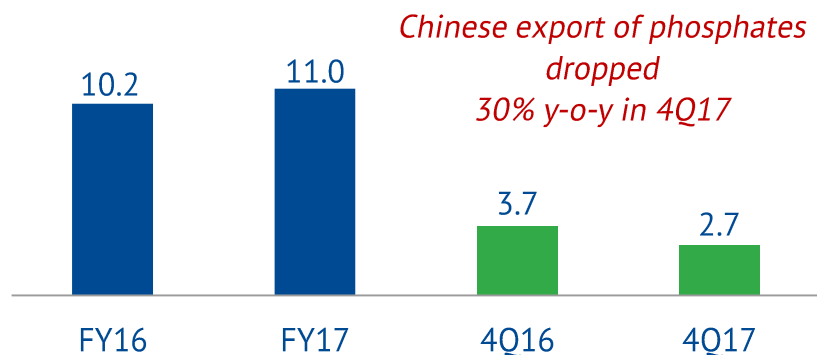




# China – focus on cash costs

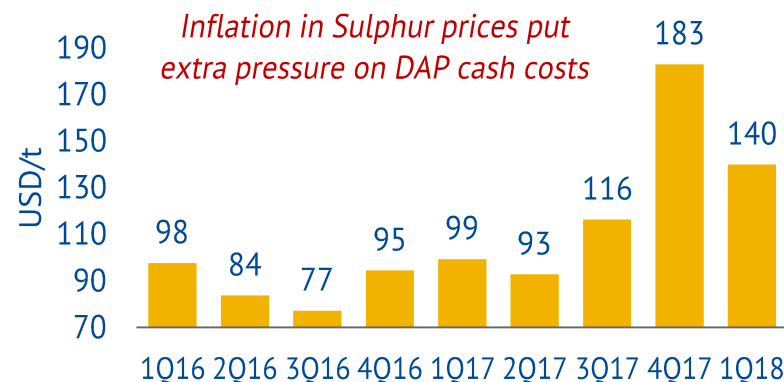
## Export of phosphates from China

mln t



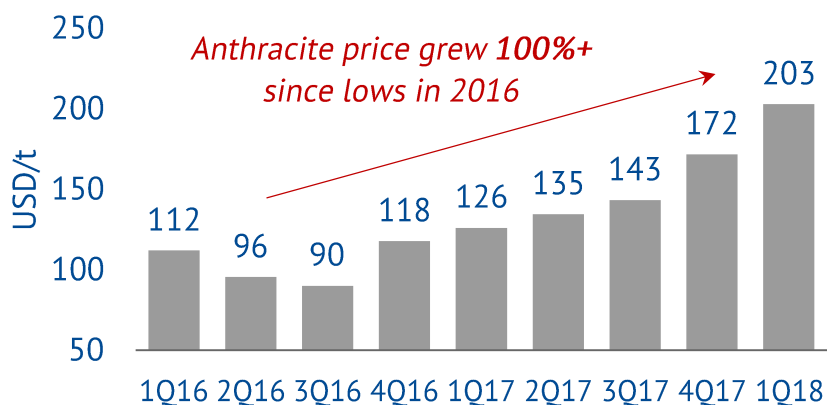
## Sulphur price in China moves upward

Sulphur price, USD/t, CFR China (Granular)



## Coal price pushes ammonia and DAP cash costs up

Anthracite price (USD/t Mid-lump Jincheng FOT)



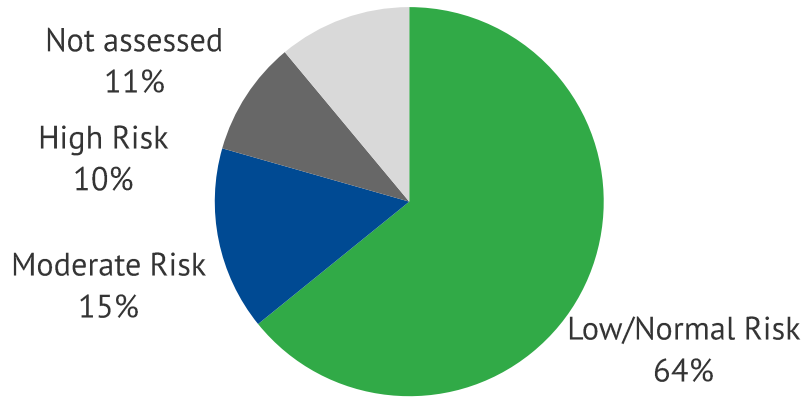
## Ammonia market price in China

USD/t

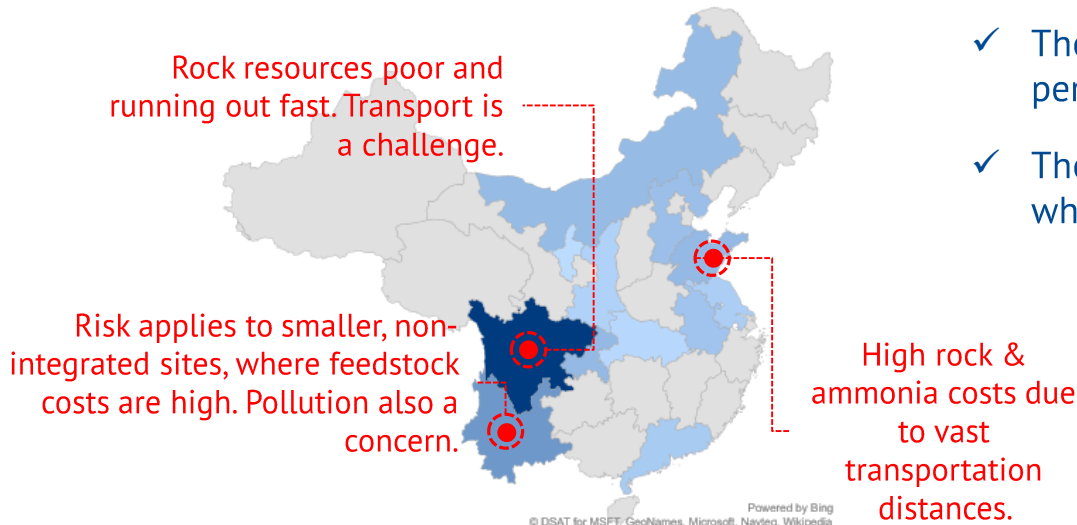


# China – environmental issues in the spotlight

## Assessment of Chinese phosphate production



## Areas most at risk of closure



## China's environmental efforts

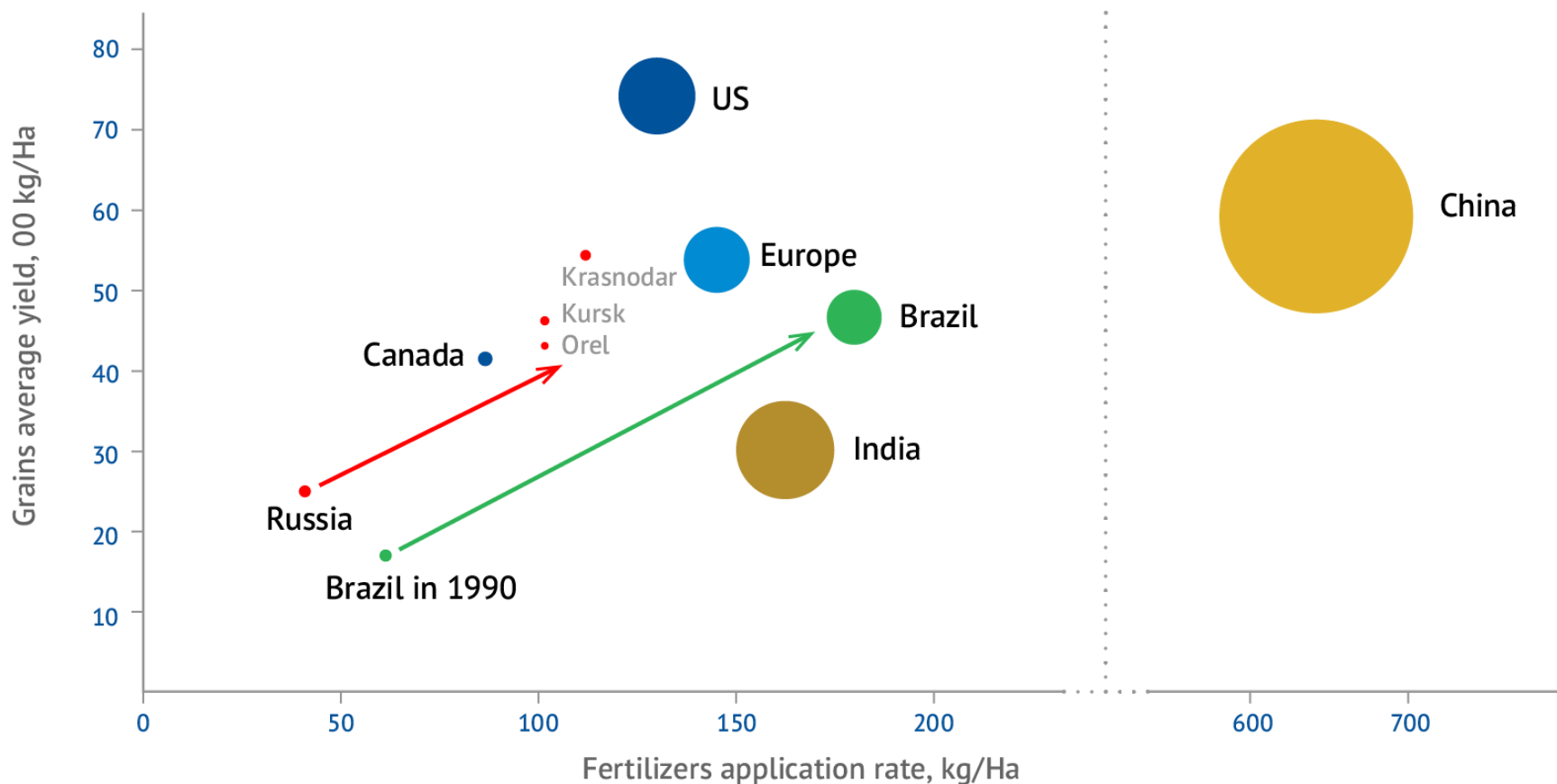
- ✓ A new **federal bureau of environmental investigation** has been set up in China to look into industrial pollution.
- ✓ **260 inspectors** have been specifically trained to monitor air, water, noise and odour emissions
- ✓ Inspections will begin in the north of country, but **will move to Sichuan, Chongqing and Hubei** in March.
- ✓ The efforts are likely to accelerate the idling and permanent closure of **old MAP plants**.
- ✓ The nitrogen industry is also likely to be impacted, which could raise **raw materials prices**.

# Domestic market – more space for growth

Fertilizer application rate and average grain yield,  
kg/Ha and 00 kg/Ha

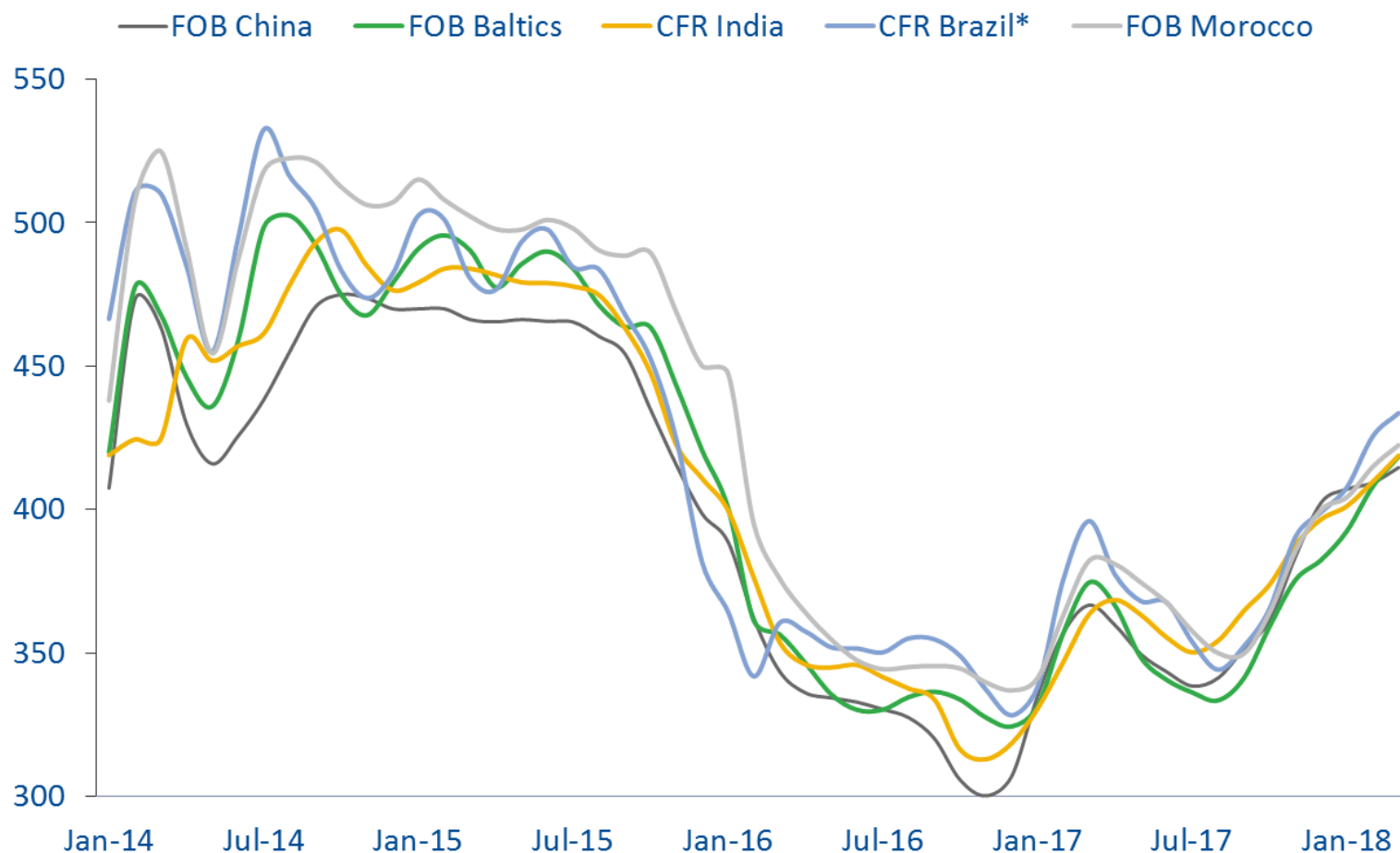


Total Fertilizers consumption



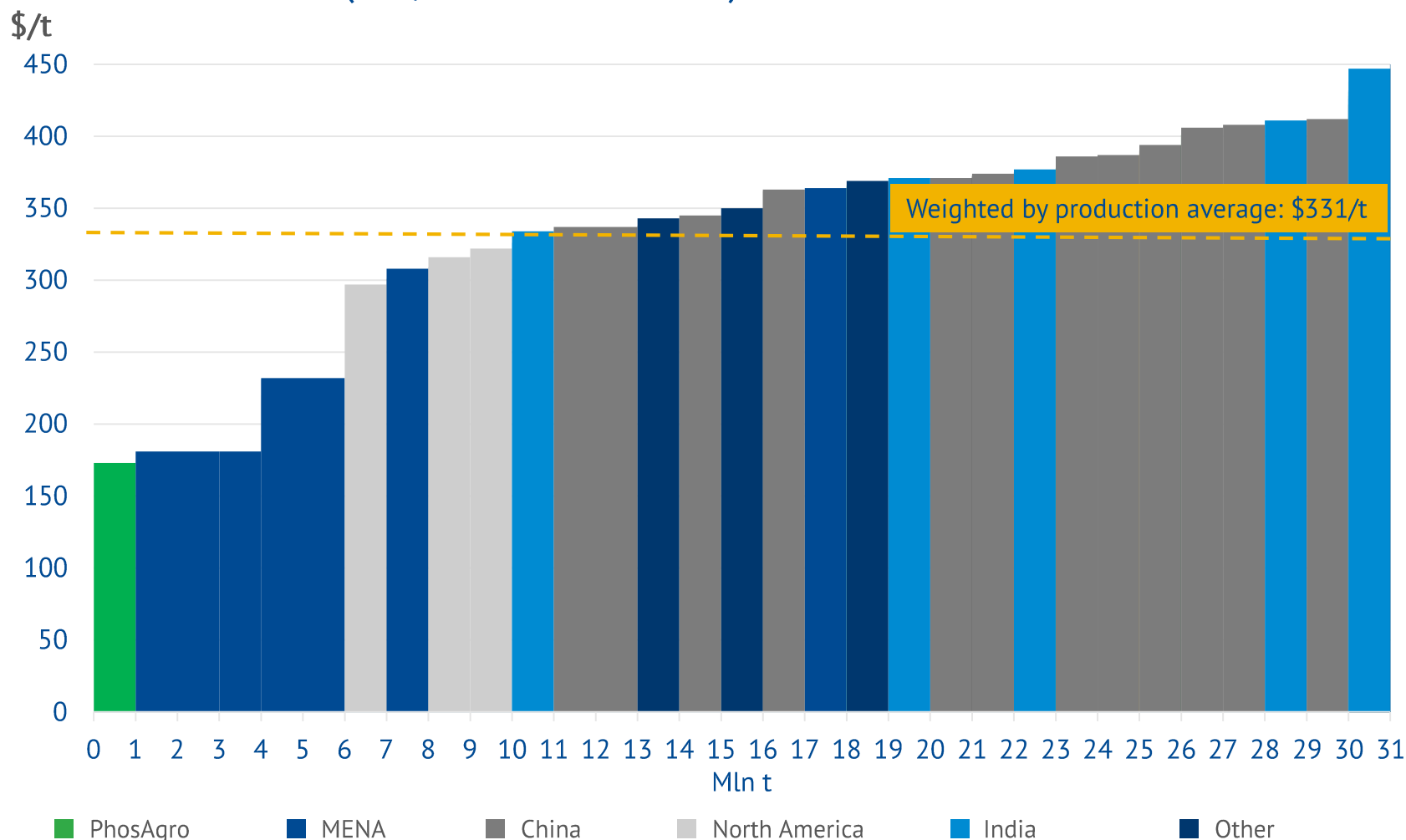
# DAP Price Performance

DAP price performance  
USD/t



# Lowest cash costs in the industry

DAP business cash cost (FOB, as of November 2017)







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## Appendix



# Our production assets

## Kirovsk Branch of Apatit



### Resources<sup>(1)</sup>

Apatite-nepheline ore:  
2.07 bln t

Al<sub>2</sub>O<sub>3</sub>: over 280 mln t

REO<sup>(2)</sup>: 7.5 mn t

### Capacity by product

Phosphate rock: 9.5 mln t

### Highlights

- Largest standalone global producer of high grade phosphate rock<sup>(3)</sup>
- Standard grade – P<sub>2</sub>O<sub>5</sub> content of 39%
- Lowest hazardous element content among the major phosphate rock producing regions; benefits from low levels of radioactivity

## Balakovo branch of Apatit



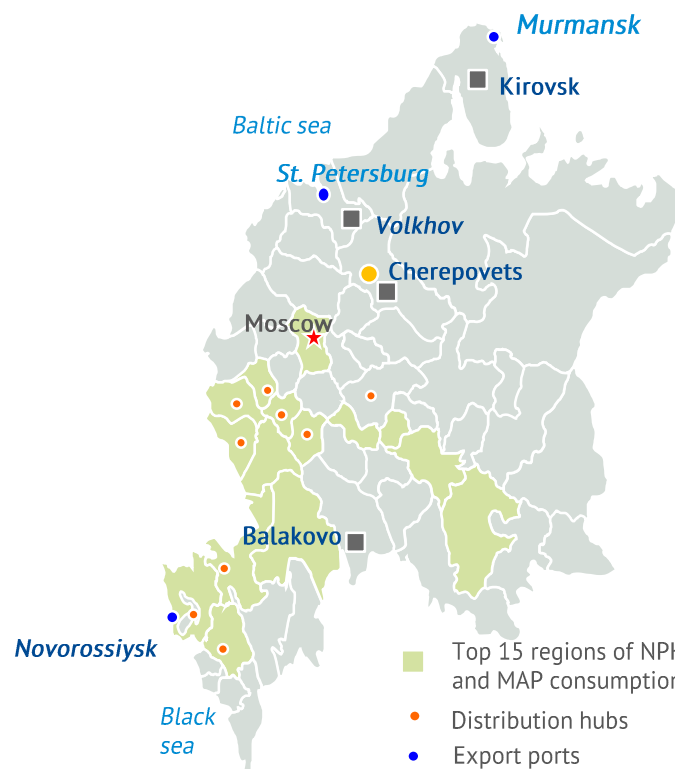
### Capacity by product

MAP/DAP/NPS: 1.7 mln t

Feed phosphate (MCP): 360 kt

### Highlights

- Leading European producer of feed phosphate MCP
- Only Russian producer of MCP



### PhosAgro-Trans (Transportation)

- Operates 6,100 railcars, of which the majority are mineral hoppers

### PhosAgro-Region (Domestic distribution)

- Owns and operates ten distribution centres in Russia located in proximity to major agricultural regions of Russia
- Largest distributor in Russia

## Apatit



### Capacity by product

MAP/DAP/NPK/NPS: 4.4 mln t

Ammonia: 1.9 mln t

AN/AN-based: 450 kt

Urea: 1.5 mln t

APP: 140 kt

AlF<sub>3</sub>: 43 kt

### Highlights

- Largest standalone phosphate fertilizers producer in Europe
- Largest standalone producer of sulphuric and phosphoric acids in Europe
- One of the largest standalone producers of urea, ammonia, AN/AN-based fertilizers in Russia

## Metachem



### Capacity by product

Phos. acid: 80 kt of P<sub>2</sub>O<sub>5</sub>

Sulphuric acid: 215 kt

PKS/SOP: 150 kt

STPP: 130kt

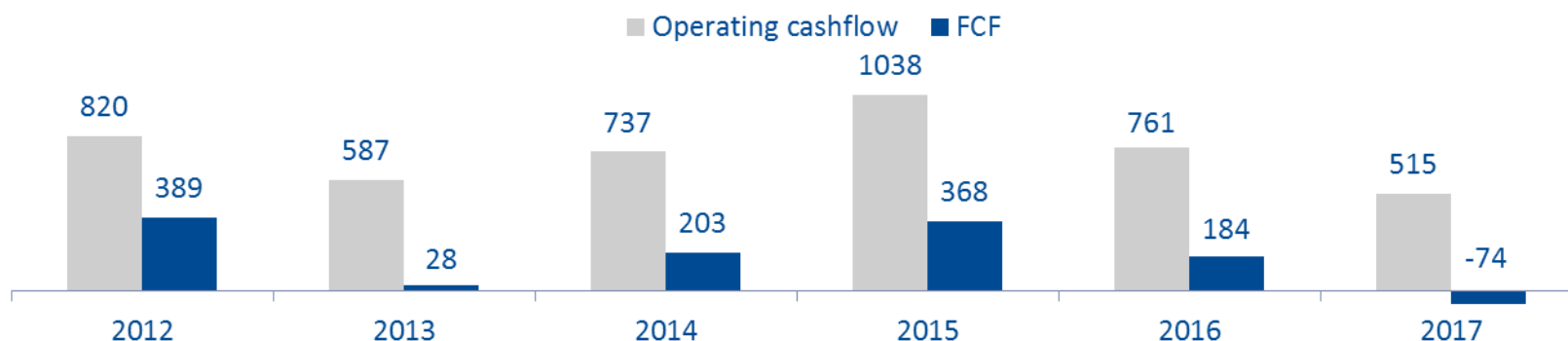
### Highlights

- Unique SOP granulating technology in Russia
- Close proximity to St. Petersburg sea port

# Growing return for shareholders

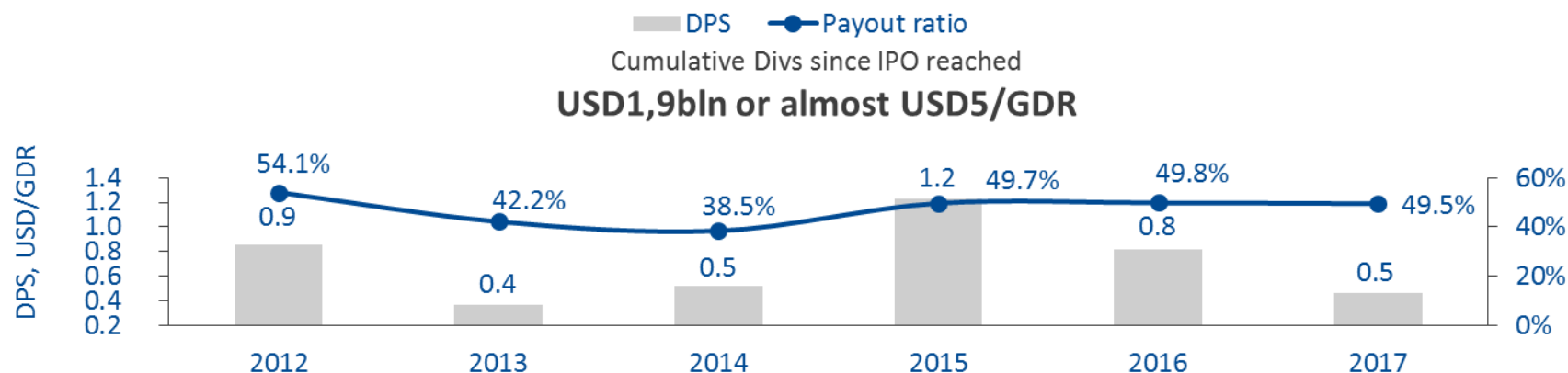
## Operating cash flow and free cash flow

USD mln



## Dividends and dividend payout ratio

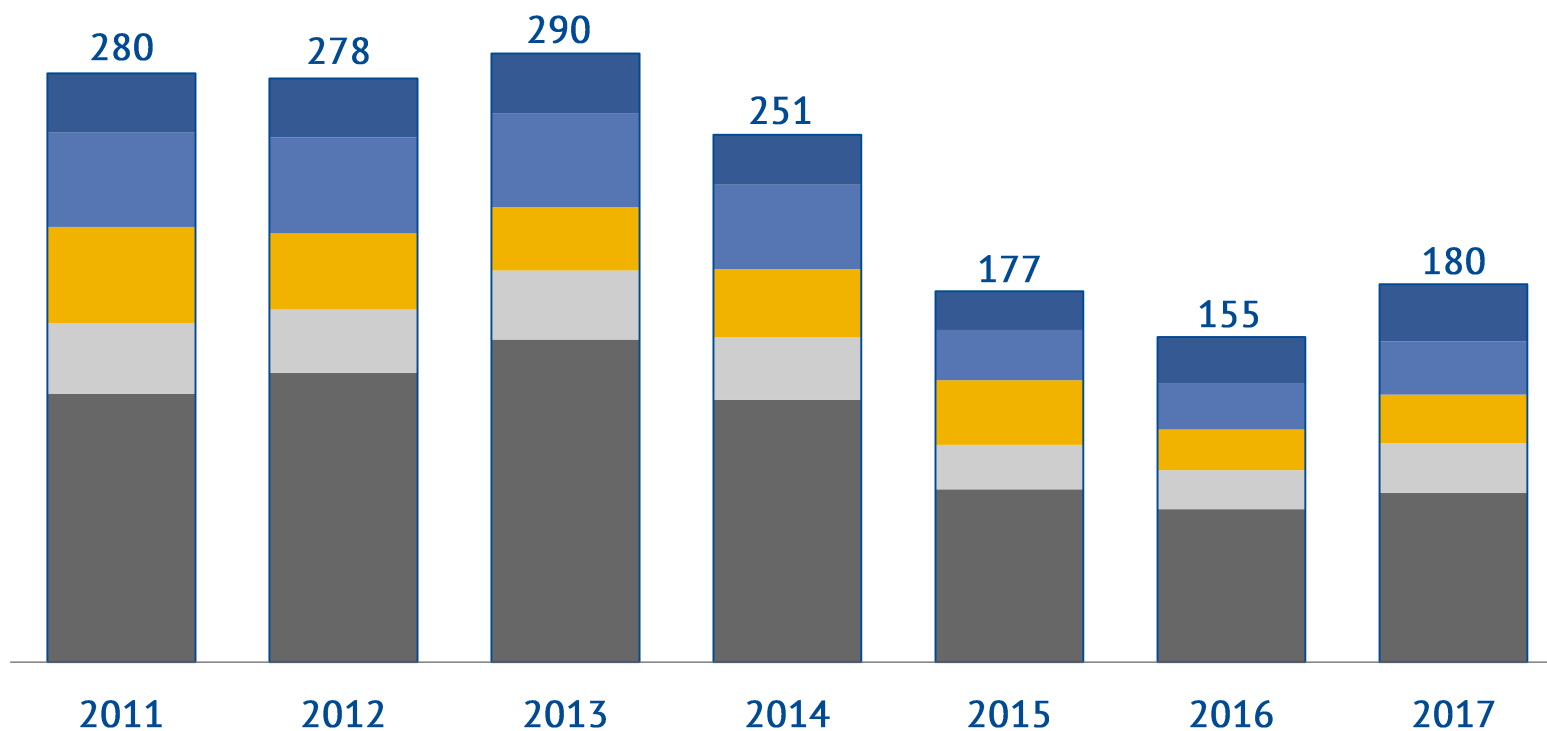
USD/GDR and %



# DAP cash cost performance in 2011-17

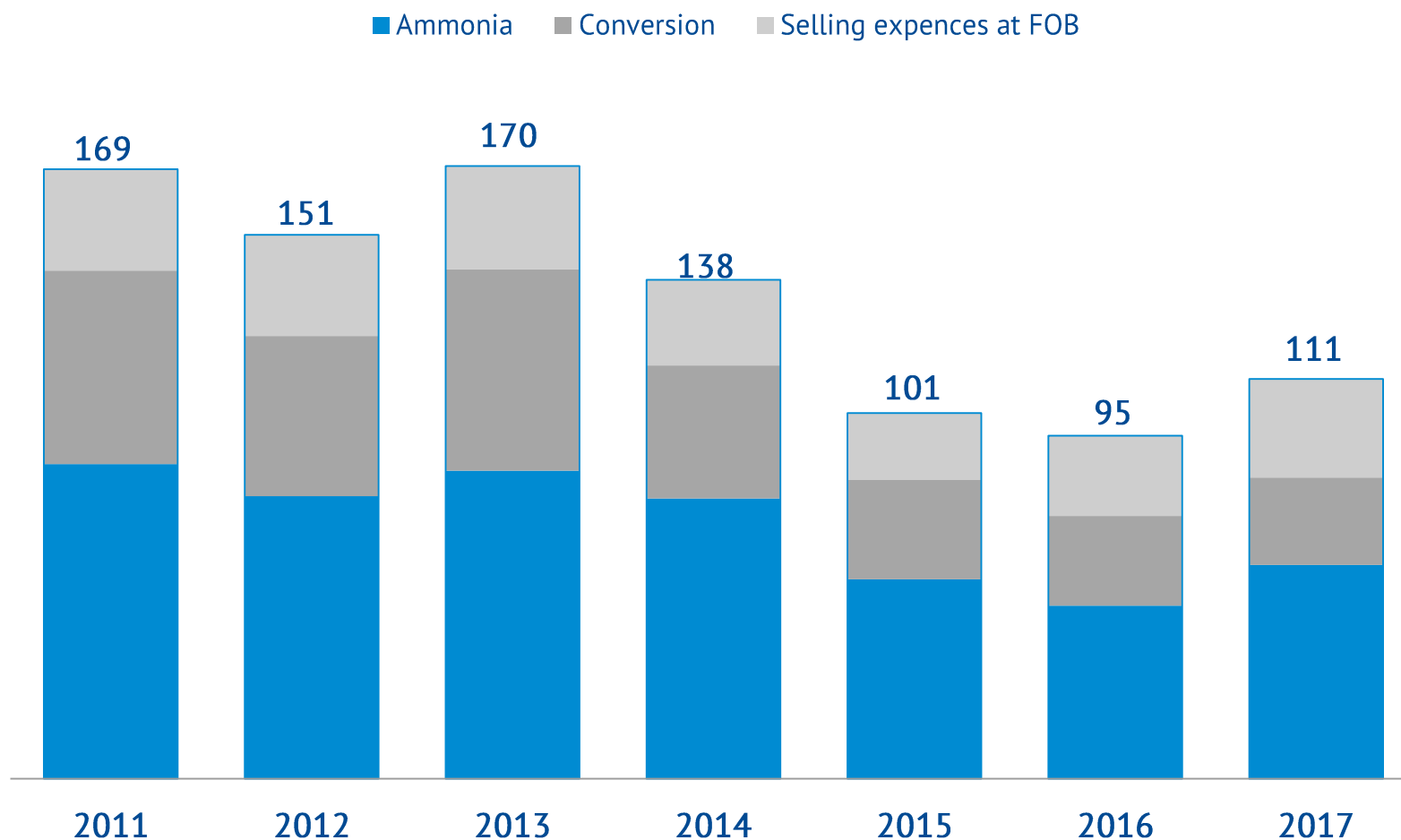
DAP cash costs at FOB  
USD/t

■ Phosphate rock ■ Ammonia ■ Sulphur ■ Other ■ Selling expenses at FOB Spb



# Urea cash cost performance in 2011-17

Urea cash costs at FOB  
USD/t

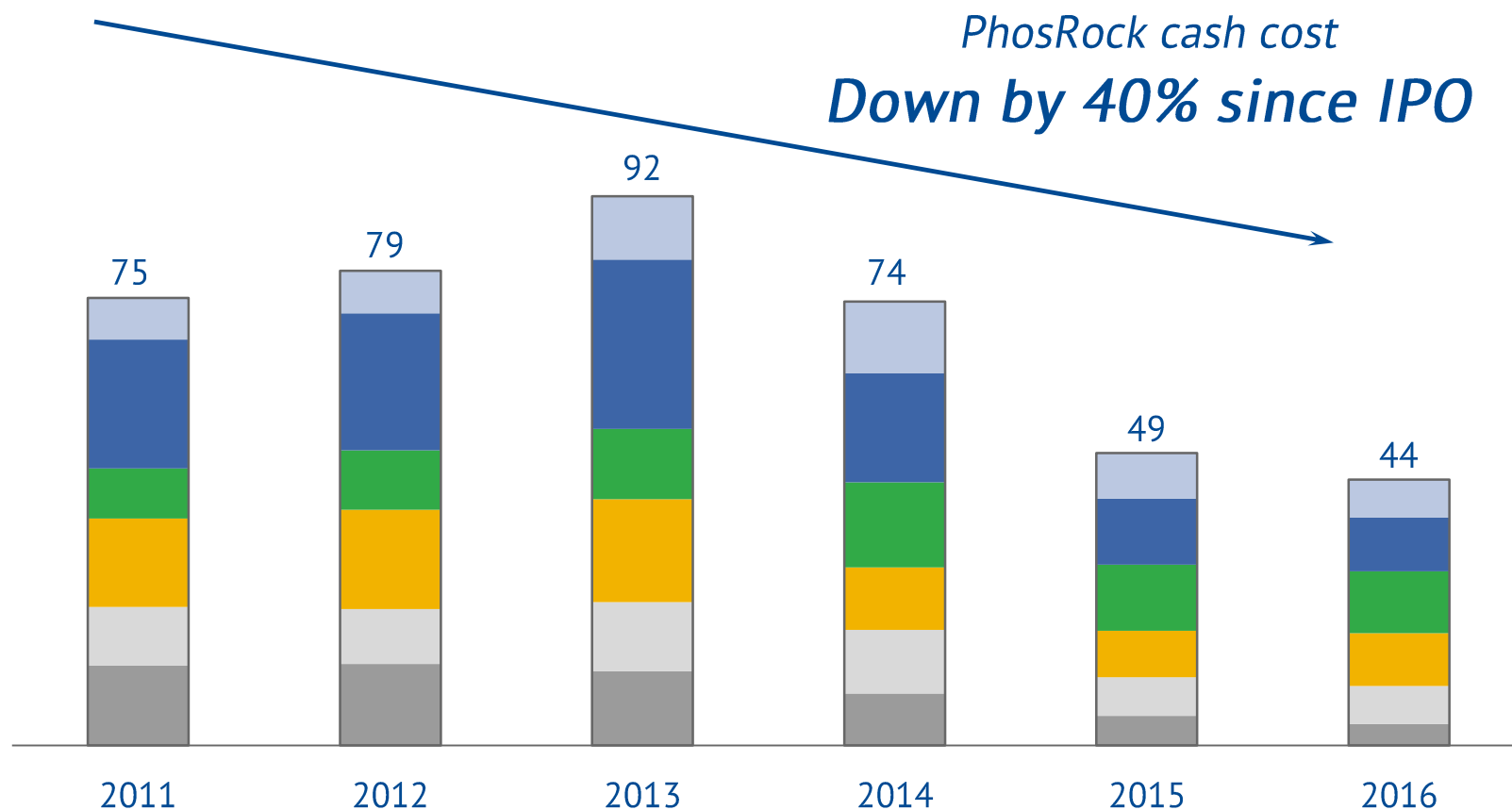


# PhosRock cash cost developments in 2011-16



PhosRock (39% P<sub>2</sub>O<sub>5</sub> content) cash cost developments over 2011-16,  
USD/t, EXW

Fuel Energy Materials for technology Other materials and services Sallary Other



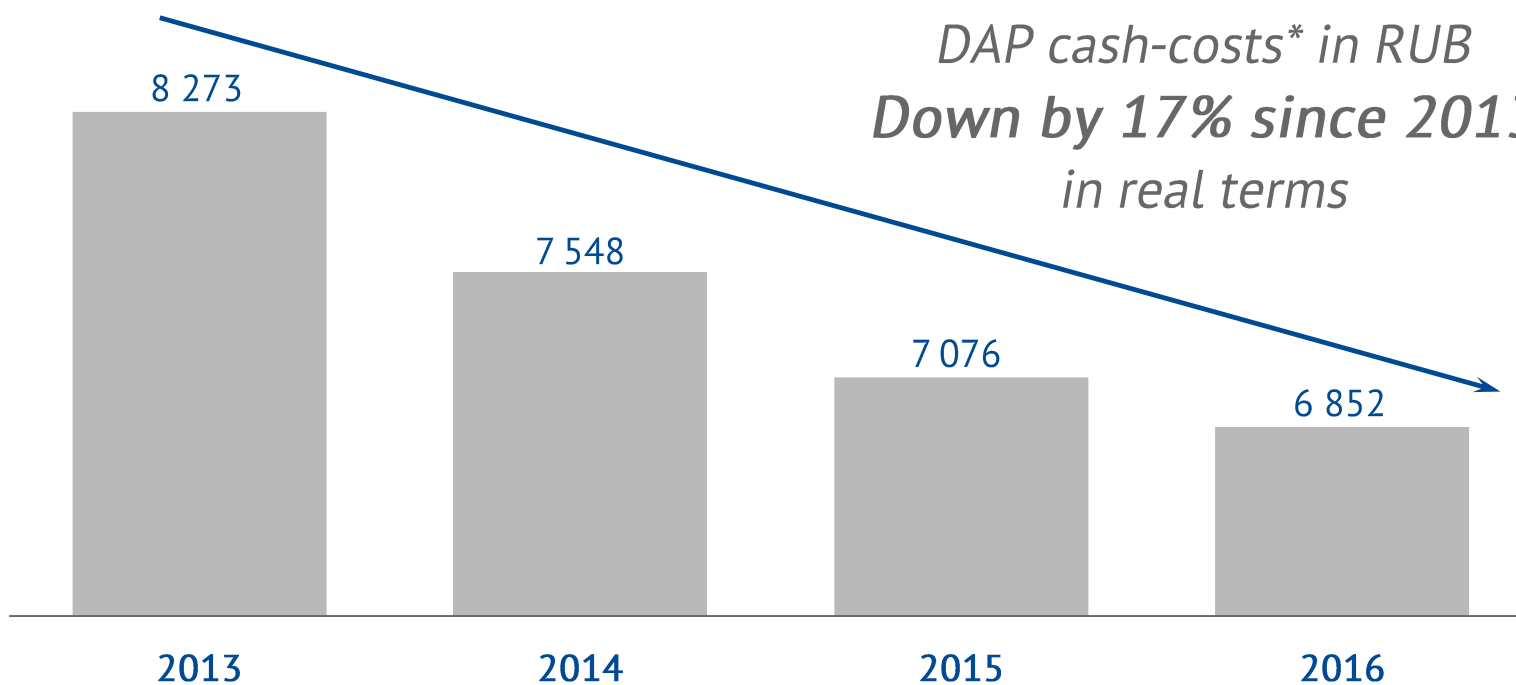
# DAP RUB cash costs performance

DAP cash costs adjusted for USD-linked components and CPI  
RUB/t

Whether the cut in cash costs is ONLY due to weak  
RUB?

**NO!**

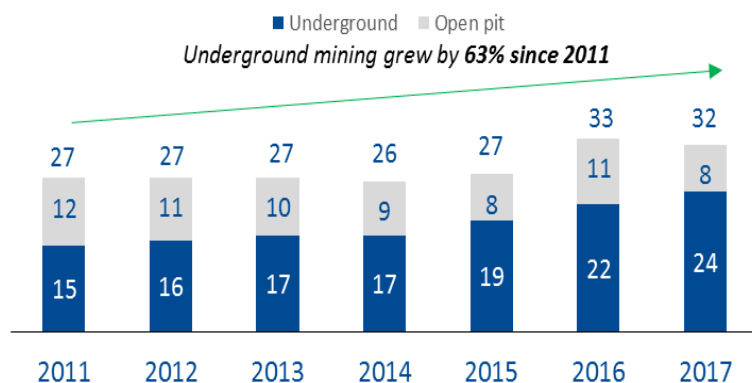
*DAP cash-costs\* in RUB  
Down by 17% since 2013  
in real terms*



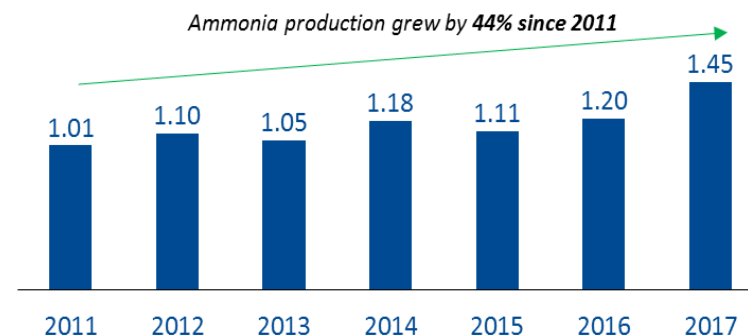


# Key feedstocks production

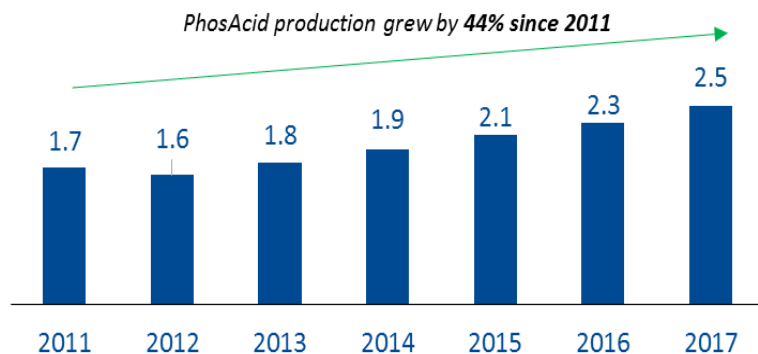
## Phosphate ore mining mln t



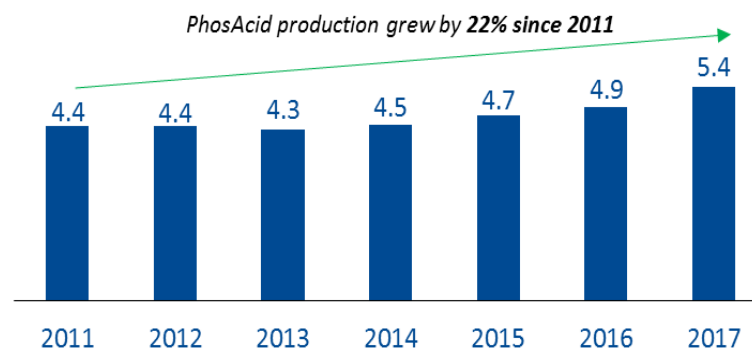
## Ammonia production mln t



## Phosphoric acid production mln t P<sub>2</sub>O<sub>5</sub>



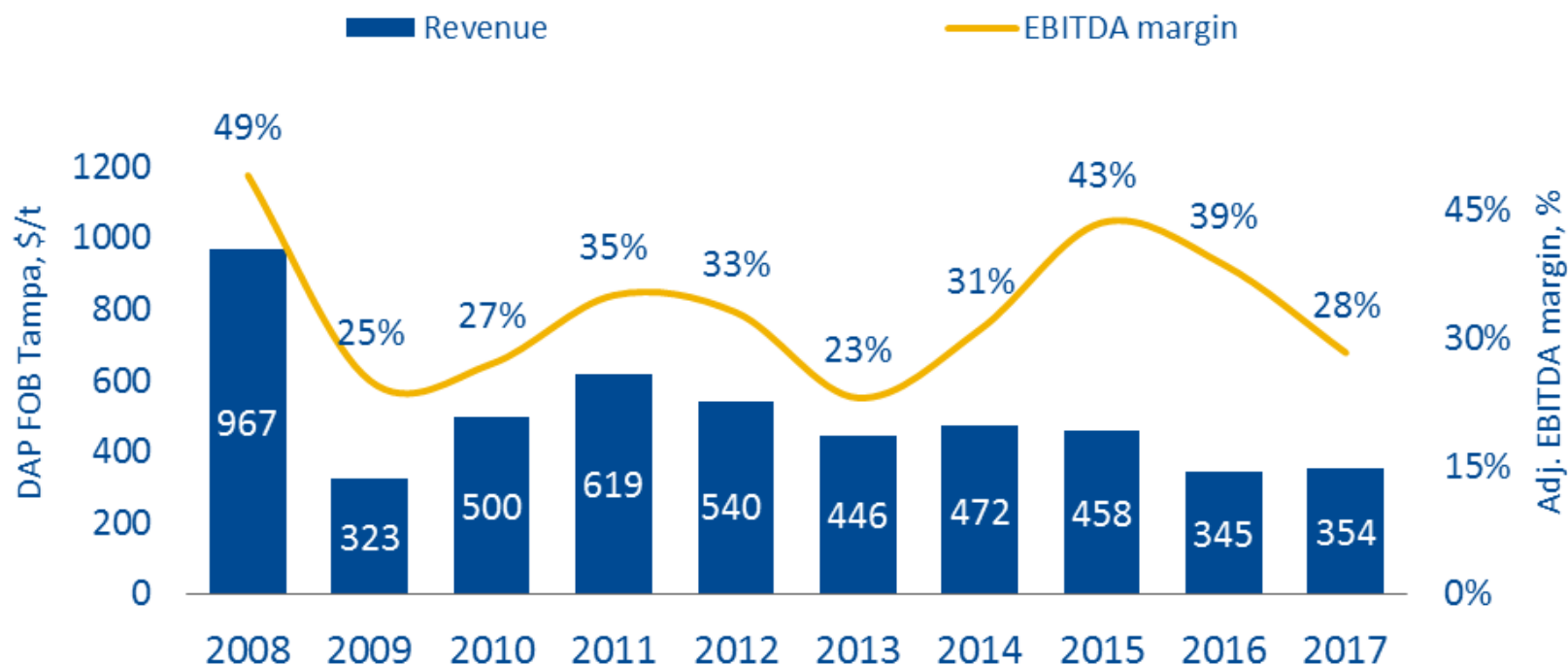
## Sulphuric acid production mln t mng



# Sustainability against market headwinds

## DAP price and EBITDA margin

USD/t FOB Tampa and %





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Thank you

