PHOSAGRO

Morgan Stanley Global Chemicals and Agriculture Conference 9-10 November, 2015

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PhosAgro and the global fertilizer industry

PhosAgro at a glance

World class integrated phosphate producer

- #1 global producer of high-grade phosphate rock
- #3 global DAP/MAP producer(1)
- Overall fertilizer capacity of 6.5 mln t

Large high quality apatite-nepheline resources

- 2.05 bln t of ore resources(2) (over 75 years of production)
- Al_2O_3 resource of 283 mln t
- Substantial resources of rare earth oxides (41% of Russian resources (3))

Self-sufficiency in key feedstocks provides for low costs

- 100% self-sufficient in phosphate rock
- 72%-90% self-sufficient in ammonia(4)
- More than 40% self-sufficiency in electricity

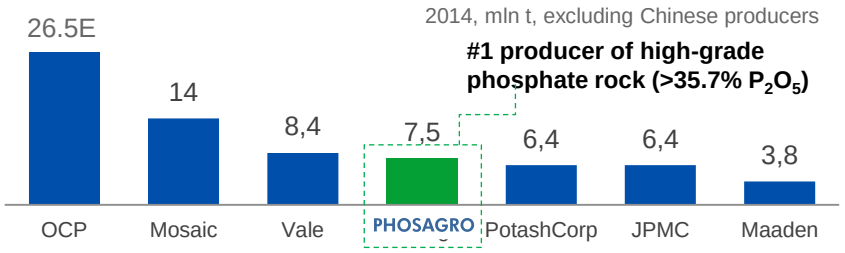
Flexible production and sales

- Flexible production lines
- Phosphate fertilizer capacities of 4.3 mln t, 1.85 mln t fully flexible into NPK production
- Leader in Russian fertilizer market growing twice faster than the world consumption
- Net back driven sales model with a global presence

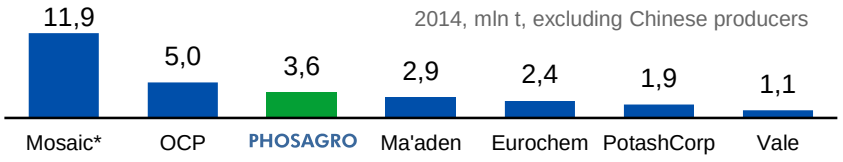
Strong financial performance

- EBITDA of $979 mln in 2014
- 1H2015 EBITDA of $723 mln
- 1H2015 Net debt/EBITDA: 0.94x

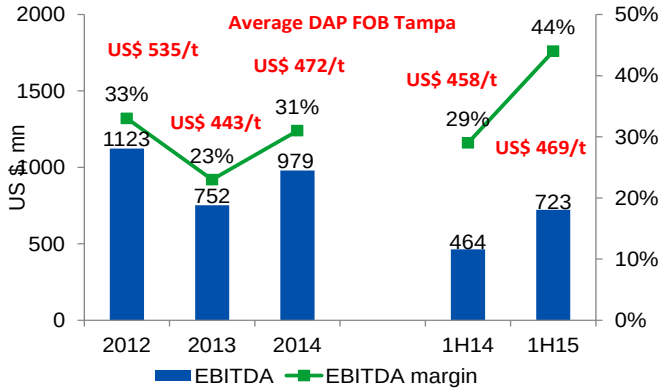
Leading global phosphate rock producers (by production)



Leading global DAP/MAP producers (by capacity)



EBITDA and EBITDA margin dynamic vs DAP price



Source: Argus-FMB, CRU, IFA, companies' data, PhosAgro

Note: (1) Excluding Chinese producers
(2) PhosAgro, IMC as of June 2011
(3) Russian Academy of Science
(4) self –sufficiency depends on the composition of the products produced by PhosAgro

Source: IFA, CRU, companies data, PhosAgro

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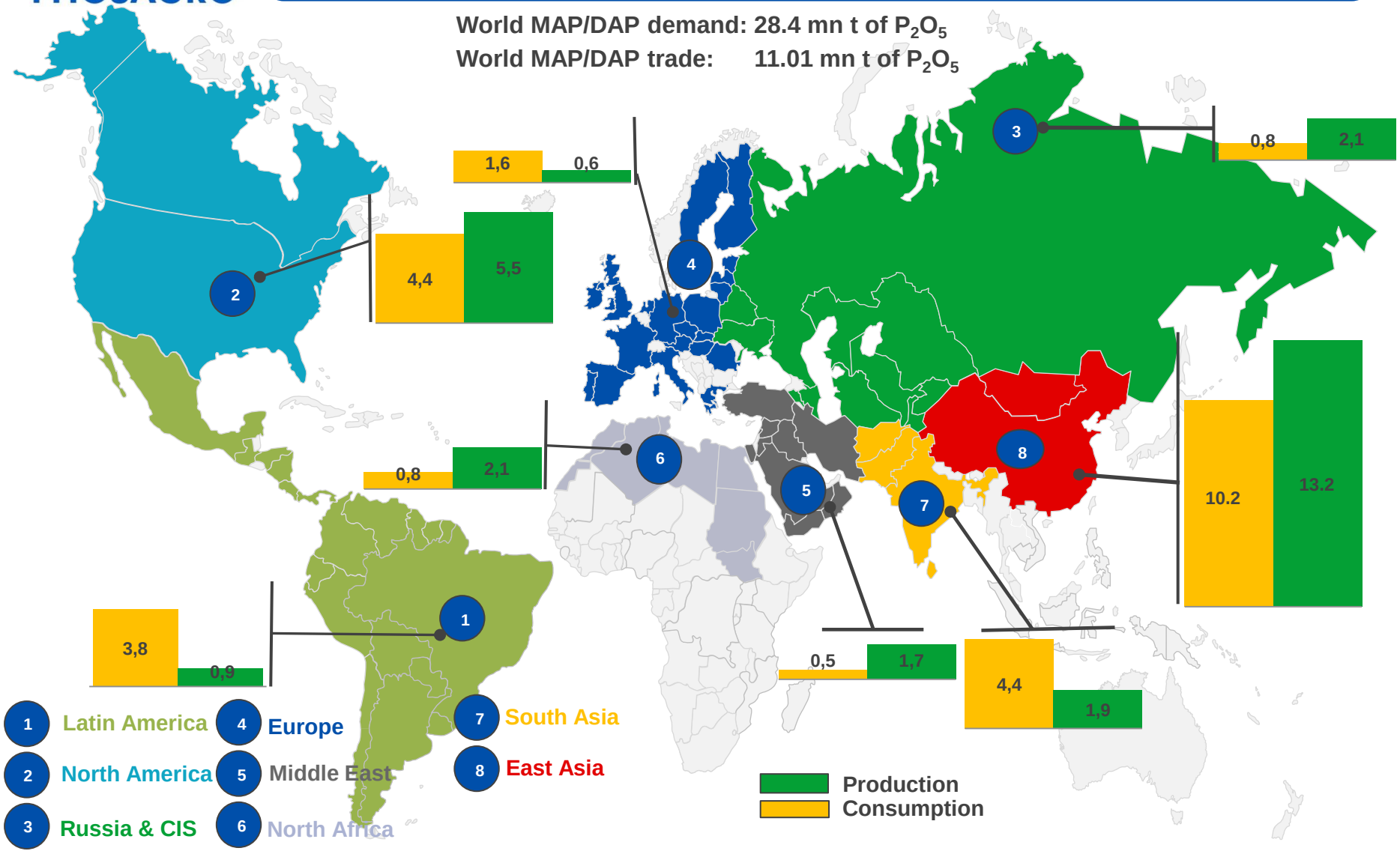
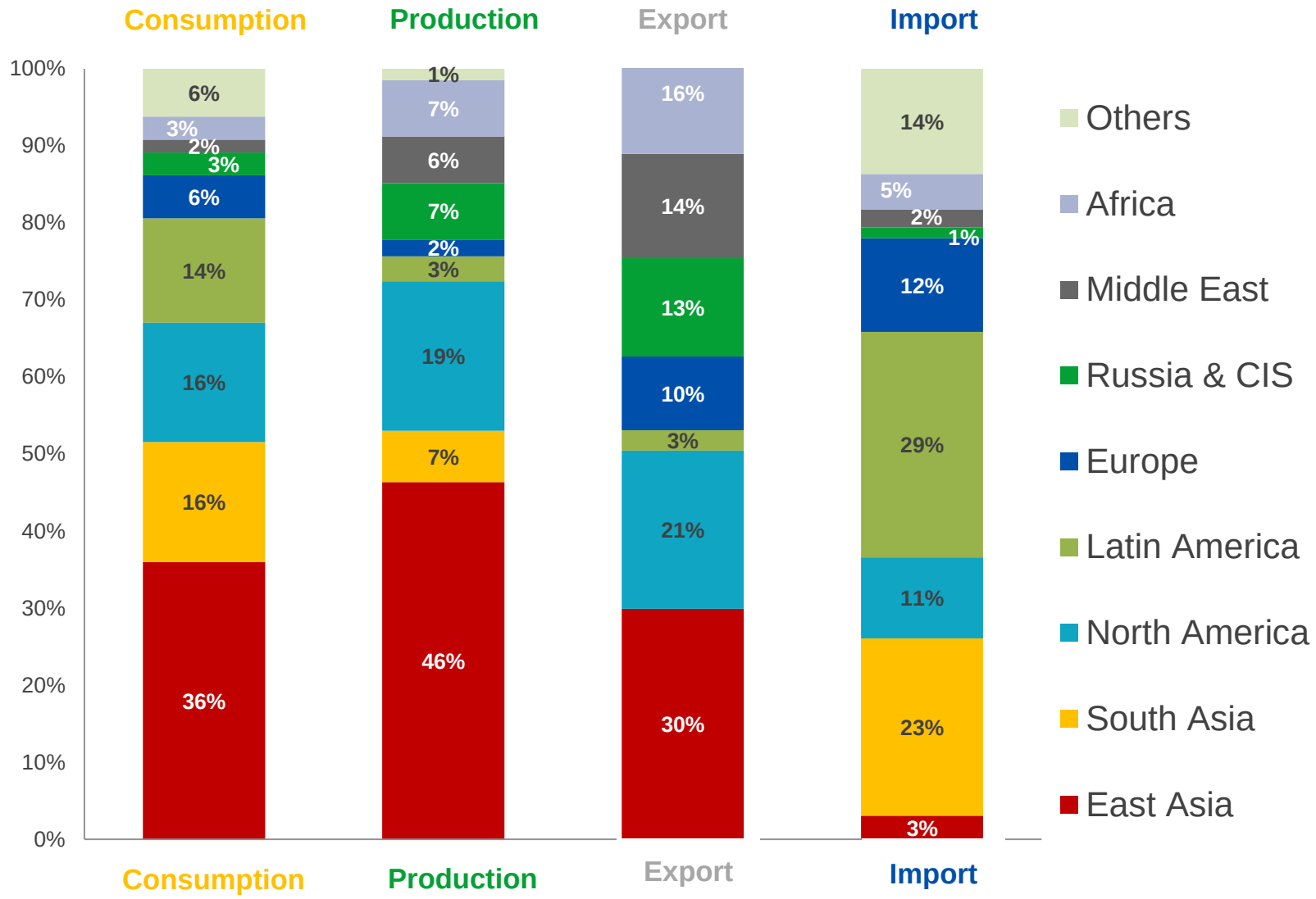
2014 MAP/DAP production vs consumption, global trade in million tonnes of P_2O_5

World MAP/DAP demand: 28.4 mn t of P_2O_5
World MAP/DAP trade: 11.01 mn t of P_2O_5



Source: IFA, CRU

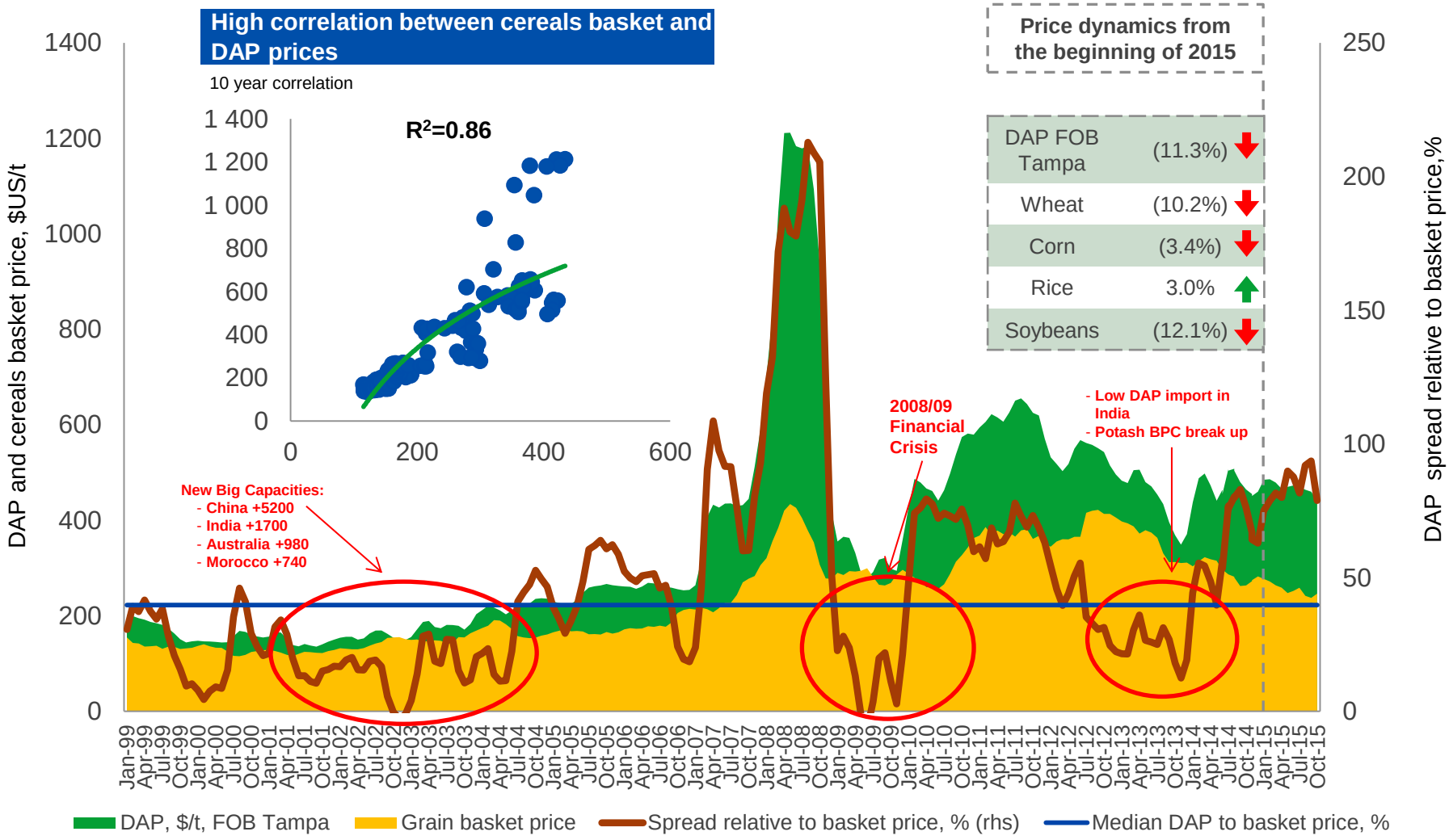
2014 MAP/DAP regional balances of P_2O_5, mn t



Source: CRU

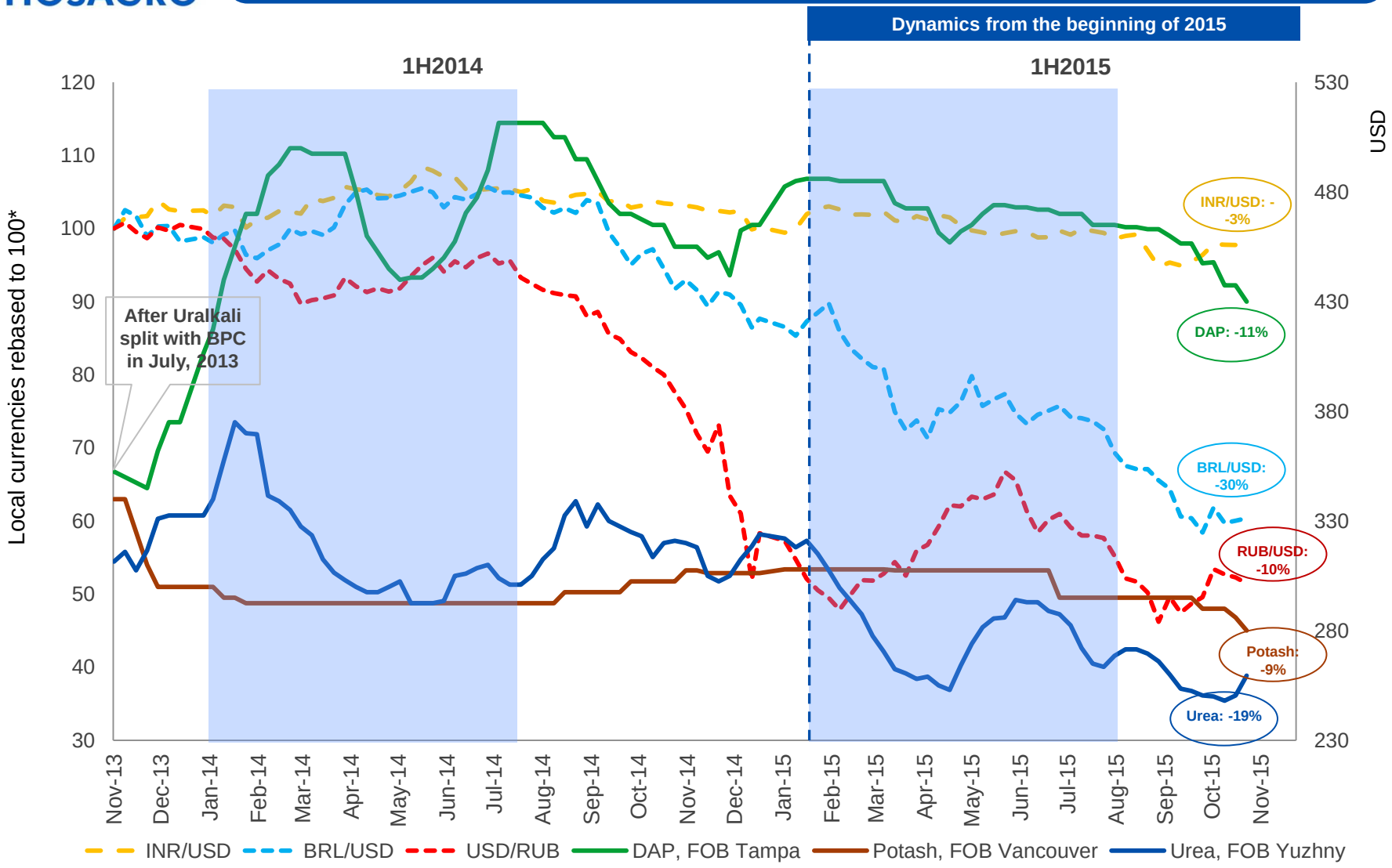
High grain prices driven by market imbalances motivate farmers to use more fertilizers

Cereals basket to DAP price spread



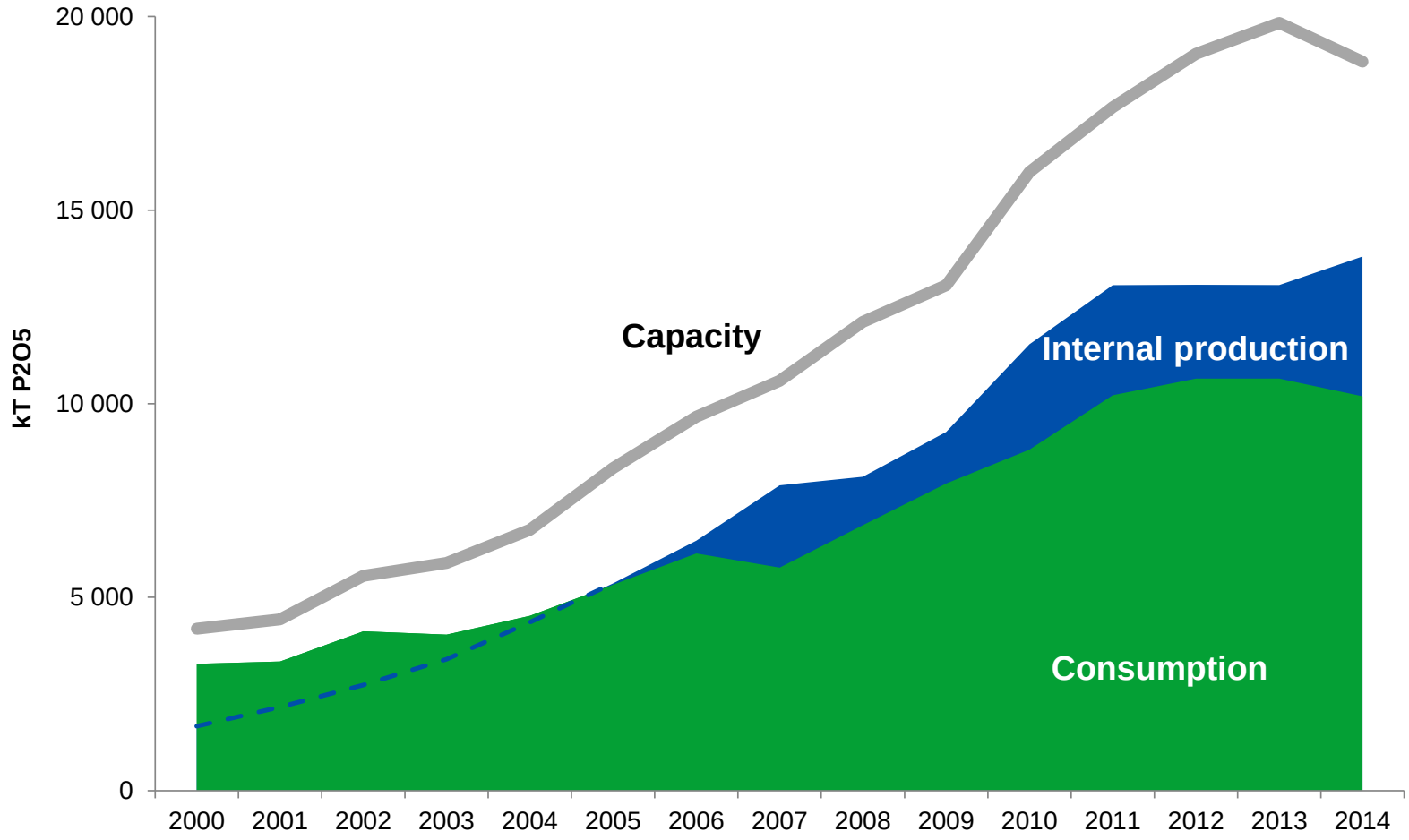
Source: Fertecon, Argus-FMB, FAO, USDA, IFA
Note: (1) agricultural commodity prices are represented by a grain index calculated as follows: (wheat price*7+ corn price *8 rice price*4.5+soybeans price*2.5)/22
Prices are as of 30 October

Fertilizer price developments



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

Phosphate fertilizers internal production/consumption balance in China

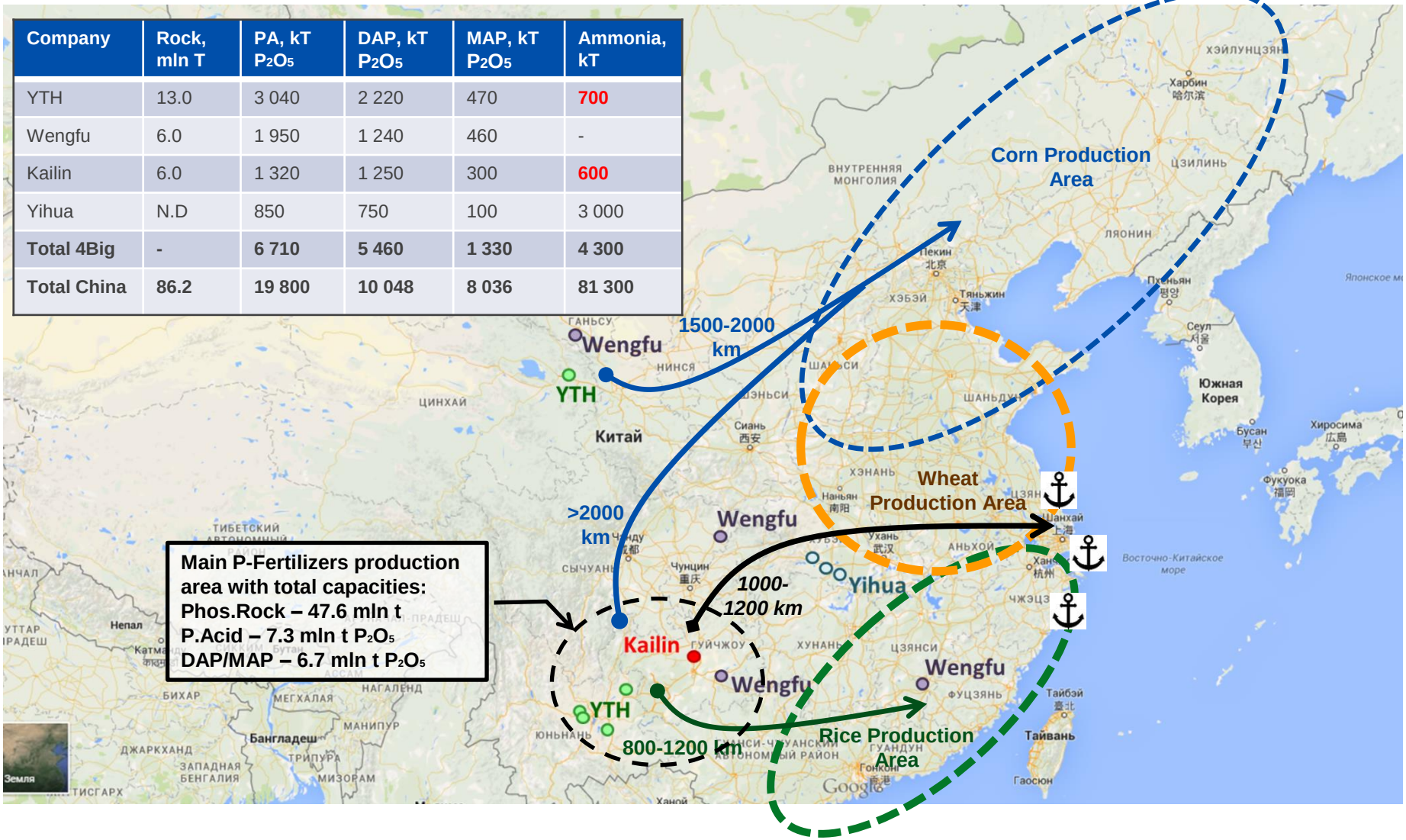


*-DAP/MAP/TSP

Source: CRU ‘

Government is changing its focus from growth into efficiency

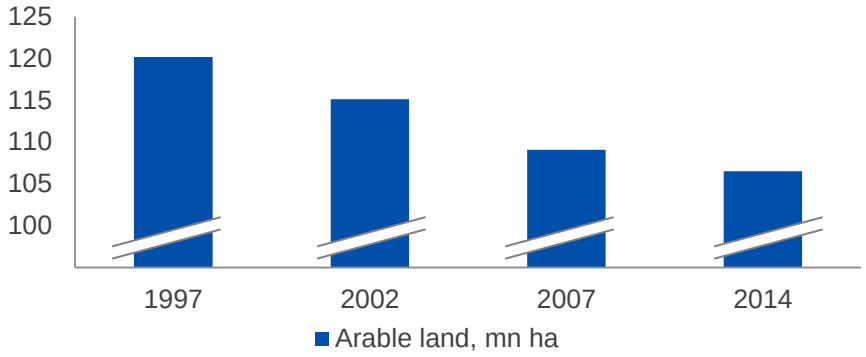
Company	Rock, mln T	PA, kT P_2O_5	DAP, kT P_2O_5	MAP, kT P_2O_5	Ammonia, kT
YTH	13.0	3 040	2 220	470	700
Wengfu	6.0	1 950	1 240	460	-
Kailin	6.0	1 320	1 250	300	600
Yihua	N.D	850	750	100	3 000
Total 4Big	**-**	**6 710**	**5 460**	**1 330**	**4 300**
Total China	**86.2**	**19 800**	**10 048**	**8 036**	**81 300**



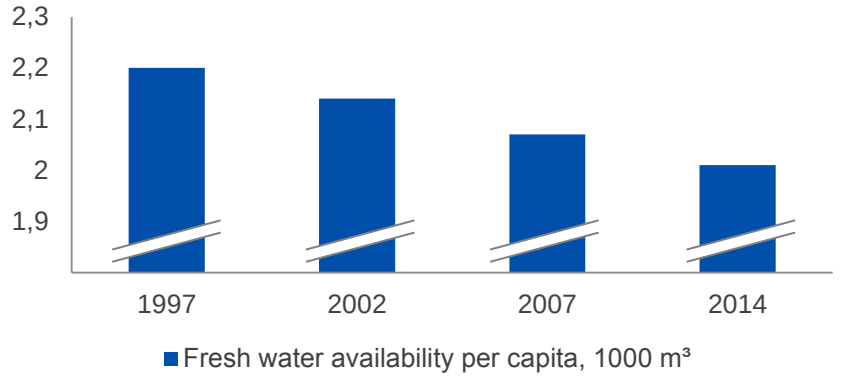
Source: CRU, IFA

.....aiming to reduce pollution ...as well as increase yields and crop quality

Chinese ag resources deteriorate with limited arable land



... and water availability decreases



Chinese farmers use high-intensity agricultural techniques

High intensity agriculture → **All pollutants from pesticides and fertilizers end up in soil** → **For 30 years**

- Water scarcity, contamination and pollution
- Fertilizer burn
- Soil pollution and cadmium contamination


GLOBAL TIMES

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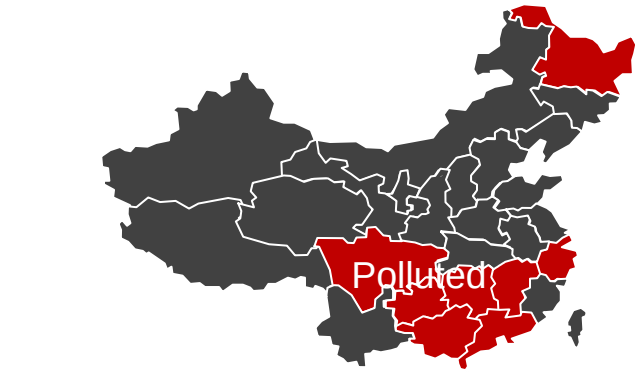
Guangzhou finds cadmium-tainted rice

By Duan Wuning Source:Global Times Published: 2013-5-20 0:03:01

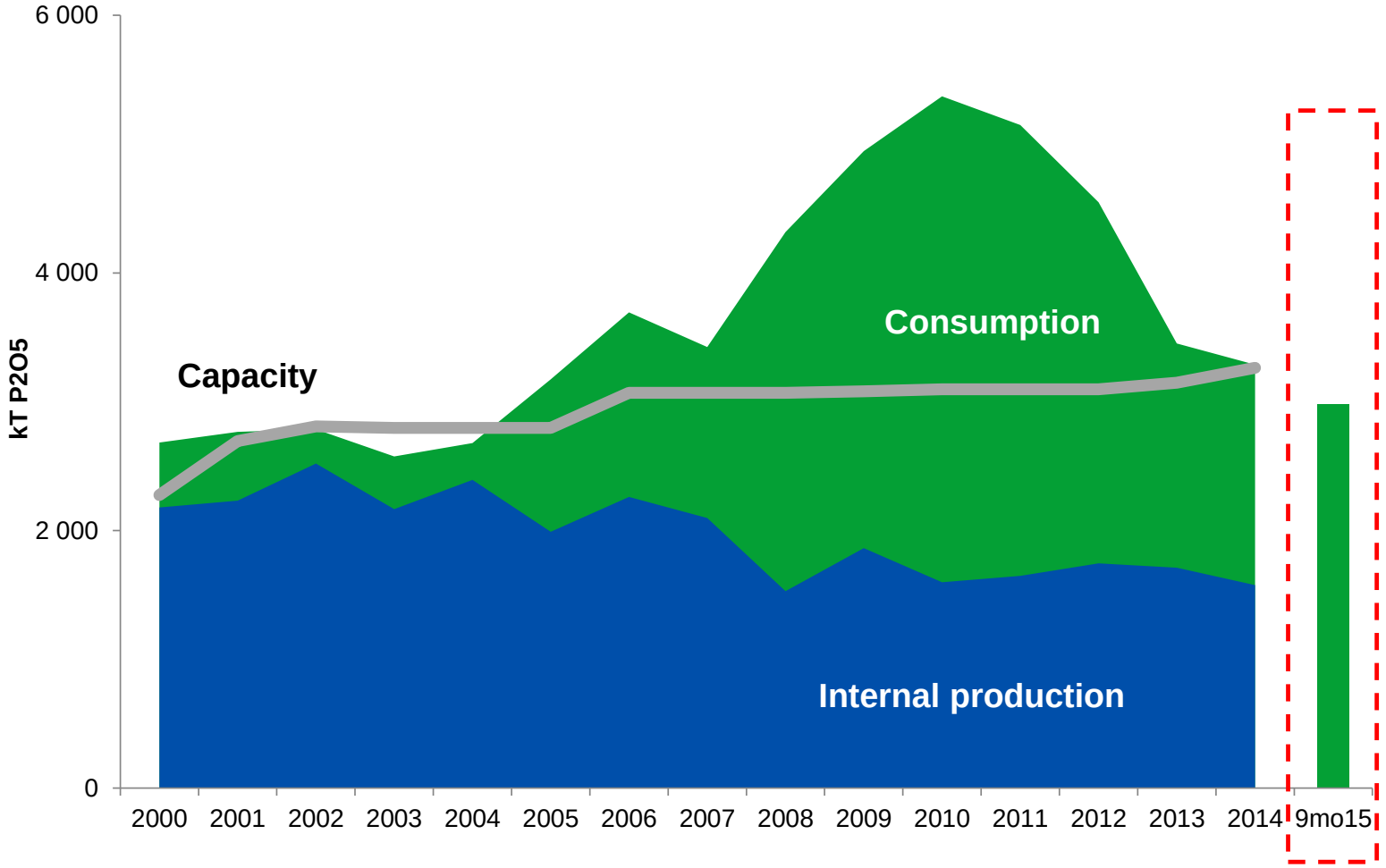
Tainted rice was discovered in several Chinese provinces



Arsenic rice (As) | **Cadmium rice (Cd)** | **Lead rice (Pb)**

Source: FAO, Global Times

Phosphate fertilizers internal production/consumption balance in India

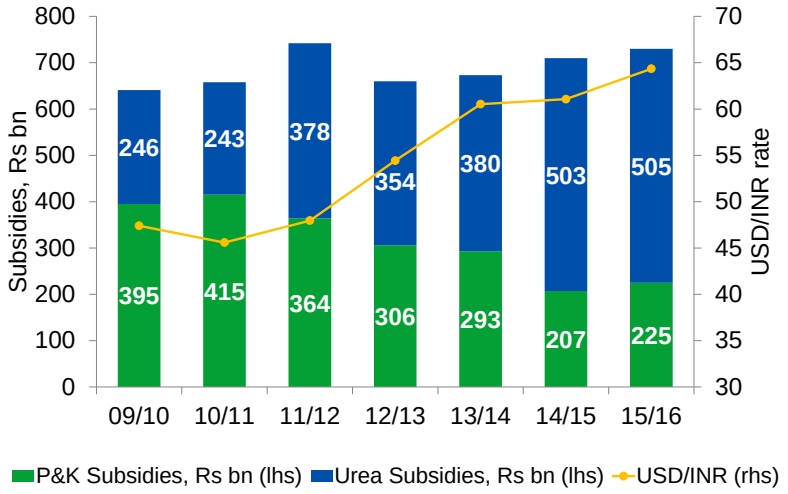


*-DAP/MAP/TSP

Source: CRU

India's subsidy policy: favouring urea leads to unbalanced fertilization

India introduced a new subsidy system in 2010



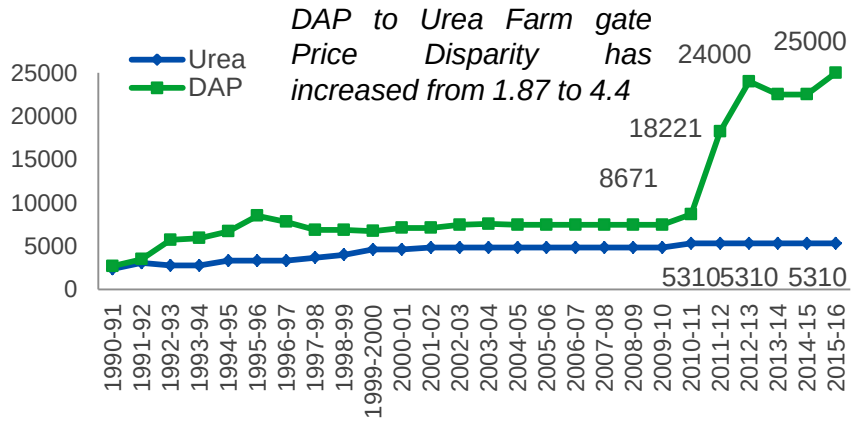
Evolution of N : P_2O_5 : K_2O ratio in India

	N	P_2O_5	K_2O
Balanced ratio	4.0	2.0	1.0
2010/11	4.3	2.0	1.0
2011/12	6.9	3.1	1.0
2012/13	7.7	3.0	1.0

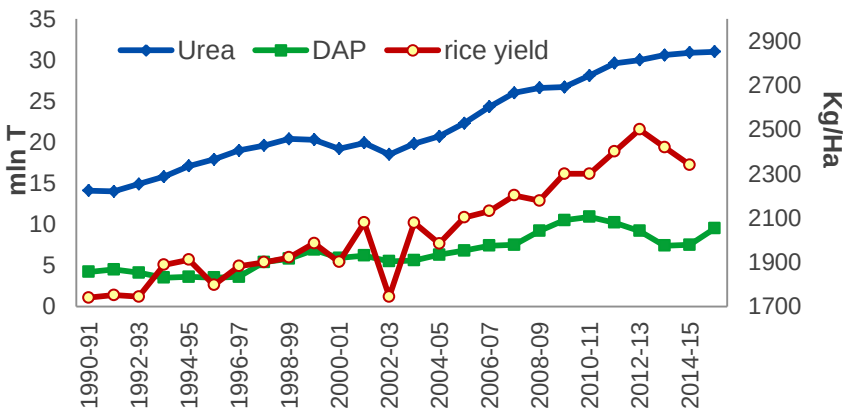
Nutrient Based Subsidy (NBS) Rates in India (Rs/kg nutrient)

	N	P_2O_5	K_2O
2011/12	27.153	32.338	26.756
2012/13	24.0	21.804	24.0
2013/14	20.875	18.679	18.833
2014/15	20.875	18.679	15.5
2015/16e	20.875	18.679	15.5
2015/2011 Change	-23%	-42%	-42%

Price Disparity, Rs/mT



Consumption Disparity and Rice yield dynamic, mln t



Source: IGC, CRU, FAI, USDA, WGR, PhosAgro

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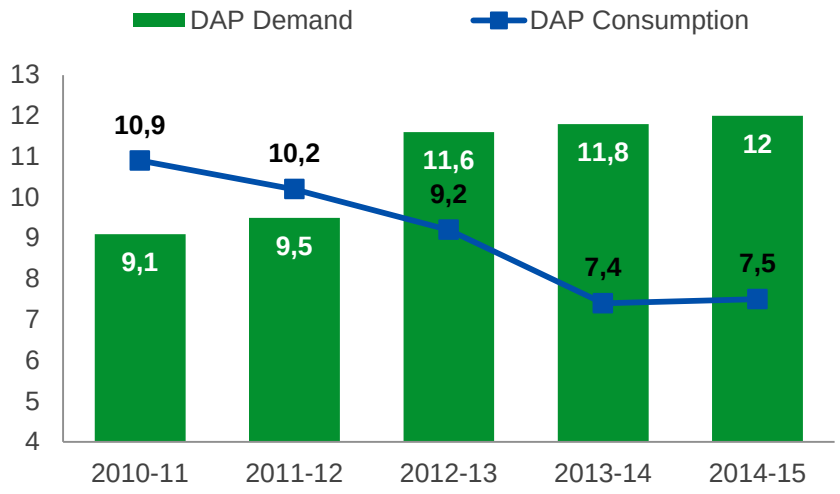
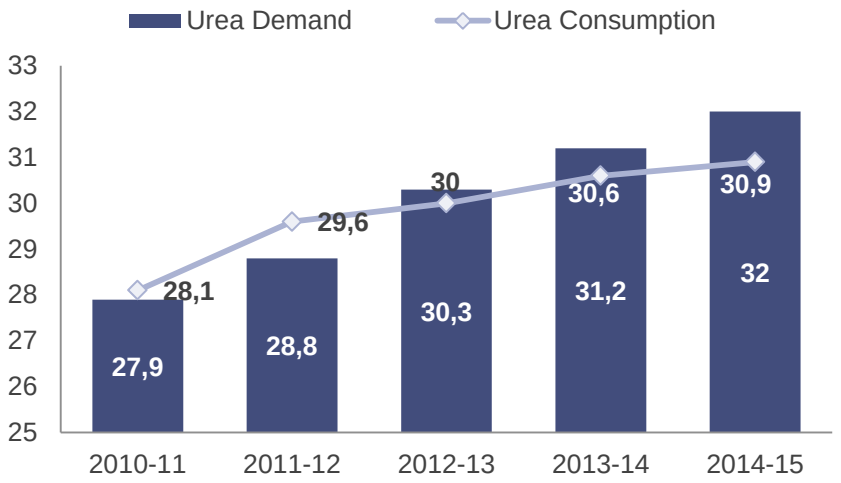
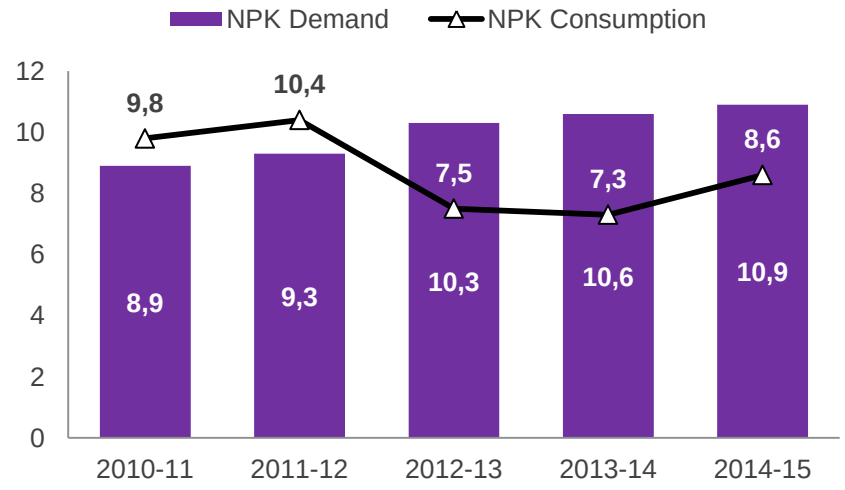
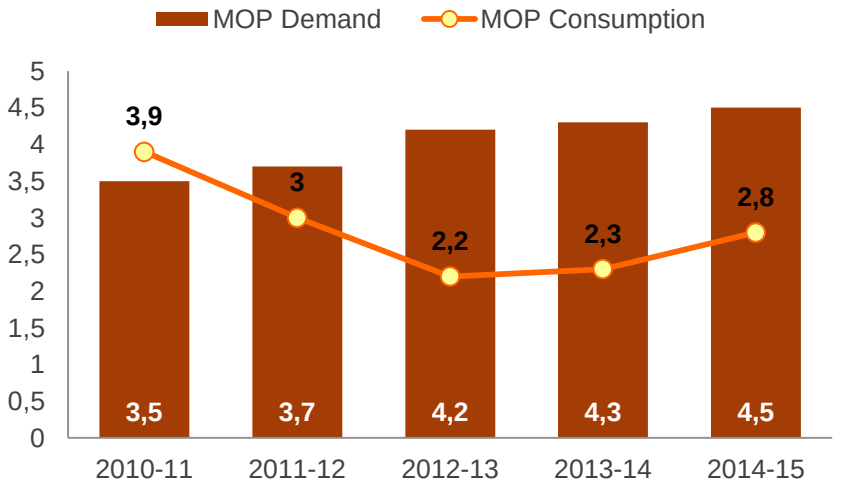
India: Fertilizer Demand & Consumption Update – Post NBS (2010-11)







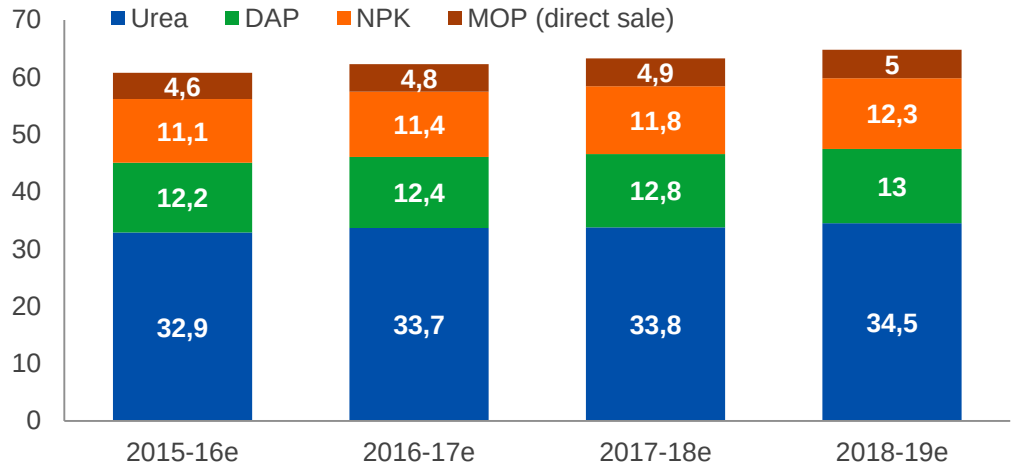


Source: FAI, WGR

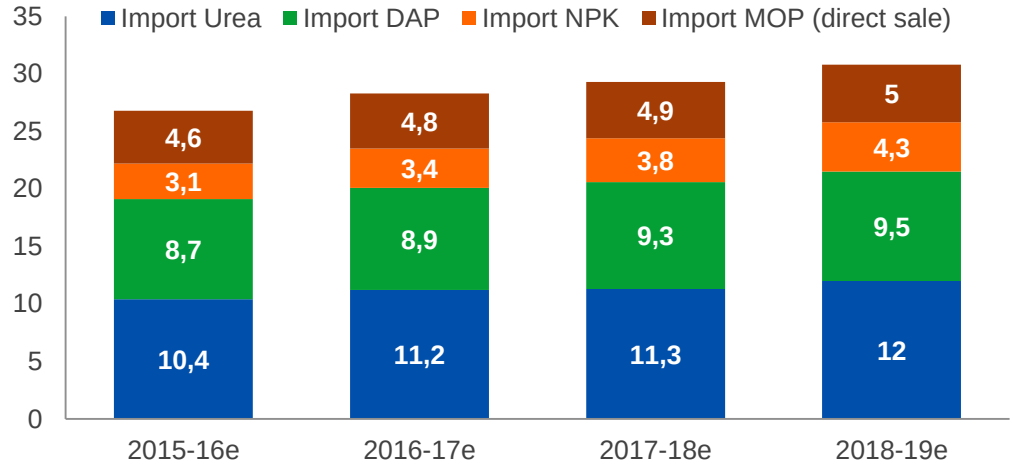
India: Fertilizer Demand & Import – Medium Term Outlook

- Urea Demand Growth estimated @ 2.7% annually;
- DAP, NPK, and MOP Demand estimated to grow @ 4% annually;
- DAP and Complex fertilizer consumption to remain low due to High Price Disparity with Urea
- DAP and Complex Fertilizer sale, however, likely to be higher than 2014-15

Demand, mln T

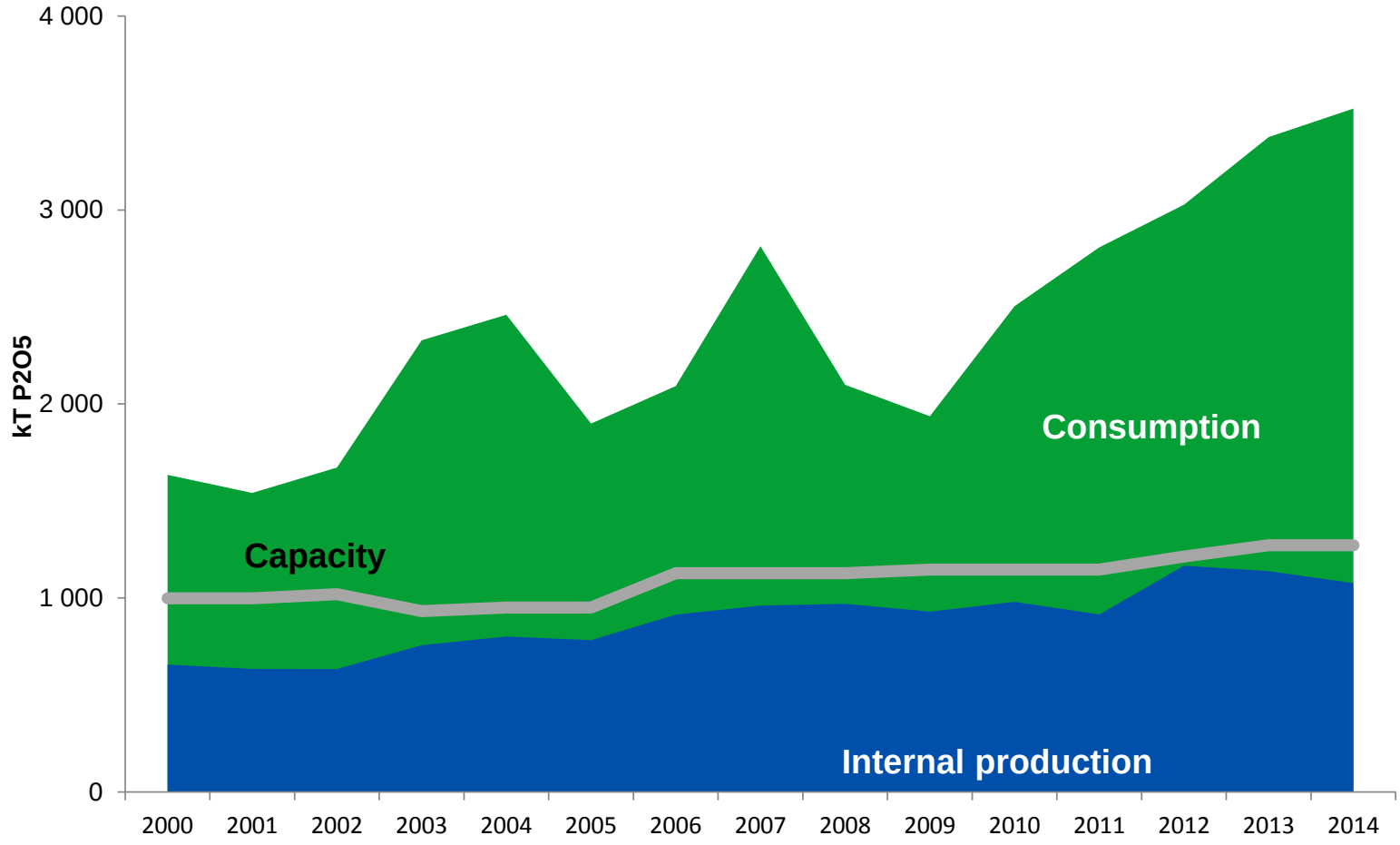


Import, mln T



Source: FAI, WGR

Phosphate fertilizers internal production/consumption balance in Brazil

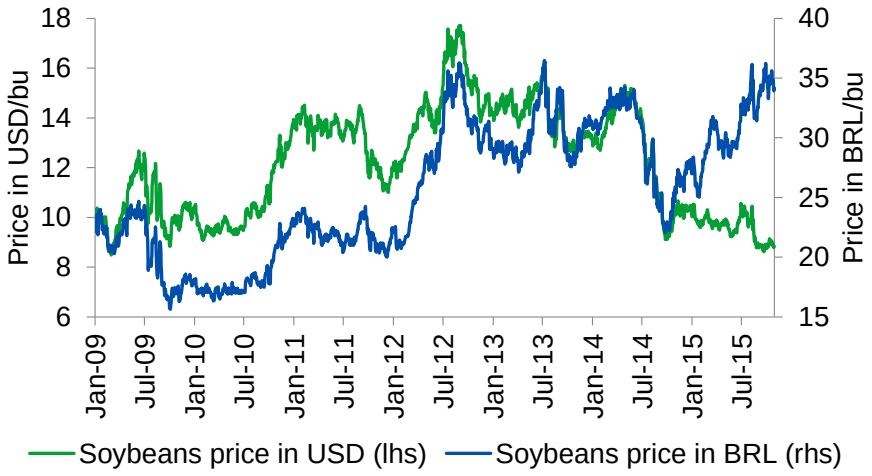


*-DAP/MAP/TSP

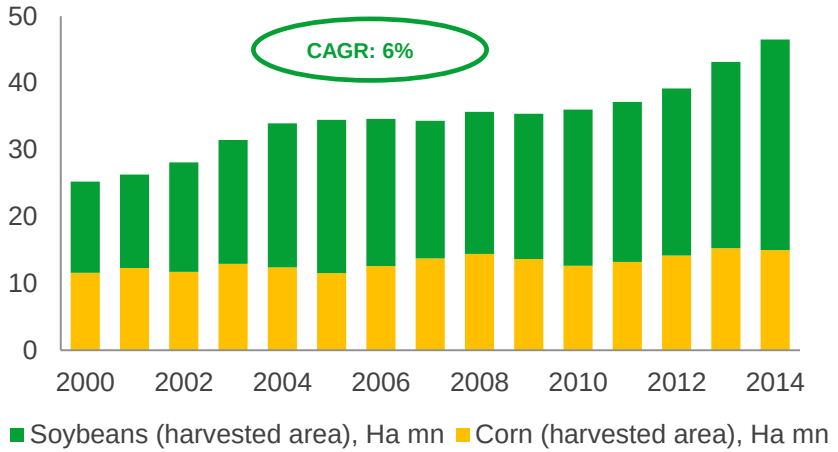
Source: CRU

Brazil is a top ag exporter among developing countries

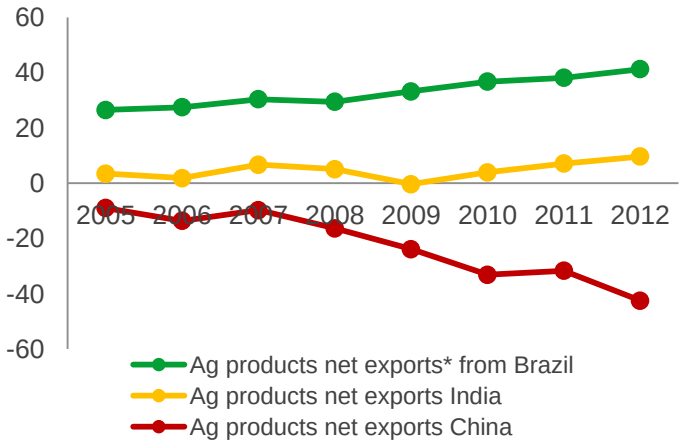
Soybean price at record highs in BRL



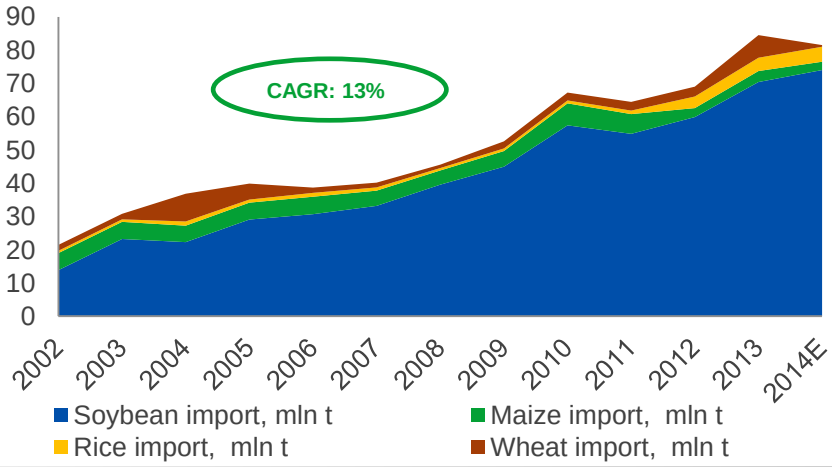
Soybeans drive ag production in Brazil



Brazil is the largest ag exporter among developing countries

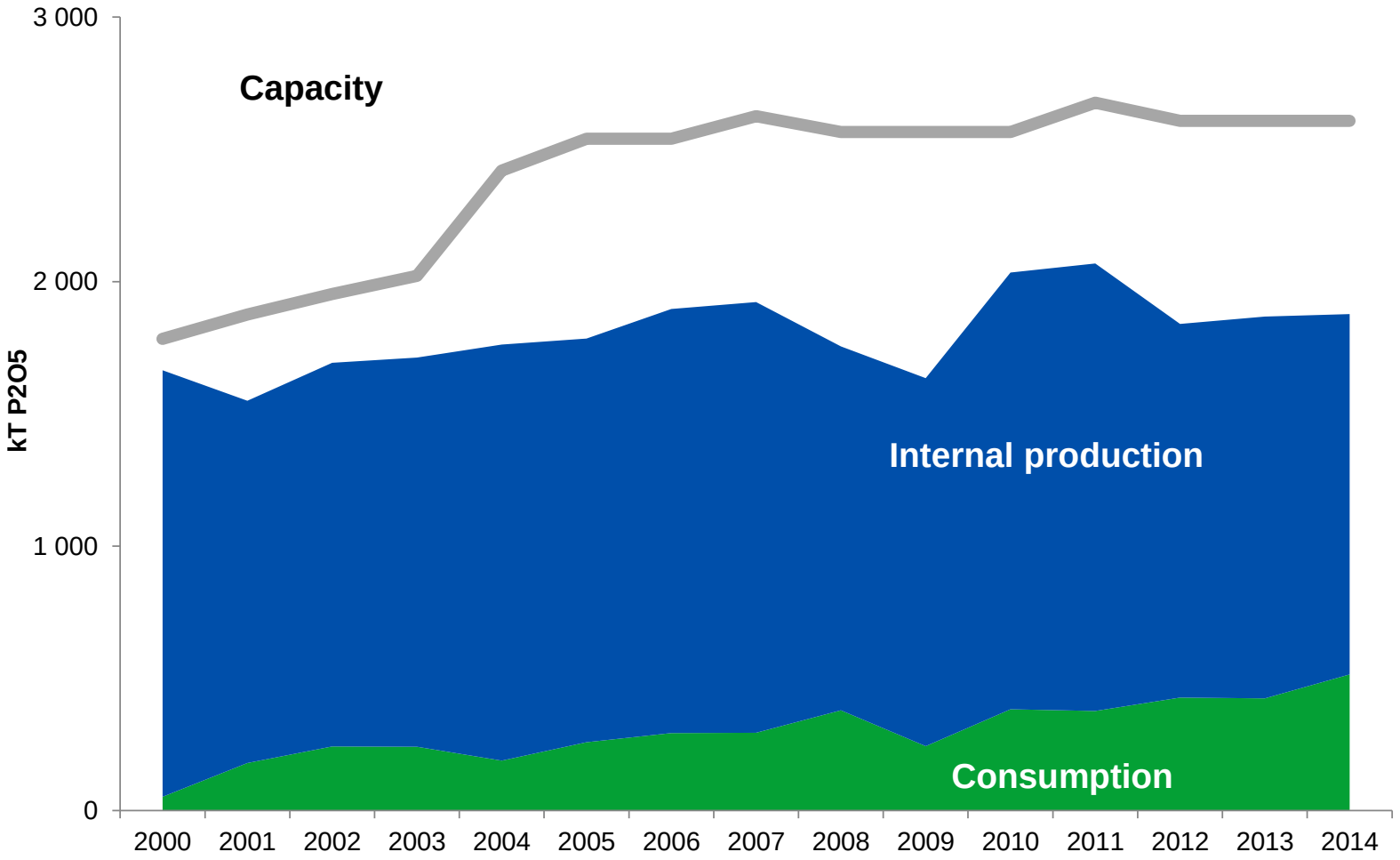


China will continue to increase food imports



Source: IGC, CRU, FAI, USDA, WGR, PhosAgro

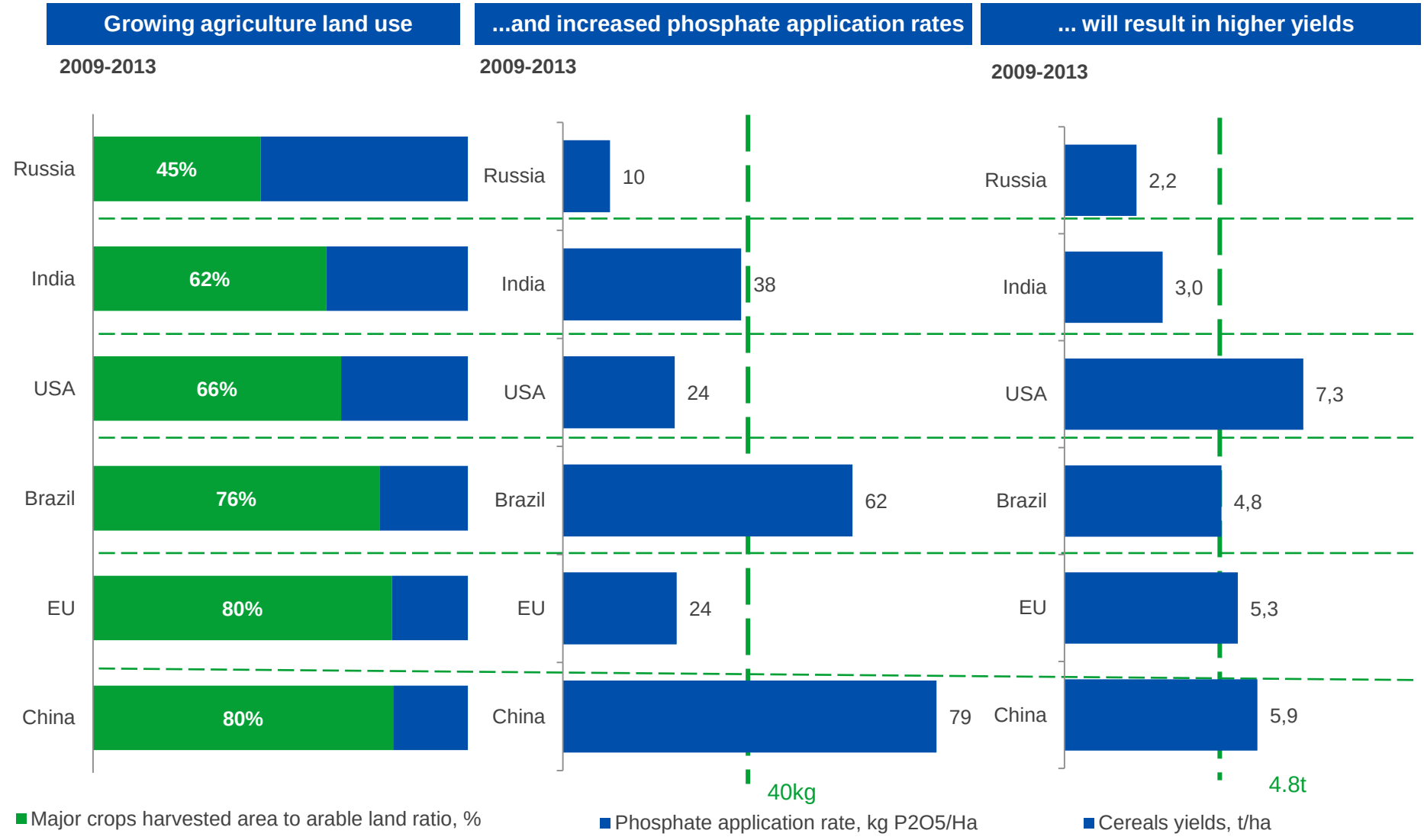
Phosphate fertilizers internal production/consumption balance in Russia



*-DAP/MAP/TSP

Source: CRU

Russia: potential for significant ag production growth



Source: FAO, Integer

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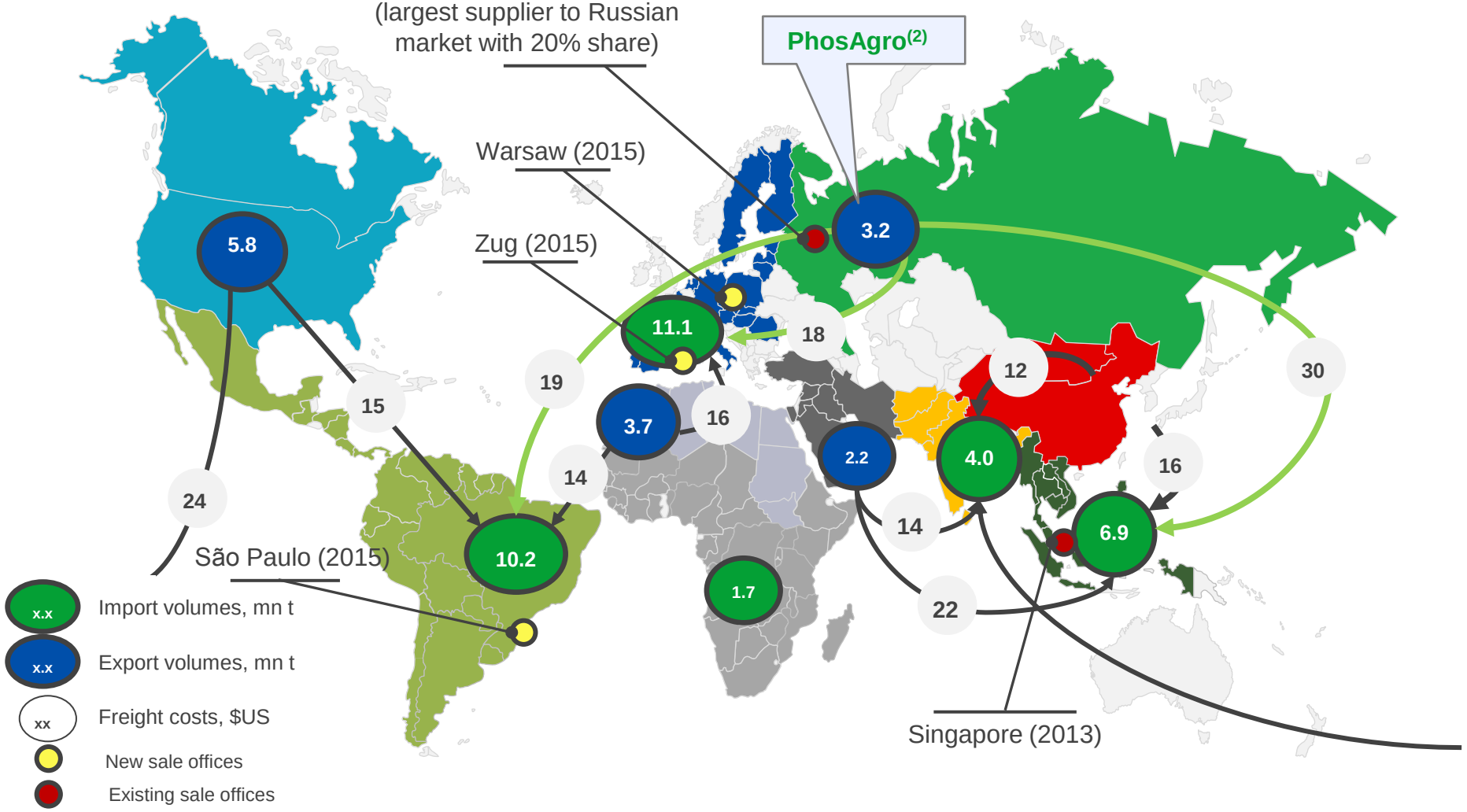
Sales focus and Industry developments

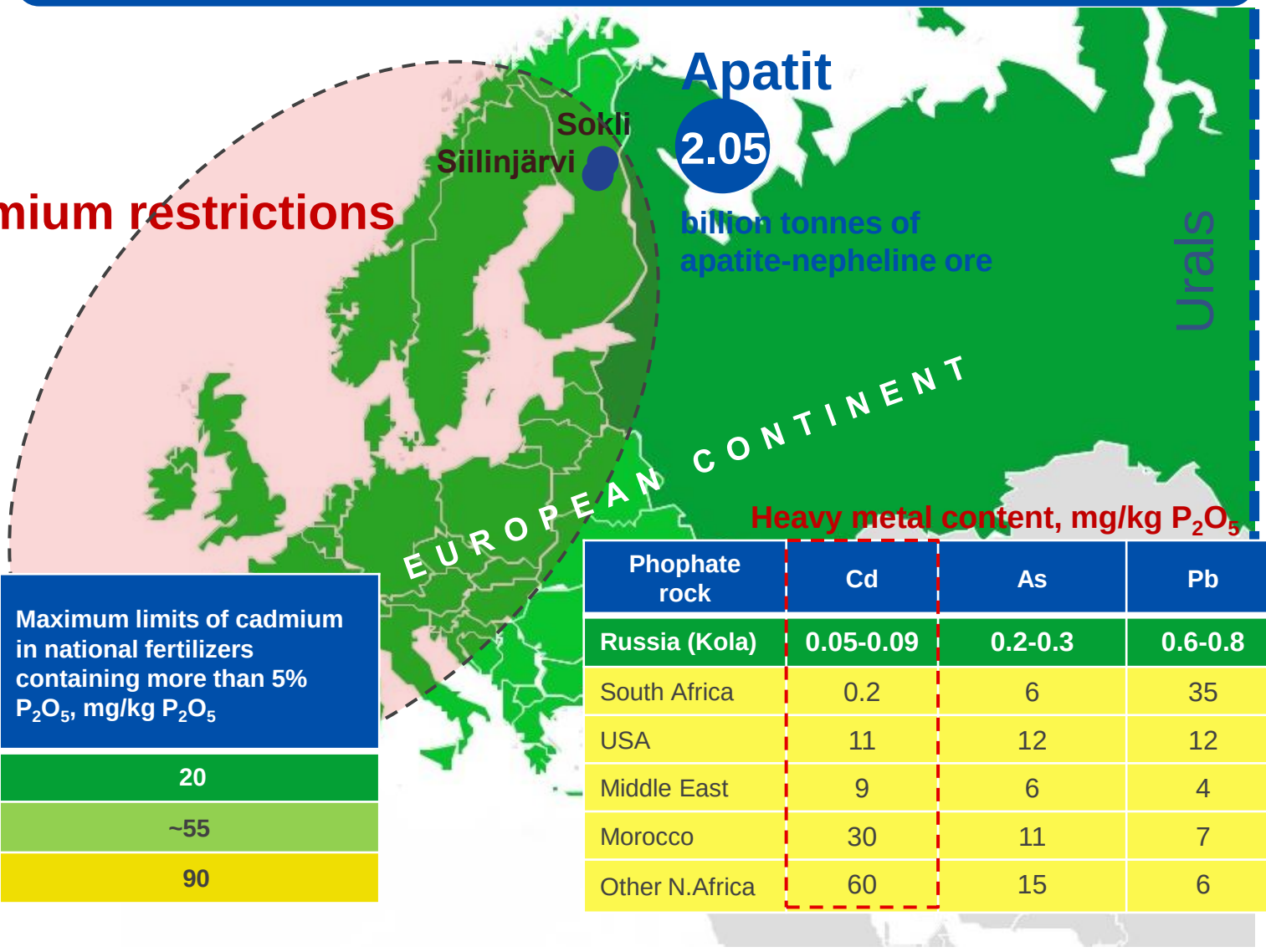
2014 Primary phosphate(1) trade flows
PhosAgro Trade Strategy

World DAP/MAP trade: 22.4 mn t



Source: IFA, CRU, USITC, CFMW, PhosAgro estimate
Note: (1) - DAP/MAP/NPK/NPKS
(2) – PhosAgro sales volumes

Priorities: trade restrictions vs. health



European countries grouped by allowable cadmium level	Maximum limits of cadmium in national fertilizers containing more than 5% P_2O_5, mg/kg P_2O_5
Strict limits	20
Medium limits	~55
Mild limits	90

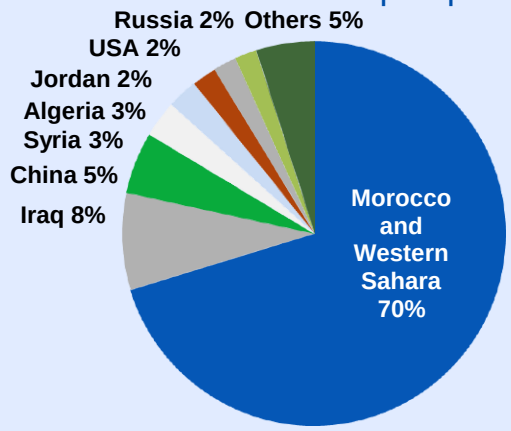
Heavy metal content, mg/kg P_2O_5

Phophate rock	Cd	As	Pb
Russia (Kola)	0.05-0.09	0.2-0.3	0.6-0.8
South Africa	0.2	6	35
USA	11	12	12
Middle East	9	6	4
Morocco	30	11	7
Other N.Africa	60	15	6

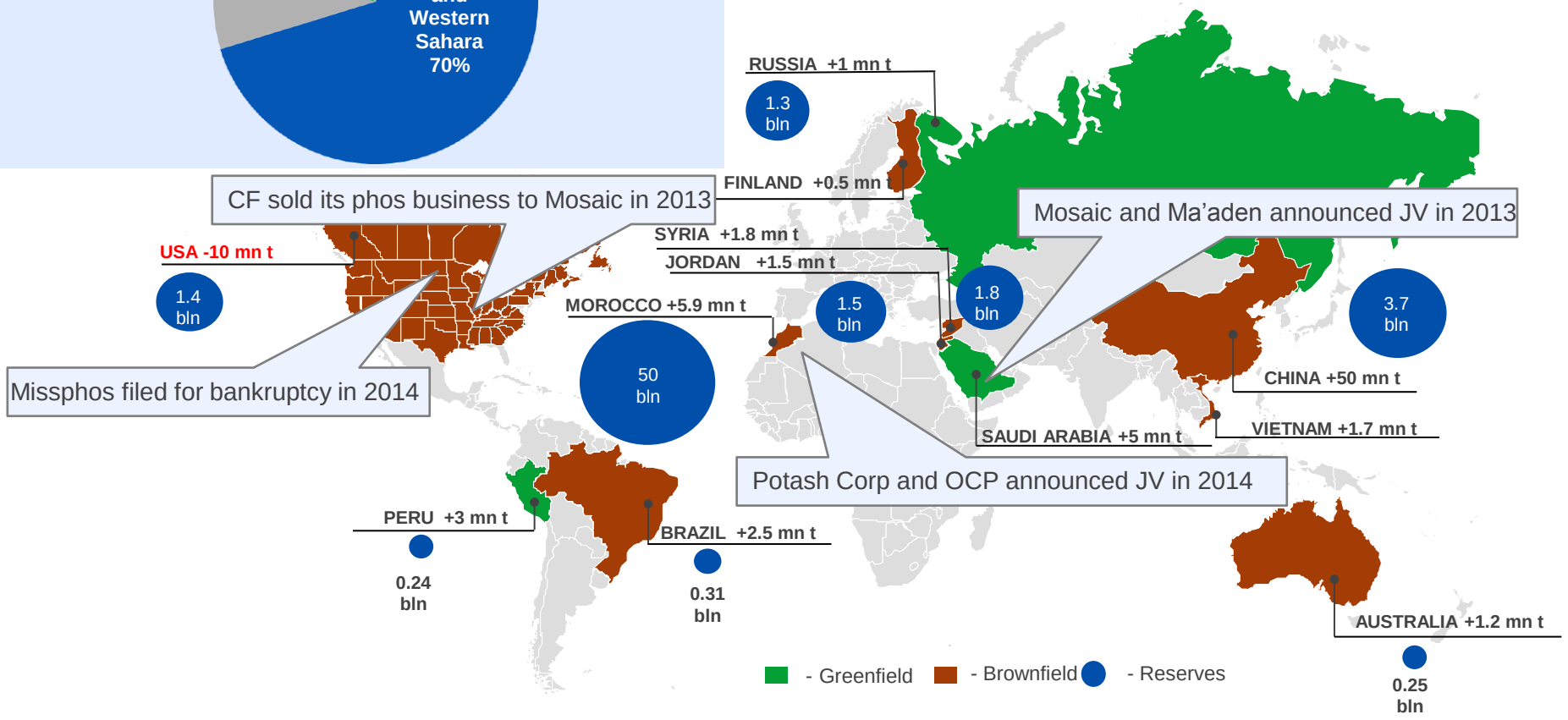
Source: European Council, National Fertilizer and Environmental Research Center, Tennessee Valley; TUV

Recent industry developments

Morocco controls most of world phosphate ore reserves



Net addition to phosphate rock production capacities (excl. China) of 14 mn t with 0.8% CAGR



CF sold its phos business to Mosaic in 2013

Mosaic and Ma'aden announced JV in 2013

Missphos filed for bankruptcy in 2014

Potash Corp and OCP announced JV in 2014

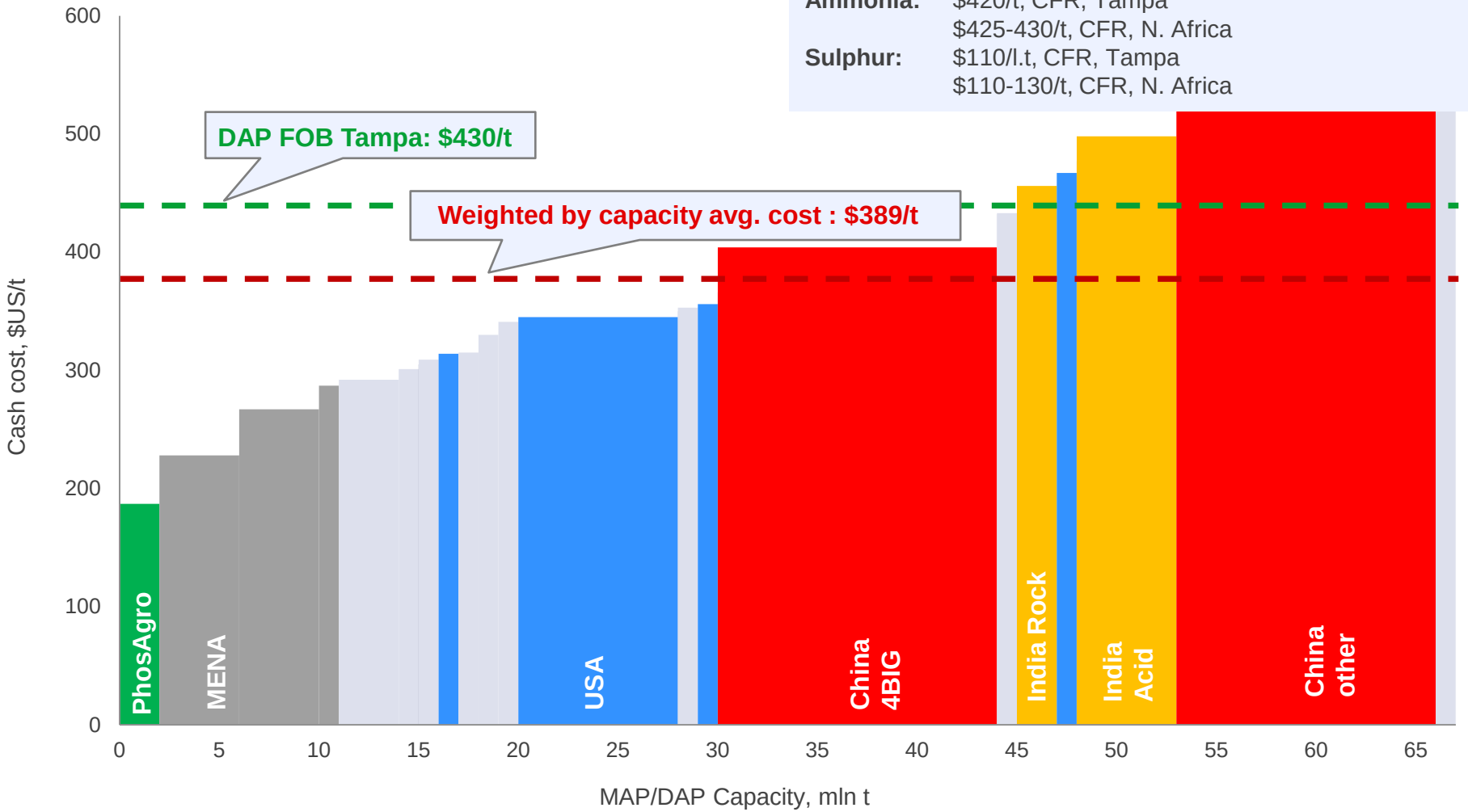
Source: CRU, USGS

Estimated MAP/DAP business cash cost curve $US/t FOB(1) Morocco

Estimated with feedstock prices set forth below:

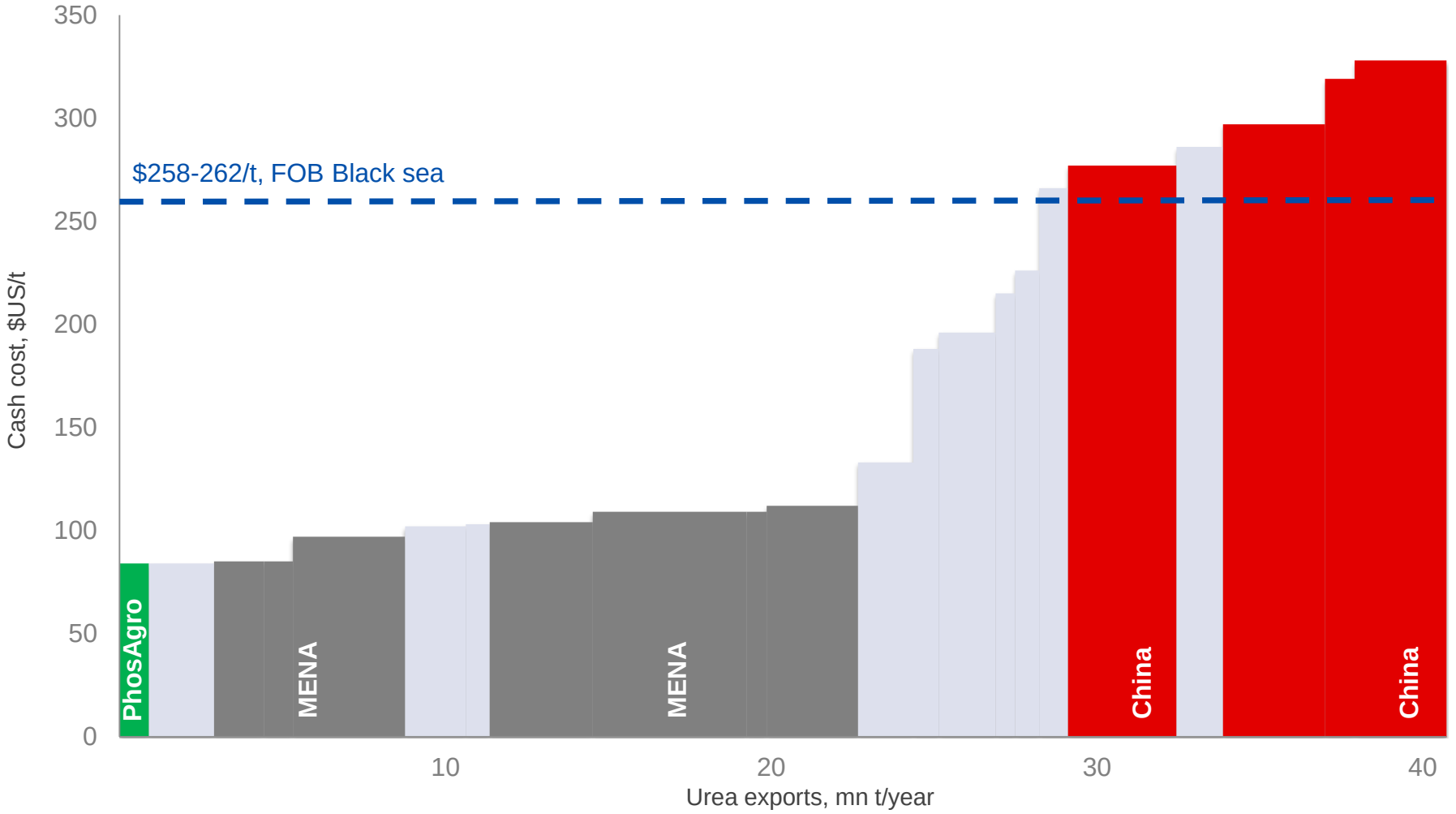
Ammonia: $420/t, CFR, Tampa
$425-430/t, CFR, N. Africa

Sulphur: $110/l.t, CFR, Tampa
$110-130/t, CFR, N. Africa



Source: PhosAgro estimates, CRU, Fertecon, Integer, Argus-FMB, PhosAgro
Note: (1) MAP/DAP business cash cost est. are based on current feedstock prices, on site's specific location relative to FOB Morocco and its product nutrient content relative to DAP
USD/RUB exchange rate of RUB 59.28 applied for calculation MAP/DAP business cash cost

Estimated Urea export cash cost curve $US/t FOB(1) Yuzhny

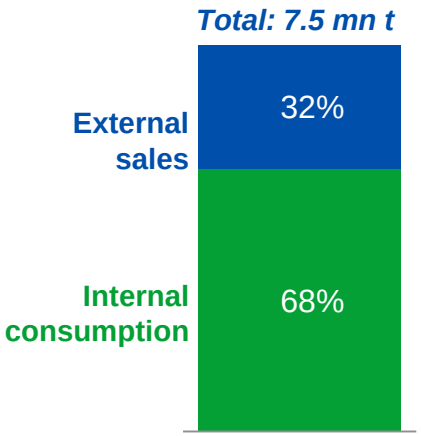


Source: PhosAgro estimates, CRU, Fertecon, IFA, Argus-FMB
Note: (1) Urea cash cost estimates are based on feedstock prices in Q1 2015
USD/RUB exchange rate of RUB 61.88 applied for calculation urea export cash cost

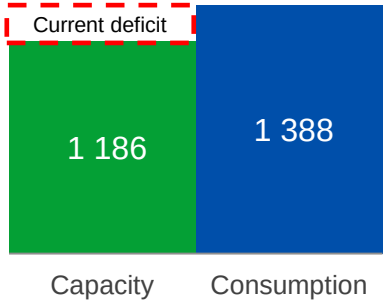
Strategy for fertilizer volume growth

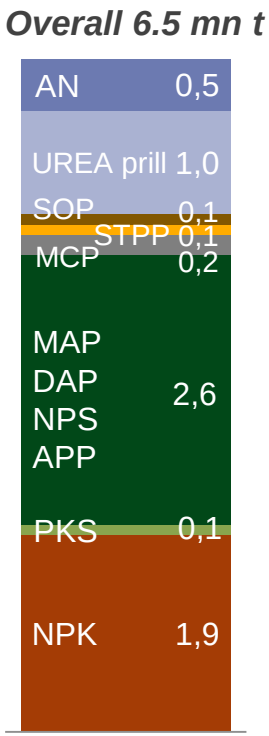
Where we are in 2014

Phosphate rock

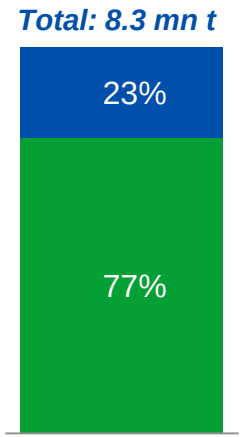


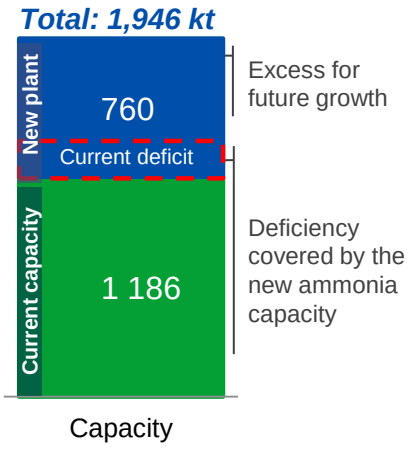
Ammonia

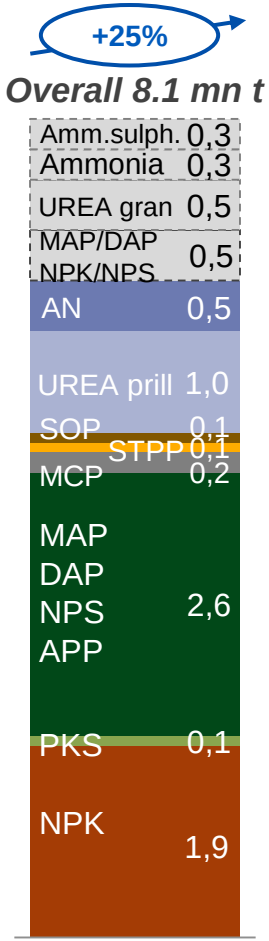




Where we are headed (2017-2020)







Source: PhosAgro

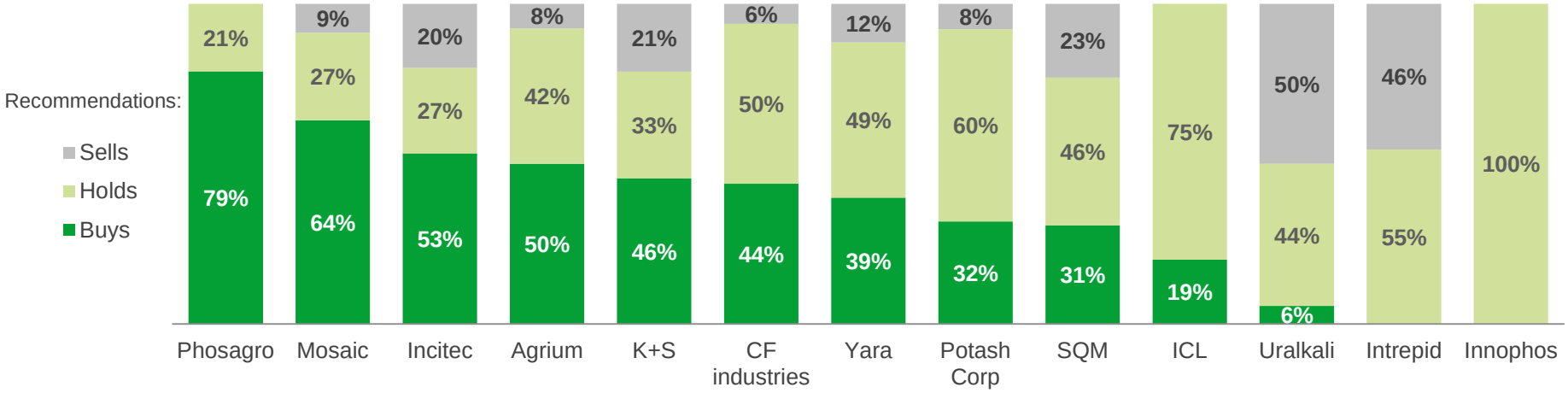
PHOSAGRO

Industry Broker Ratings

Peer valuations

(Typically a 12 month outlook)

	Phosagro	Mosaic	Incitec	Agrium	K+S	CF industries	Yara	Potash Corp	SQM	ICL	Uralkali	Intrepid	Innophos
# of Analysts	16	20	12	25	32	18	31	27	12	14	18	11	4
Average Target Price Premium	22%	20%	7%	14%	19%	19%	1%	16%	15%	16%	14%	26%	30%



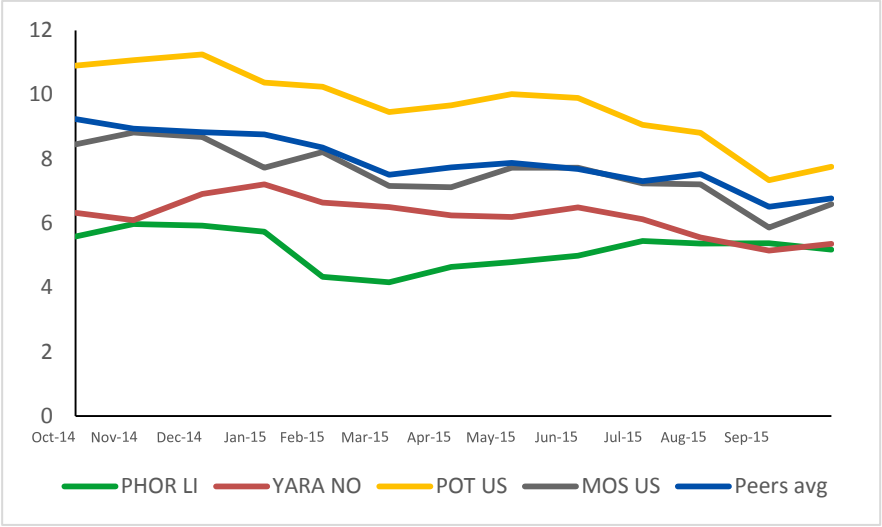
	Phosagro	Mosaic	Incitec	Agrium	K+S	CF industries	Yara	Potash Corp	SQM	ICL	Uralkali	Intrepid	Innophos
Nitrogen	12%	-	-	34%	-	100%	97%	11%	-	-	-	-	-
Phosphates	88%	44%	24%	6%	-	-	2%	22%	-	12%	-	-	100%
Potash	-	56%	-	16%	70%	-	1%	67%	48%	56%	100%	100%	-

Positive outlook — **Negative outlook**

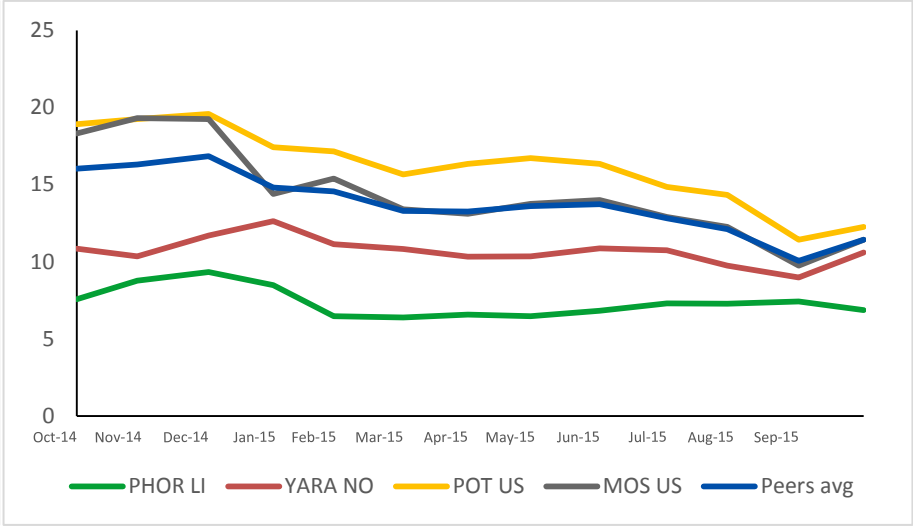
Sources: Bloomberg (2 November 2015), PhosAgro analysis

Performance relative to peers

EV/EBITDA 1yr fwd



P/E 1yr fwd



Company	Current Price, USD	Mcap, $ mln	EV/EBITDA		P/E		Dividend yield,%	
			2015E	2016E	2015E	2016E	2015E	2016E
PhosAgro	**13,5**	**5 225**	**5,0**	**5,0**	**7,2**	**7,0**	**6,9%***	**7,6%***
International peers								
Potash Corp	21,3	17 795	7,7	7,4	12,3	12,1	7,5%	7,6%
Yara Int	45,3	12 448	5,4	5,9	10,6	10,8	3,8%	3,9%
Mosaic	34,6	12 333	6,3	6,0	11,3	11,0	3,2%	3,3%
Median			**6,5**	**6,4**	**11,4**	**11,3**	**4,8%**	**4,9%**
Discount to median, %			*-23%*	*-22%*	*-37%*	*-38%*		

* - Calculated based on 50% payout ratio and FY15 and FY16 NI forecast provided by Bloomberg

Source: Bloomberg (as of October 29, 2015), PhosAgro analysis

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Thank you!

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Q&A