



Morgan Stanley **Global Chemicals & Agriculture Conference**

13-14 of November 2013



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World class integrated phosphate producer

- #1 global producer of high-grade phosphate rock
- #2 global DAP/MAP producer⁽¹⁾
- Overall fertiliser capacity of 6.1 mln t

Large high quality apatite-nepheline resources

- 2.1 bln t of ore resources⁽²⁾ (over 75 years of production)
- Al₂O₃ 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

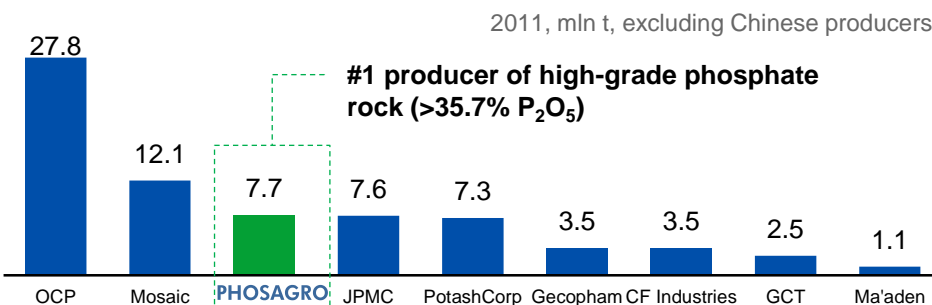
Flexible production and sales

- Flexible production lines
- Phosphate fertiliser capacities of 4.2 mln t, 1.8 mln t fully flexible into NPK production
- Leader in Russian fertiliser market growing twice faster than the world consumption
- Net back driven sales model with a global presence

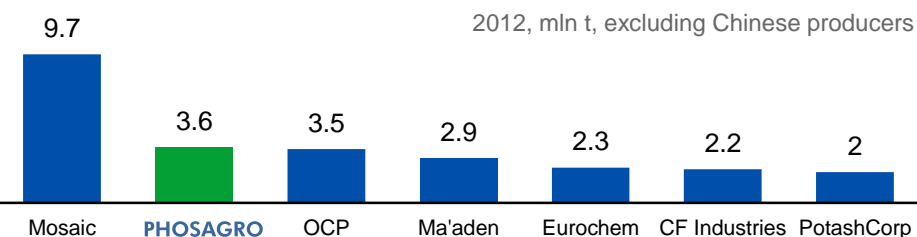
Strong financial performance

- EBITDA of \$1,116 mn and \$432 mn in 2012 and in H1 2013, respectively
- Net debt/EBITDA: 1.10x

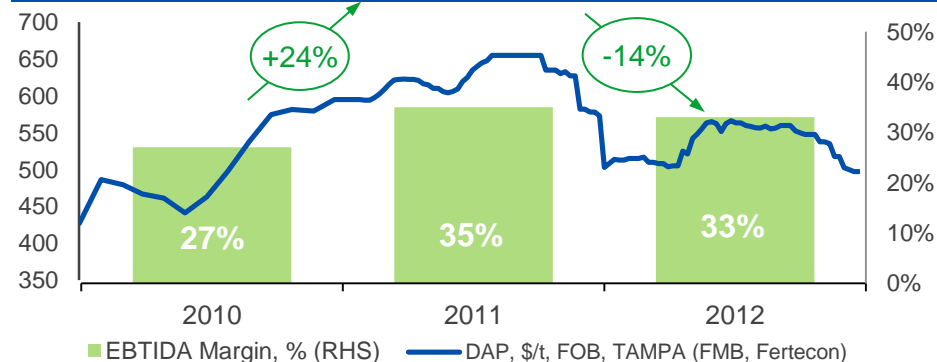
Leading global phosphate rock producers (by production)



Leading global DAP/MAP producers (by capacity)



DAP Price Dynamics vs EBITDA margin, average DAP price change (%)

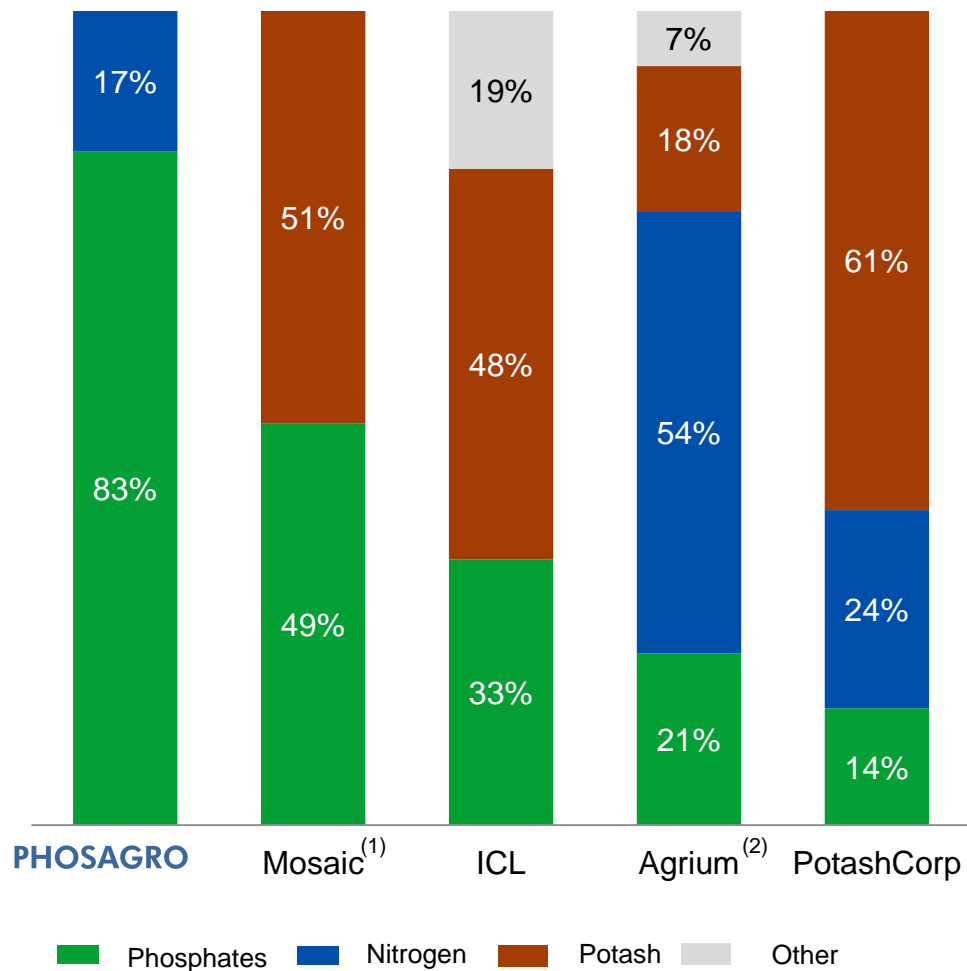


Note: (1) Excluding Chinese producers
 (2) PhosAgro, IMC as of June 2011
 (3) Russian Academy of Science
 (4) self-sufficiency depends on the composition of the products produced by PhosAgro
 Source: IFA, CRU, companies data, PhosAgro

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

Gross profit breakdown by segment

Average gross profit breakdown by segment for 2011-2012



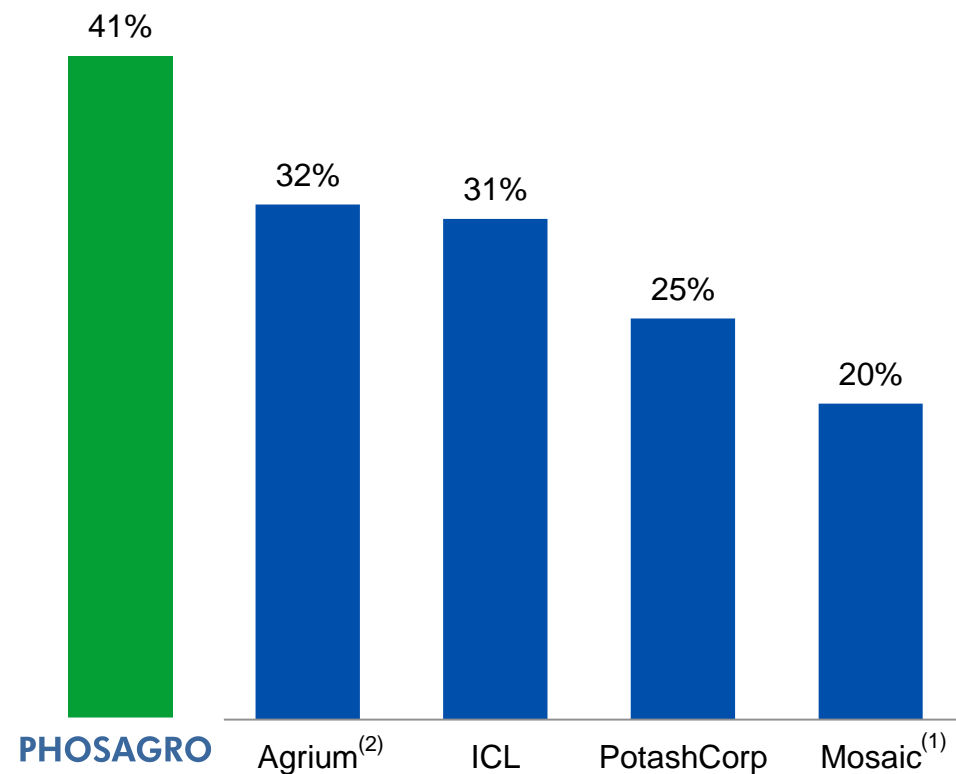
Source: Companies' reports

Note: (1) Calendarised

(2) Excluding resale, retail and advanced technologies

Phosphate segment gross profit margin

Average gross profit margin of phosphate segment for 2011-2012



Source: Companies' reports

Note: (1) Calendarised

(2) Wholesale

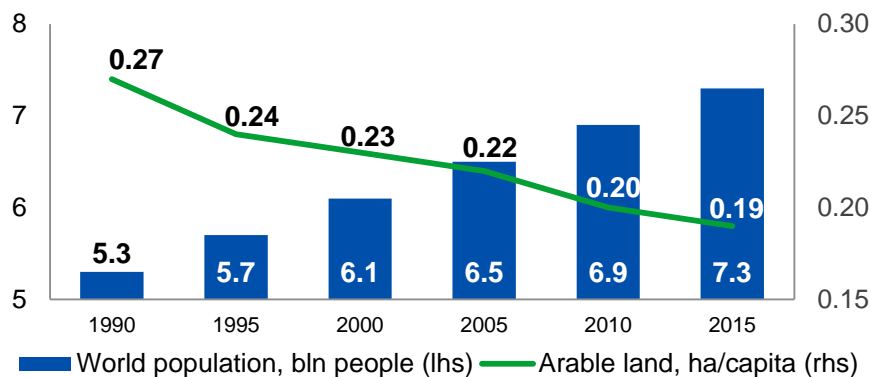
1. Phosphates – an attractive industry



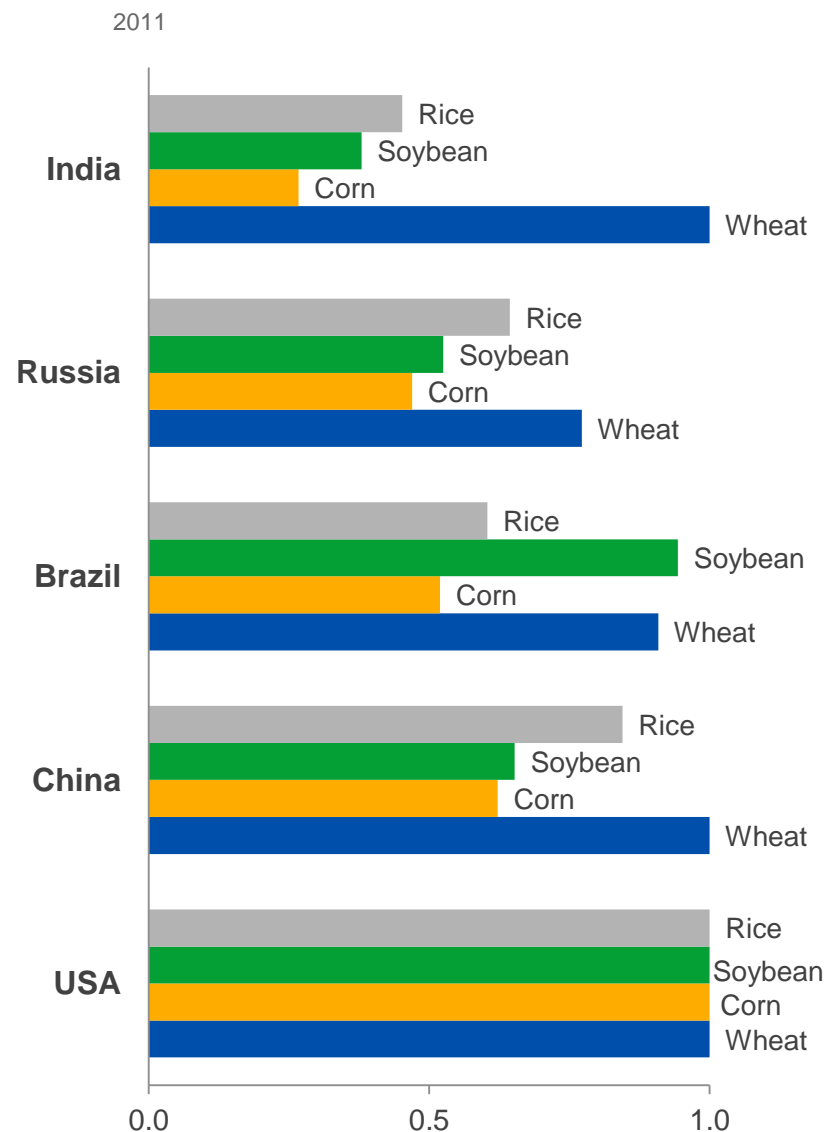
Strong demand fundamentals for fertilisers

Fertiliser is widely under-applied and inefficiently applied in developing countries

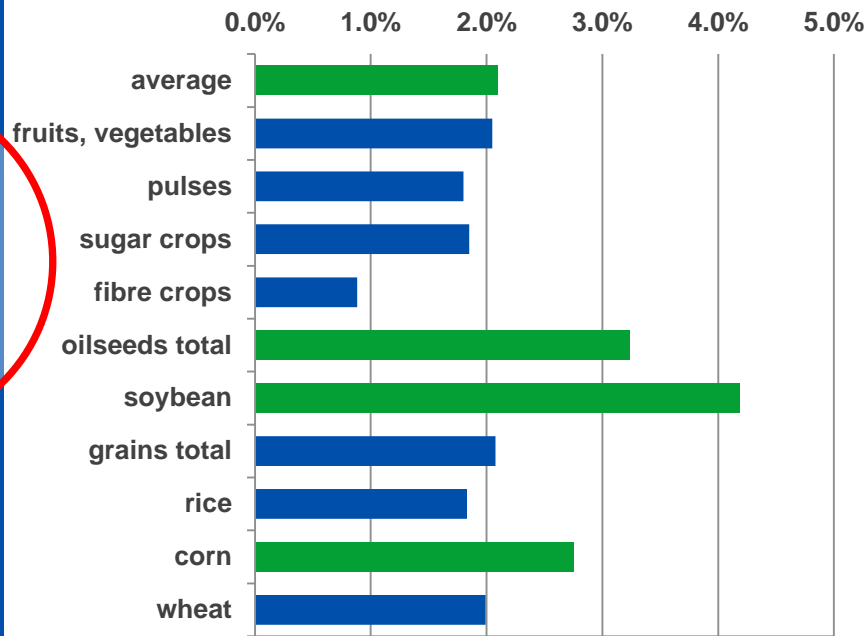
Population growth and decrease of arable land per capita



Yield Indexed to USA



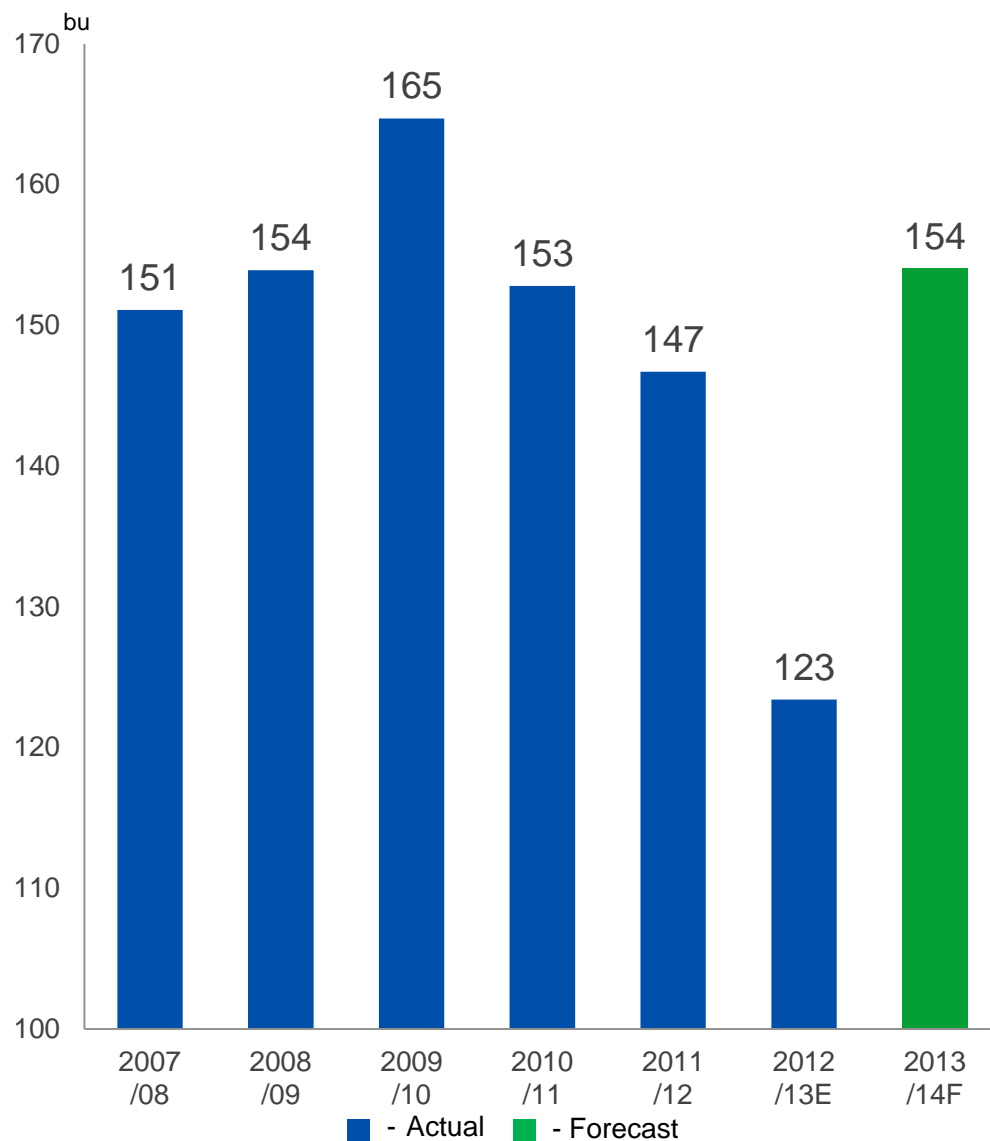
Projected Average Annual Growth of Agricultural Production 2012-2022



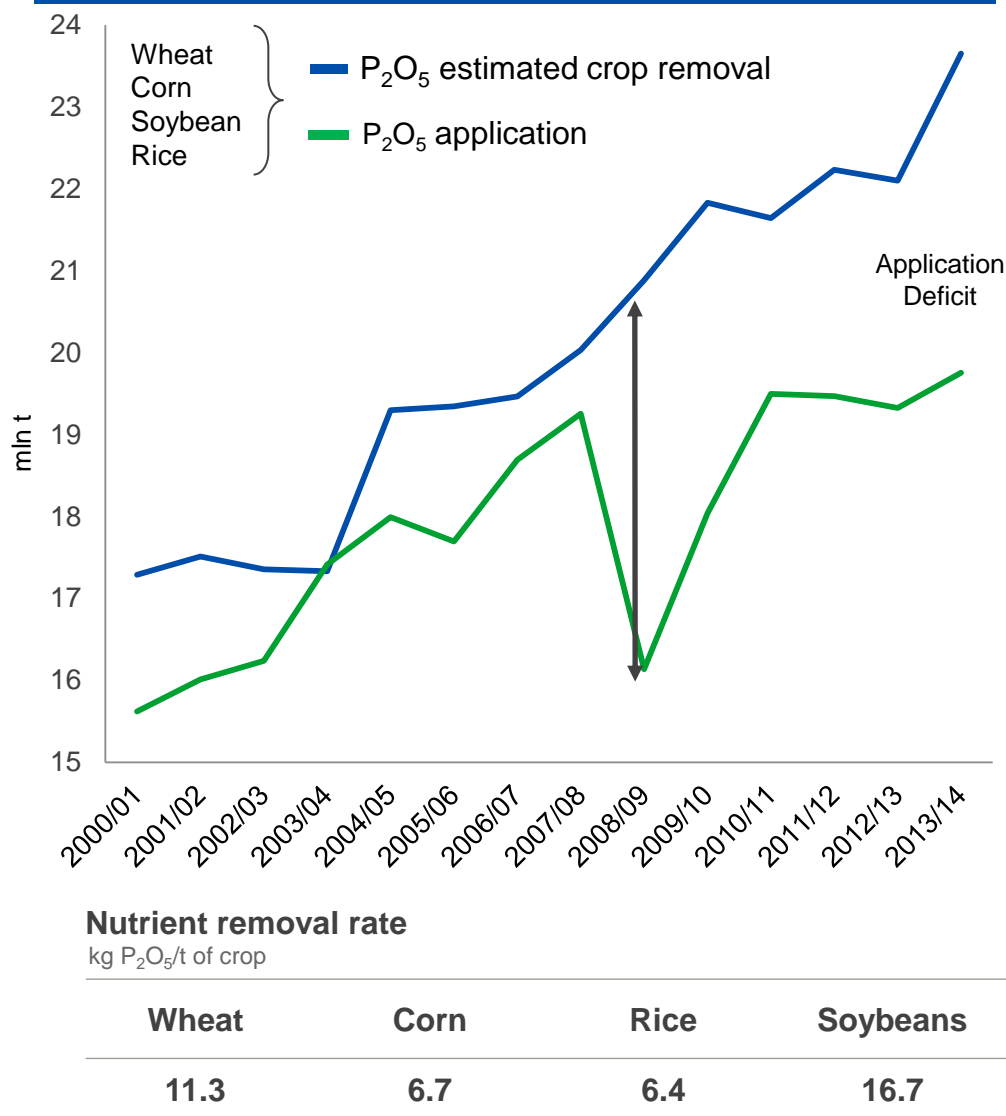
High growth rates for corn and seed oil crops, both major consumers of phosphate fertilisers

Significant room for further growth of use of phosphate fertilisers

Corn yield per harvested acre in US

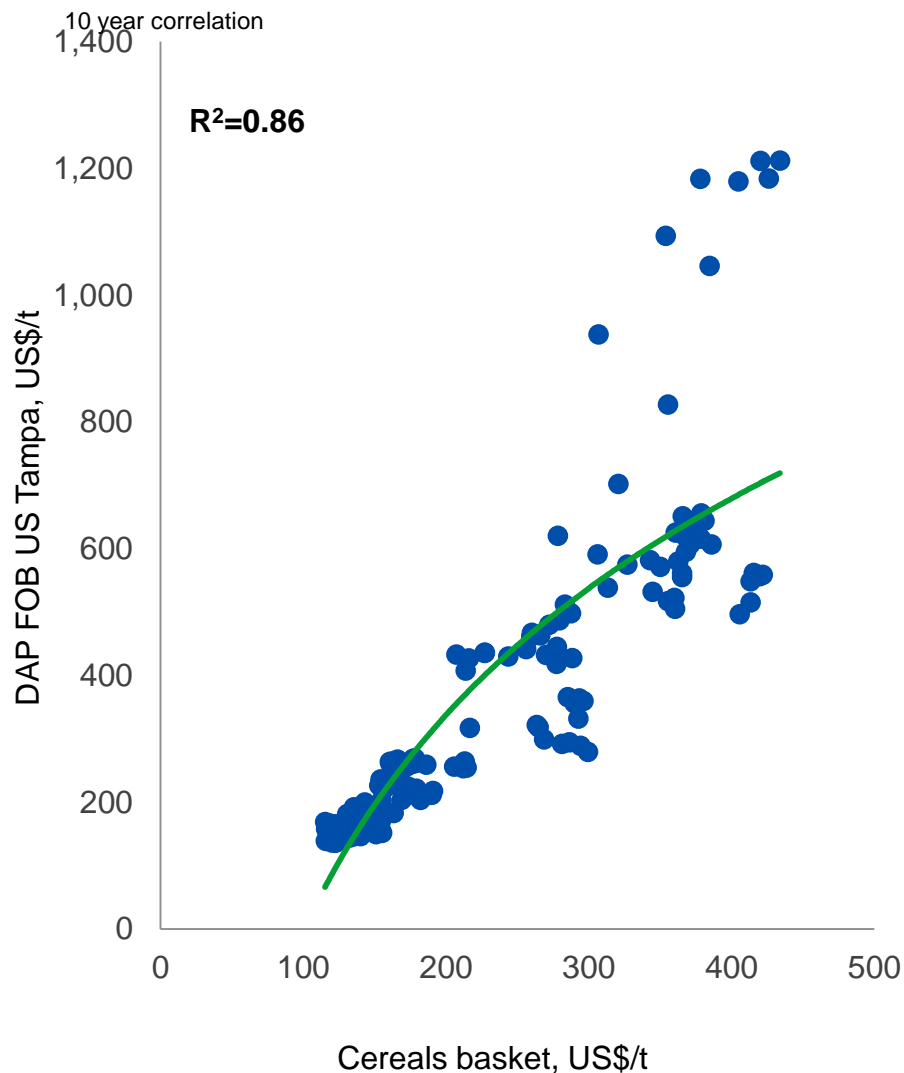


Insufficient application of phosphate fertilisers creates significant room for growth

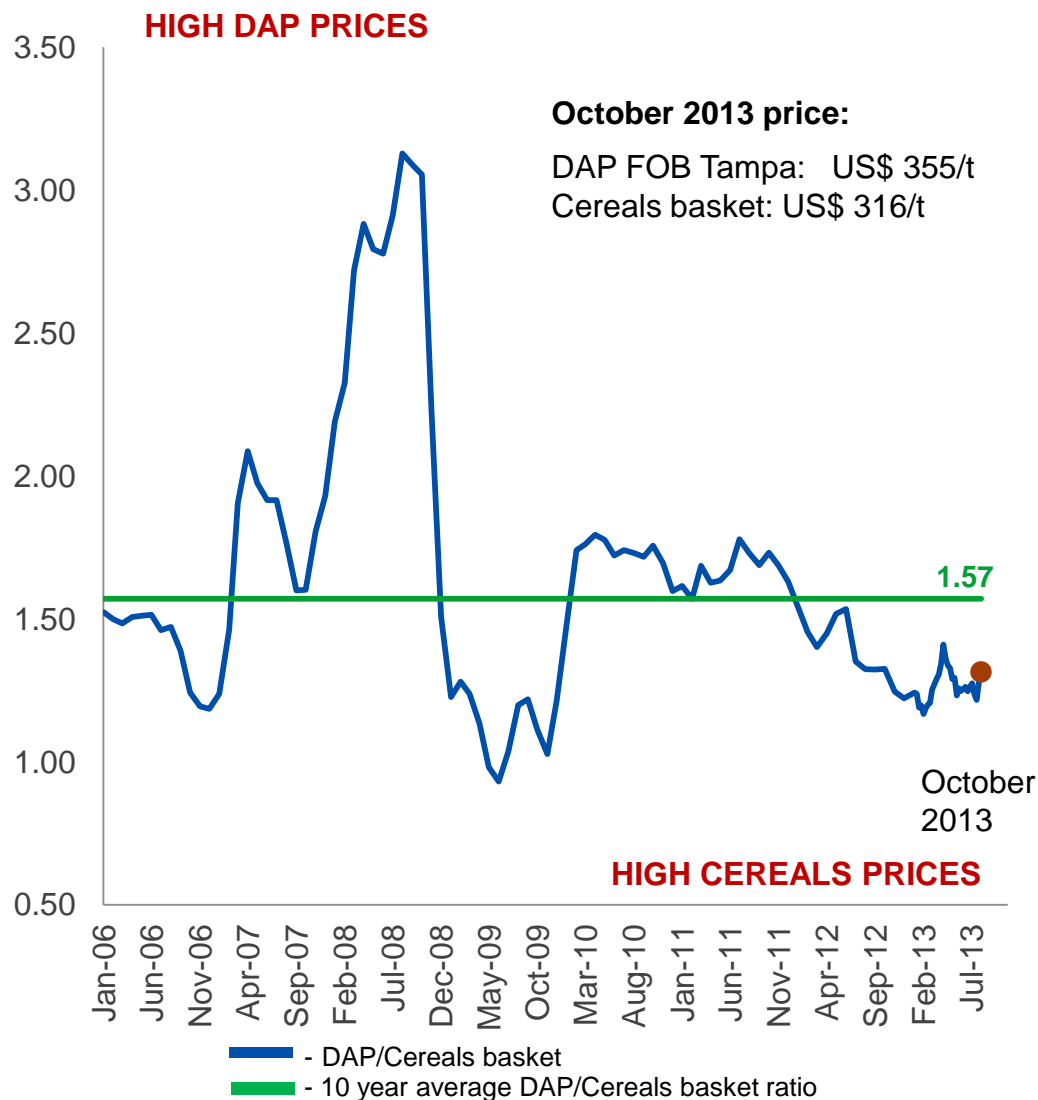


High grain prices driven by market imbalance motivate farmers to use more fertilisers

Cereals basket prices relative to DAP Prices



Cereals basket⁽¹⁾ to DAP prices ratio

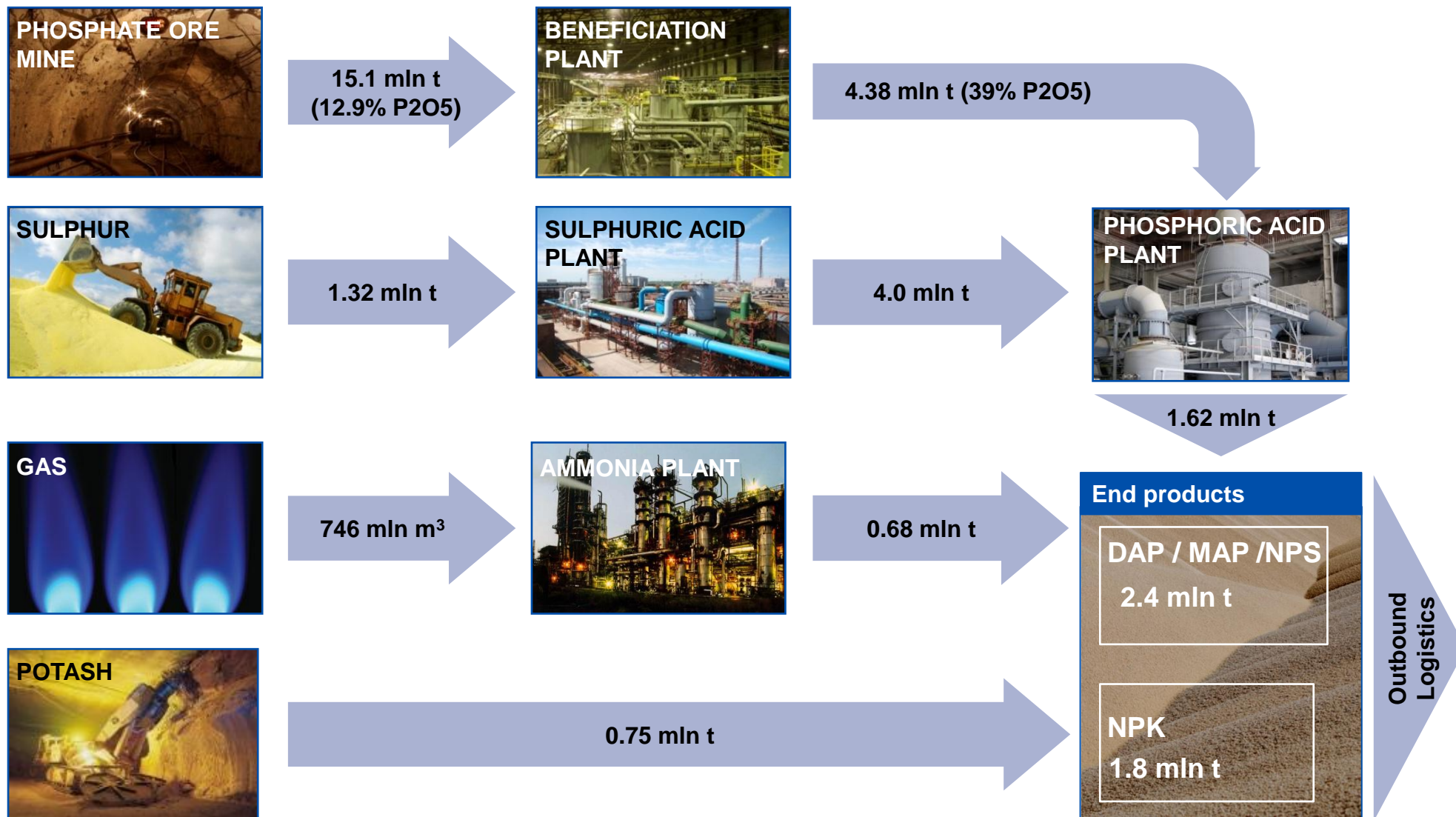


Source: Argus-FMB, USDA, FAO

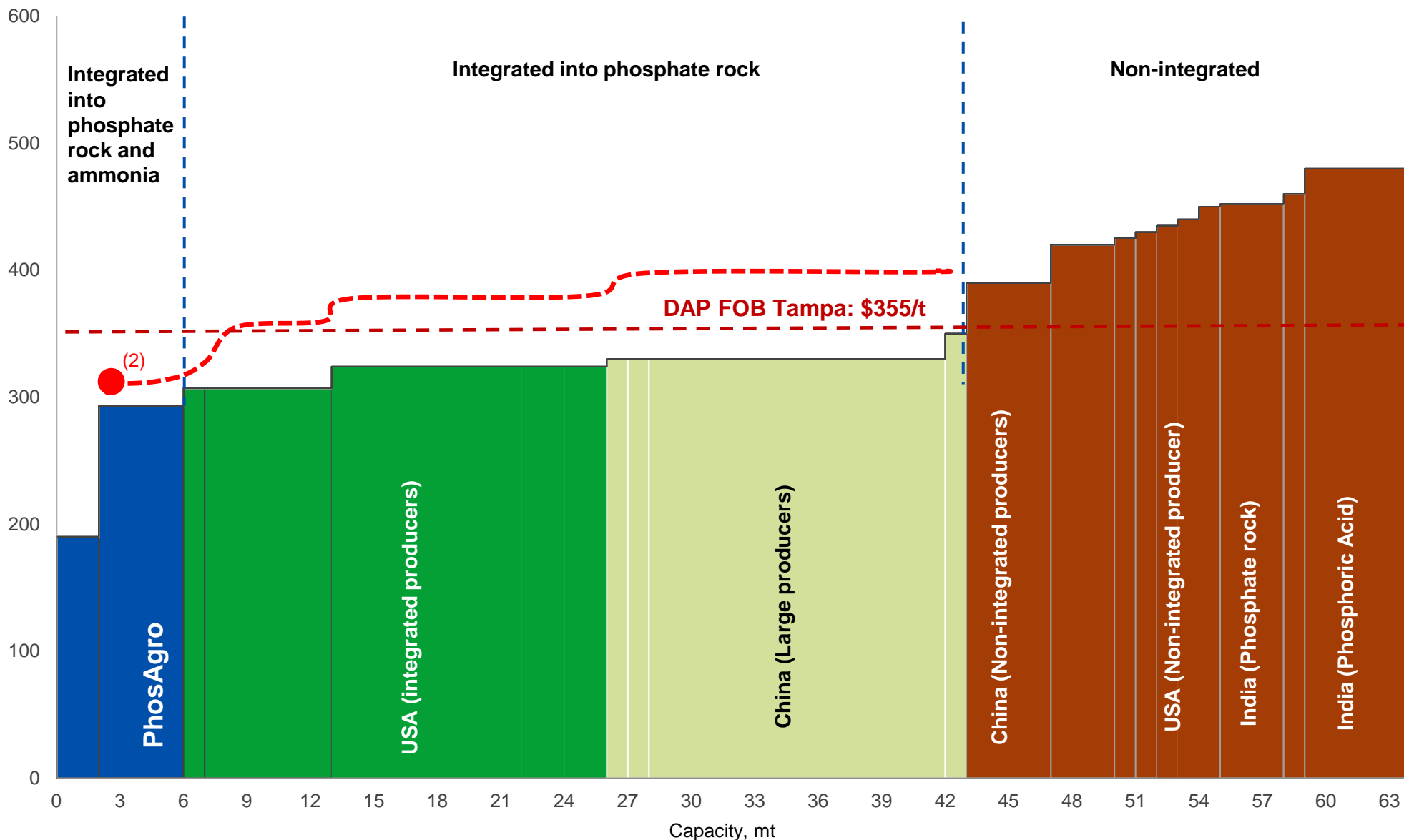
Note: (1) agricultural commodity prices are represented by a grain index calculated as follows: (wheat price*7+ corn price *8 rice price*4.5+soybeans price*2.5)/22

Need for a combination of feedstocks and complexity of production process act as barriers to entry

Overview of integrated phosphate-based production model based on PhosAgro's consumption ratios



Estimated DAP production cash cost curve (US\$/t, FOB) in Oct 2013⁽¹⁾



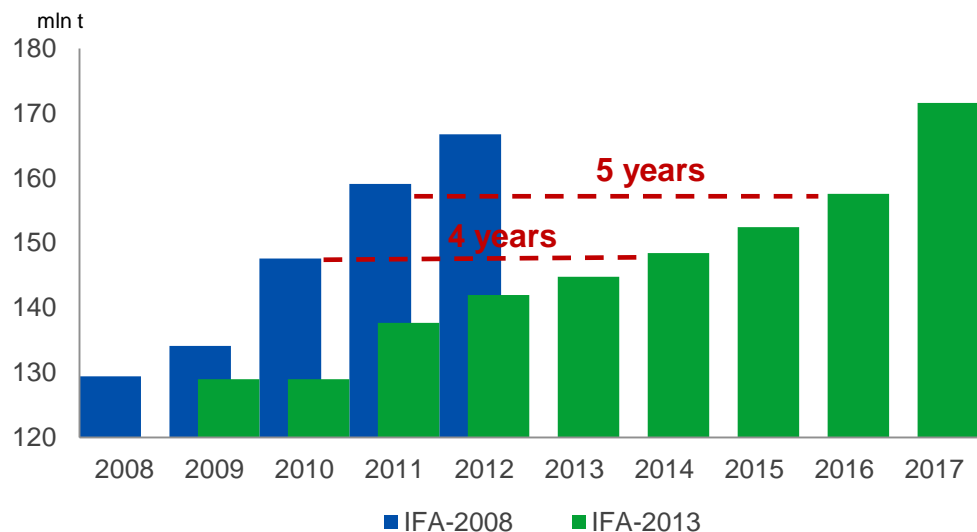
Source: companies data, CRU, Argus-FMB, China Fert Market Weekly, PhosAgro

Note: (1) DAP cash cost estimations are based on feedstock prices as of October 2013

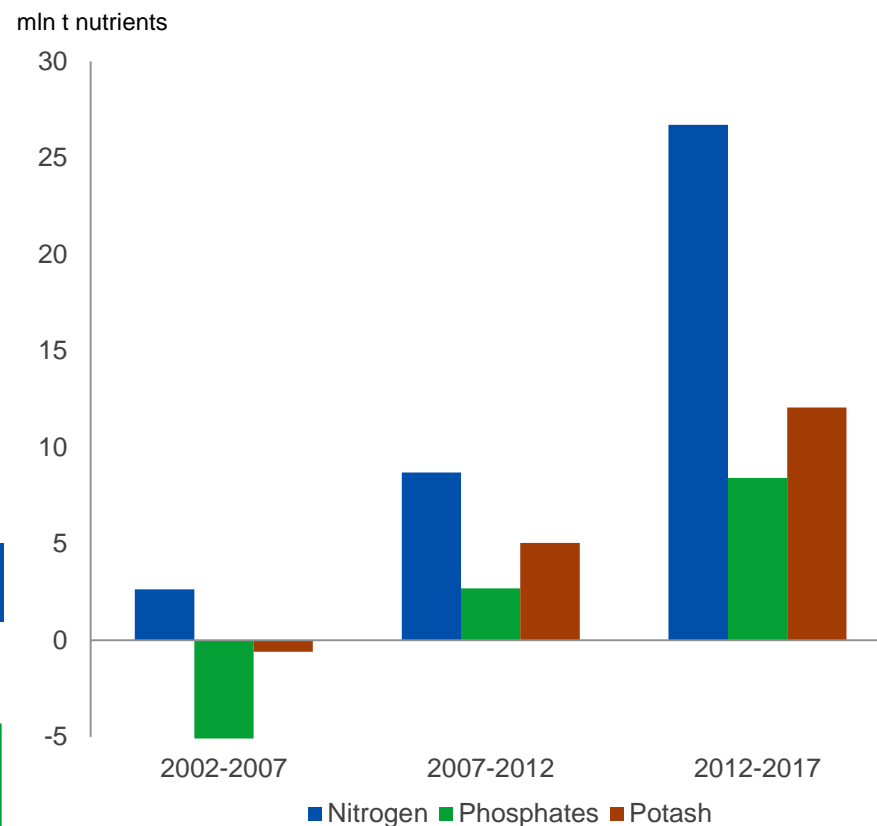
(2) PhosAgro actual cash costs as per Oracle OEBS data/ circa peer cash costs, including SG&A , etc.

Commissioning phosphate rock and phosphoric acid capacities

Delays in addition of new phosphate rock capacities (excl. China)

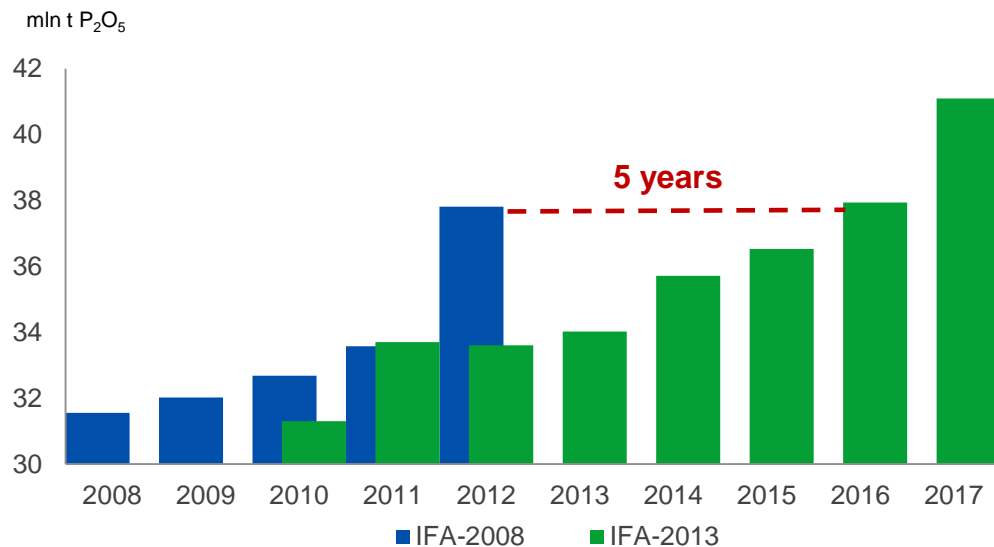


Changes in world fertiliser capacities (excl. China)

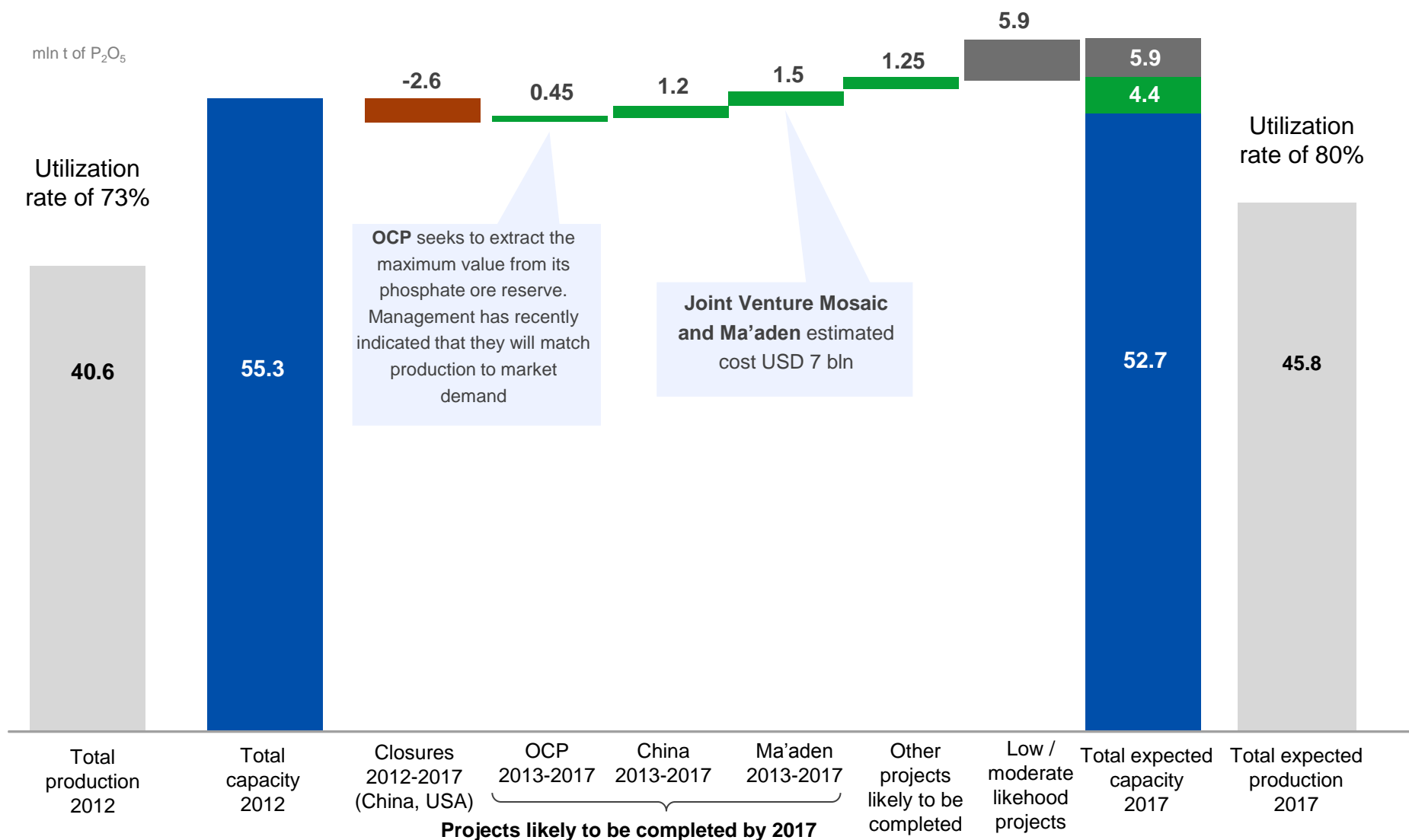


- Less new projects are announced in phosphates
- Commissioning of new capacities is delayed
- Shutdown in phosphate fertiliser capacities was more significant while less new commissioning in the past 5 years in comparison with nitrogen and potash sectors

Delays in commissioning phosphoric acid capacities (excl. China)



Timing and completion of new capacities is uncertain



Note: (1) Projects with low / moderate likelihood of completion by 2016
Source: CRU, companies' data

2. Market challenges



Uncertain policy for nutrient subsidies in India decrease fertiliser imports and unbalance fertilization

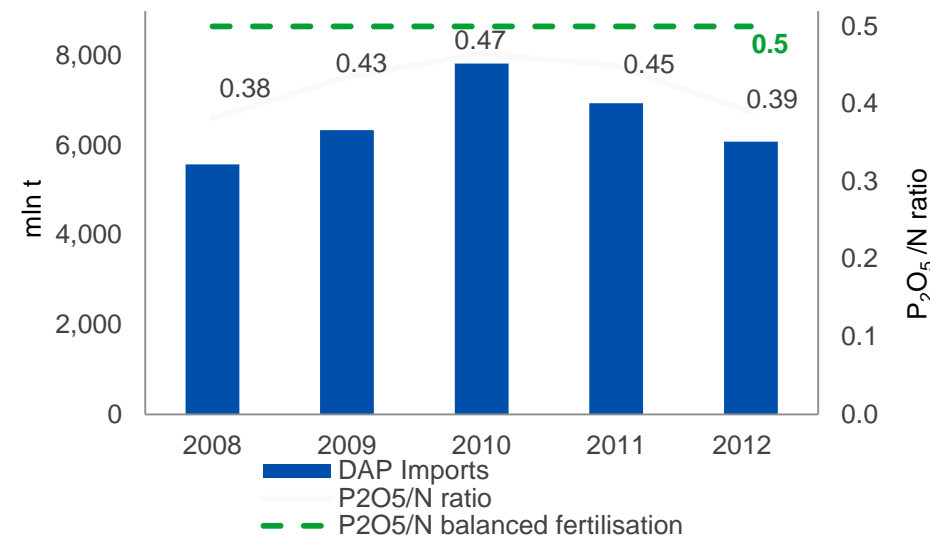
Evolution of N: P₂O₅ :K₂O ratio in India

	N	P ₂ O ₅	K ₂ O
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

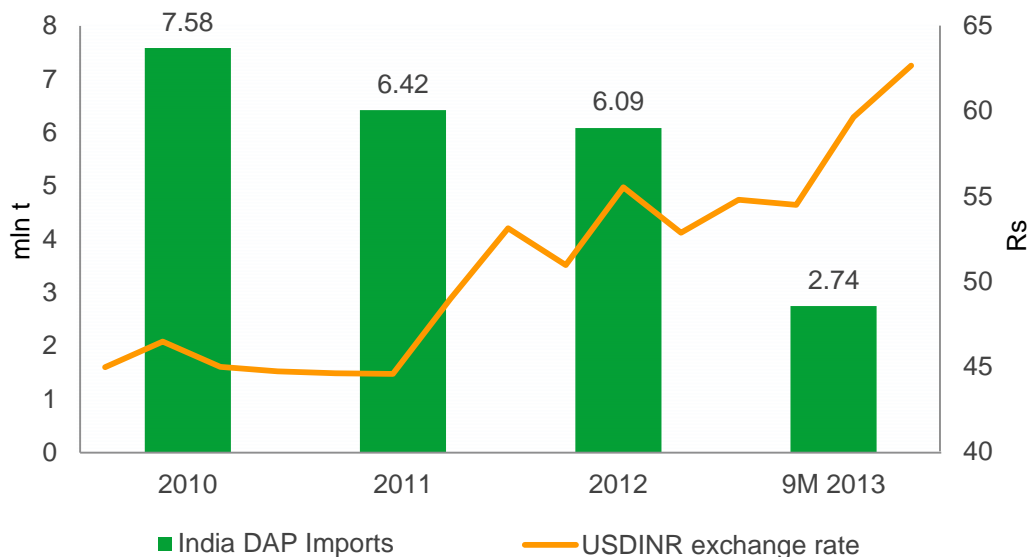
Nutrient Based Subsidy (NBS) Rates in India (Rs/kg nutrient)

	N	P ₂ O ₅	K ₂ O
2010/11	23.227	26.276	24.487
2011/12	27.153	32.338	26.756
2012/13	24.0	21.804	24.0
Change	-11.6%	-32.6%	-10.3%

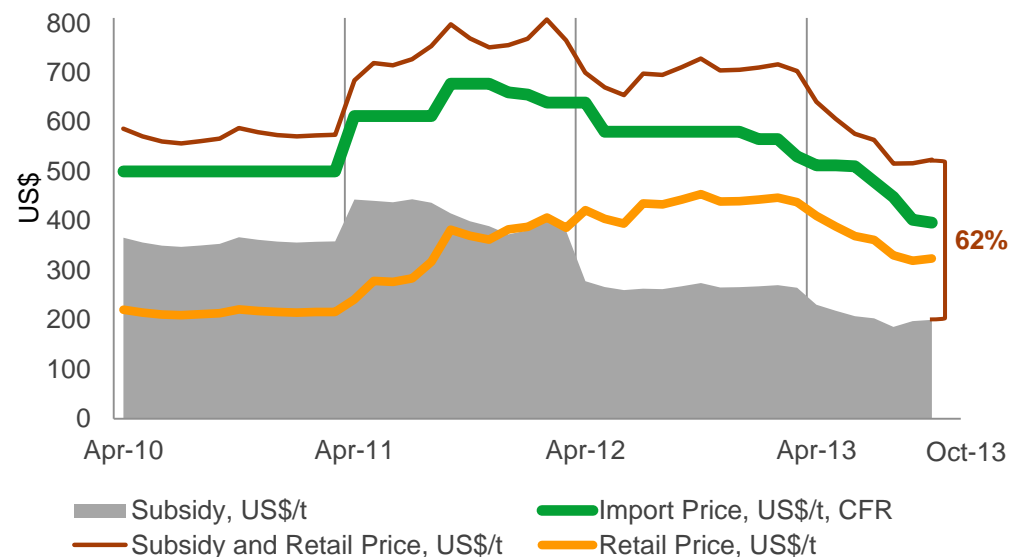
Unbalanced fertilisation



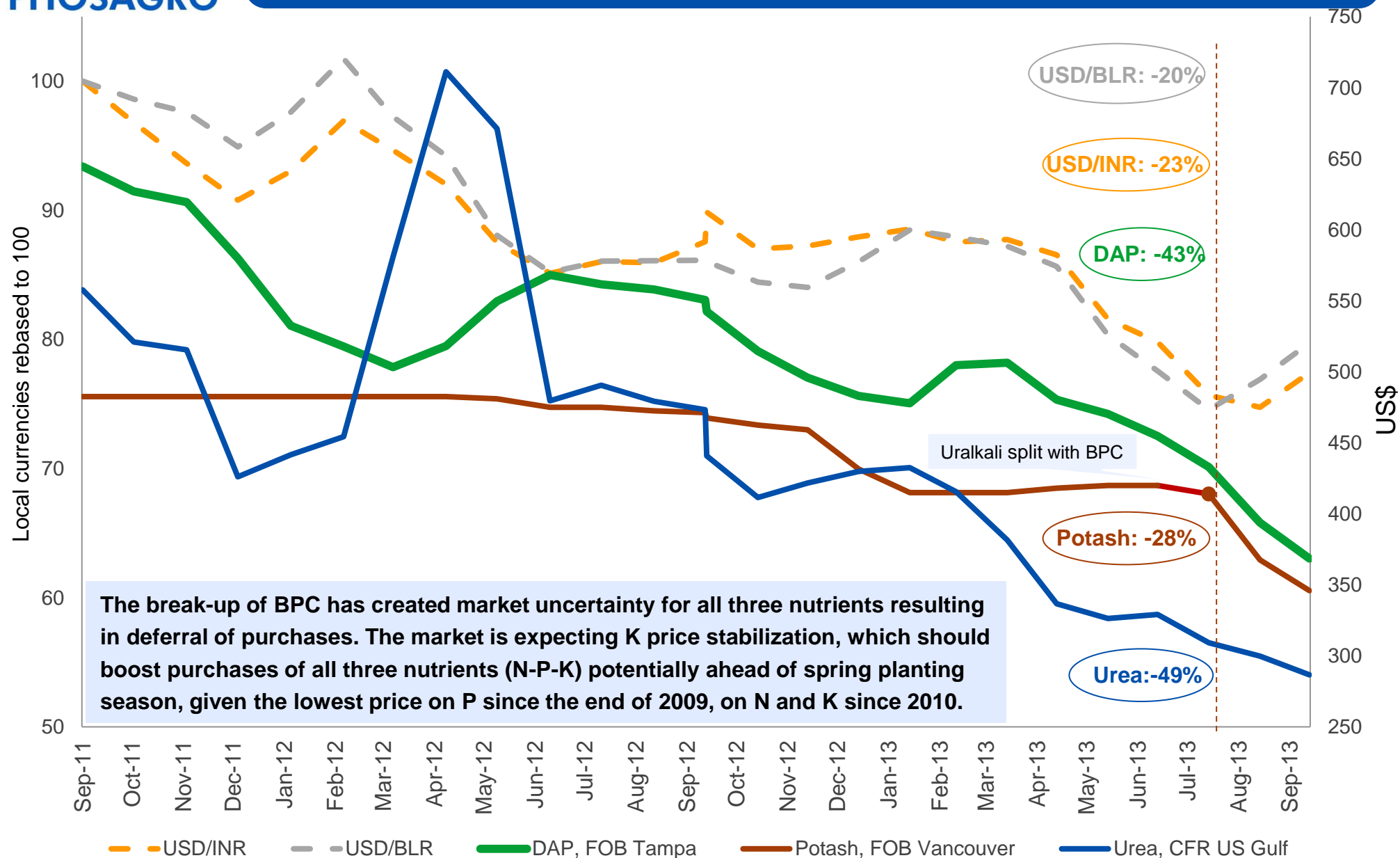
India DAP Imports and Rupee exchange rate



Indian domestic price is twice above the current subsidy level



Fertiliser price developments in 2013



A wide-angle photograph of a massive open-pit mine. The mine's interior is characterized by numerous horizontal terraced levels, creating a stepped appearance. The rock faces are a mix of dark grey and light grey. In the foreground, a winding road or path cuts through the lower levels of the mine. To the left, a steep, green hillside slopes down towards the mine. In the background, more rolling green hills are visible under a bright blue sky filled with large, white, fluffy clouds. A green rectangular banner is overlaid on the upper right portion of the image, containing the text "3. Company Highlights" in white.

3. Company Highlights

Control of world's premium phosphate resource base

Location ⁽¹⁾	 Russia	 Morocco	 USA	 Jordan	 China	 Tunisia
World Phosphate Rock Reserves, billion t	2.1	50	1.4	1.5	3.7	0.1
Ore type	Igneous	Sedimentary	Sedimentary	Sedimentary	Sedimentary	Sedimentary
Al ₂ O ₃ content	13.0-14.0% High	Very low	Very low	Very low	Very low	Low to moderate
Minor Element Ratio (MER) ⁽²⁾	0.02-0.04	0.02-0.04	0.05-0.1	0.02-0.03	More than 0.05	0.05
Cadmium content ⁽³⁾	Less than 0.1	15-40	9-38	5-6	2	40
Level of radioactivity	Very low	Moderate	Moderate to high	Low to moderate	Low to moderate	Moderate
Hazardous metals content	Very low	Moderate	Moderate to high	Low	Low to moderate	Low to moderate
		Positive effect on quality		Negative effect on quality		

Source:

CRU, IMC, USGS 2011

(1) Primary global DAP/MAP producing regions

(2) Average Minor Element Ratio (MER) greater than 0.1 not sustainable for production of high quality DAP

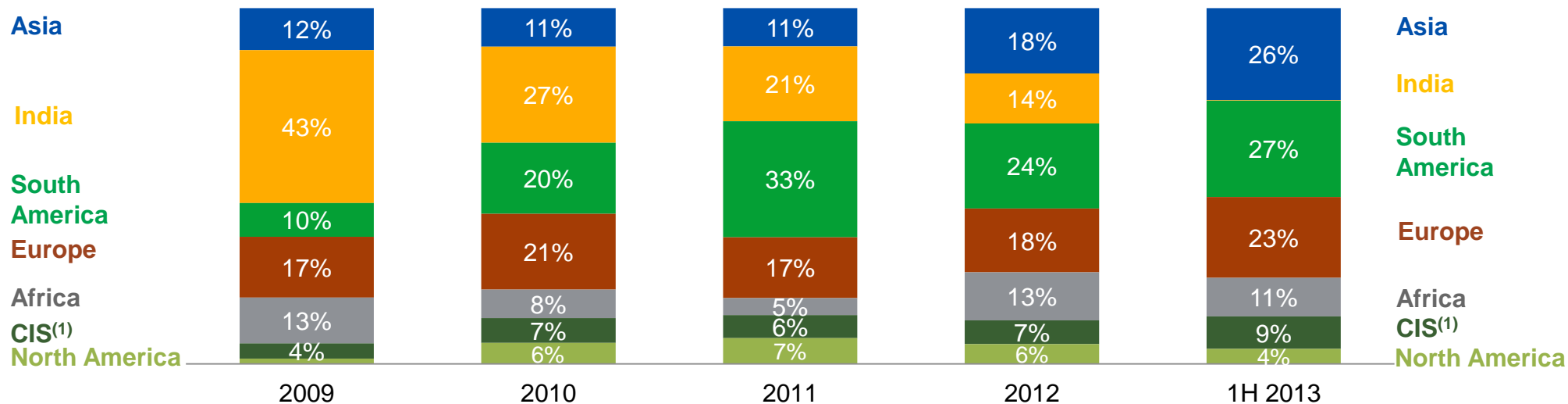
(3) Average cadmium content in ppm

Flexible business model



Phosphate-based fertilisers and feed phosphate exports by region

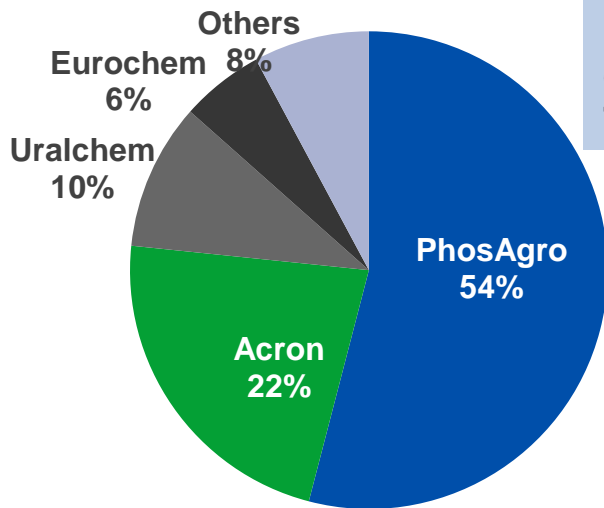
In volume terms



Source: PhosAgro
Note: (1) Excluding Russia

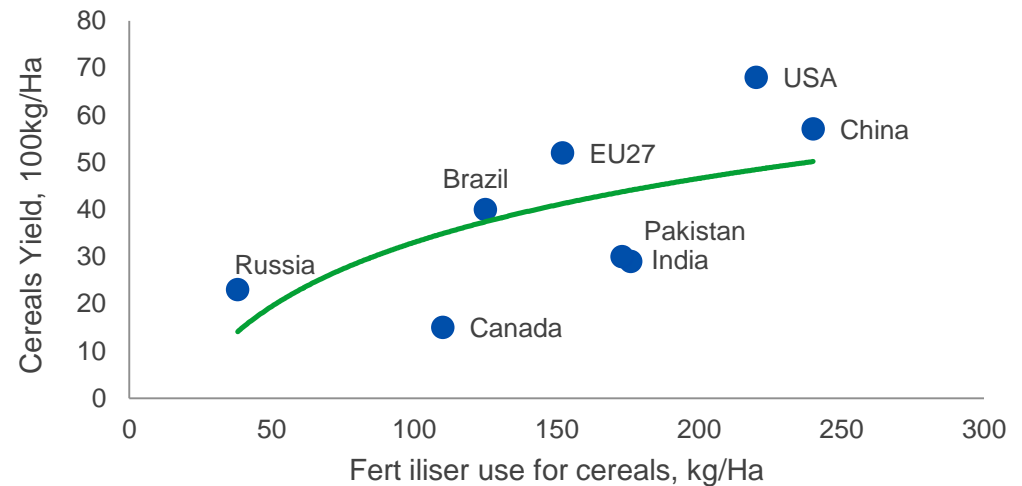
PhosAgro - the main phosphate fertiliser supplier for domestic market

#1 phosphate fertiliser supplier for domestic market

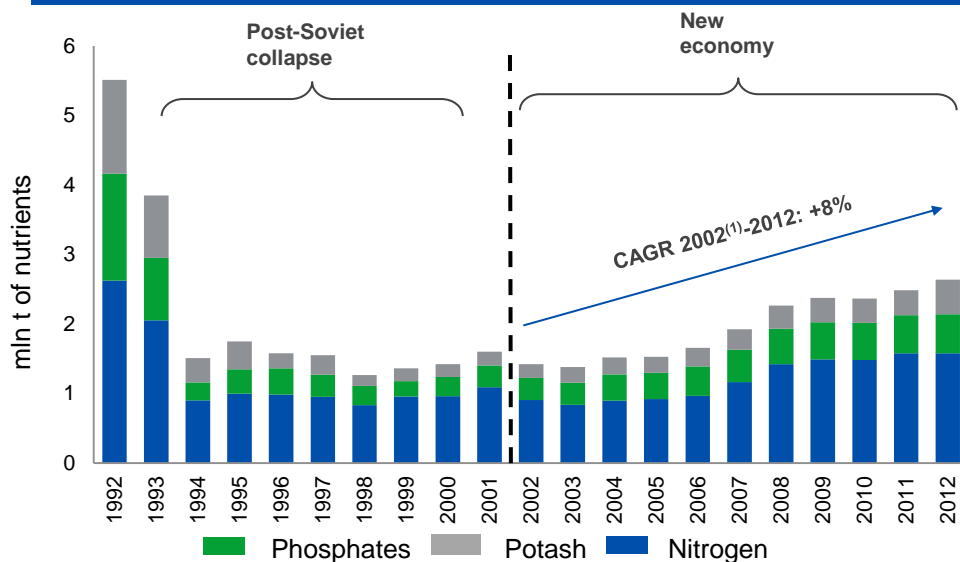


In 2012 PhosAgro domestic sales were 726 kt

Fertiliser effects on yields



Fertiliser consumption in Russia



Ramp up of new NPK plant will cover domestic demand

Potential supply of NPK from Balakovo will decrease logistics costs

In 2012 domestic NPK sales were 499 kt



Source: IFA, World Bank, Azotecon, FAO, PhosAgro

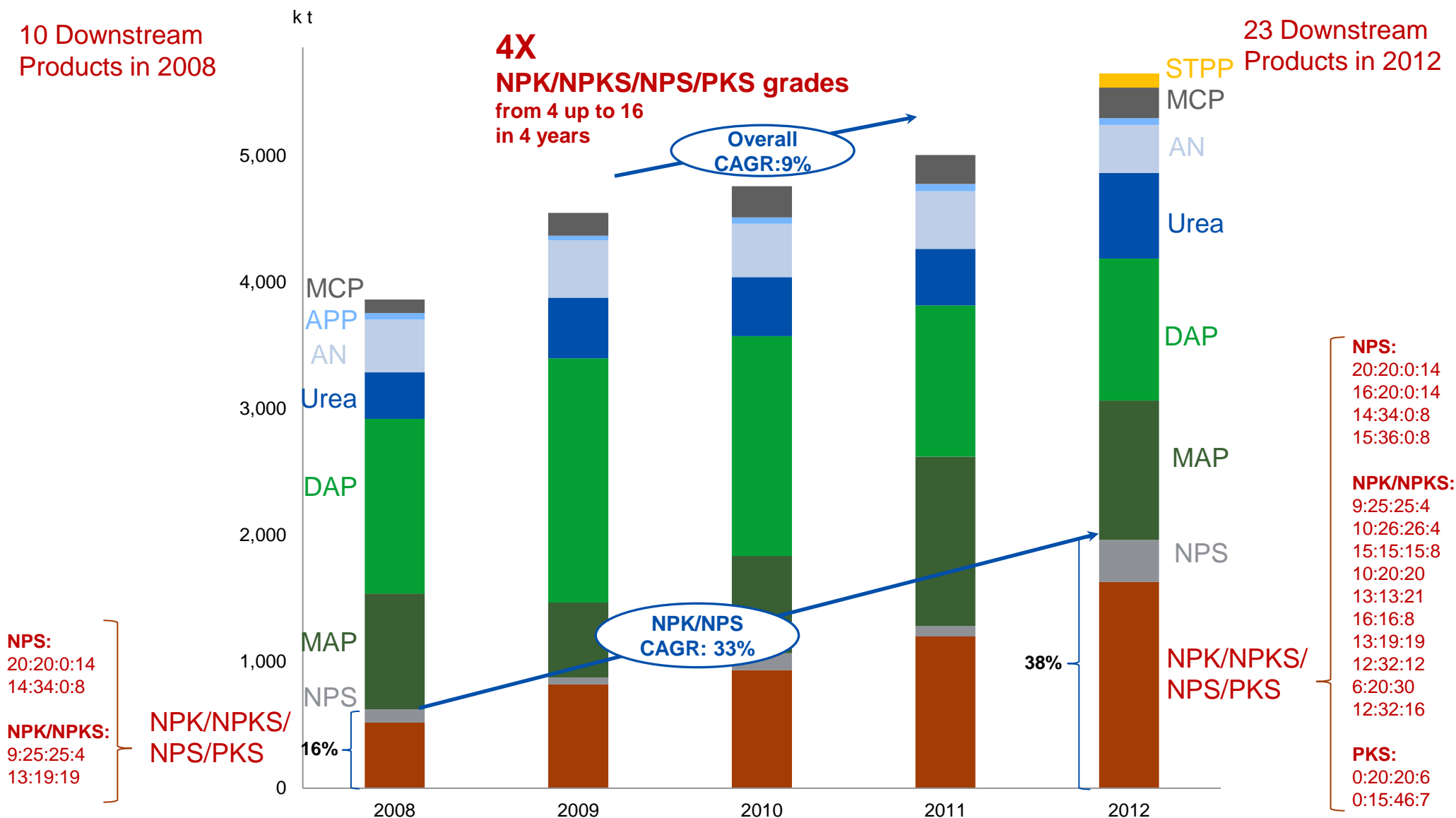
Note: (1) First full year of PhosAgro operations

(2) Current railway tariff for transportation of one tonne of fertilisers to Krasnodar / Stavropol regions

NPK High Margin Demand Drives PhosAgro's production mix

10 Downstream
Products in 2008

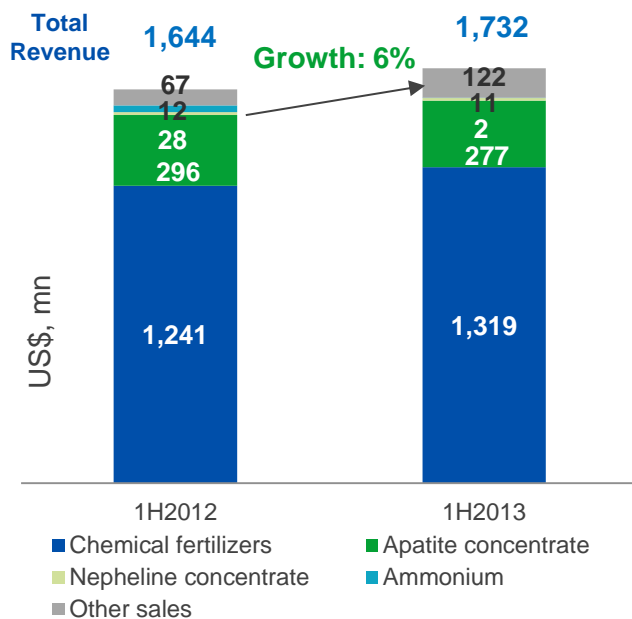
23 Downstream
Products in 2012



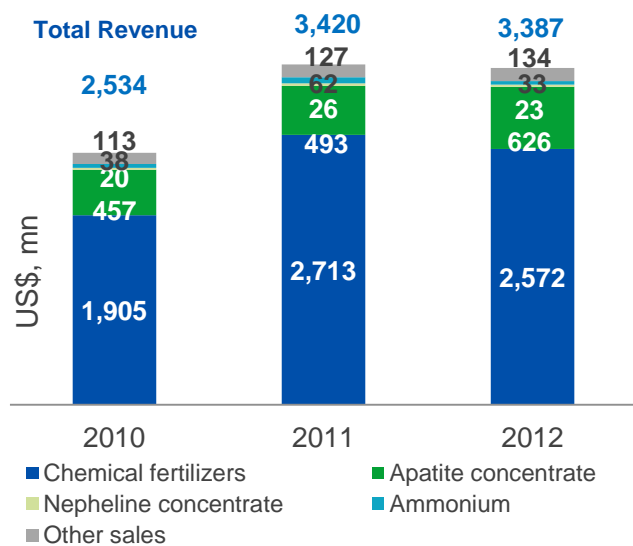


3. Financial Overview

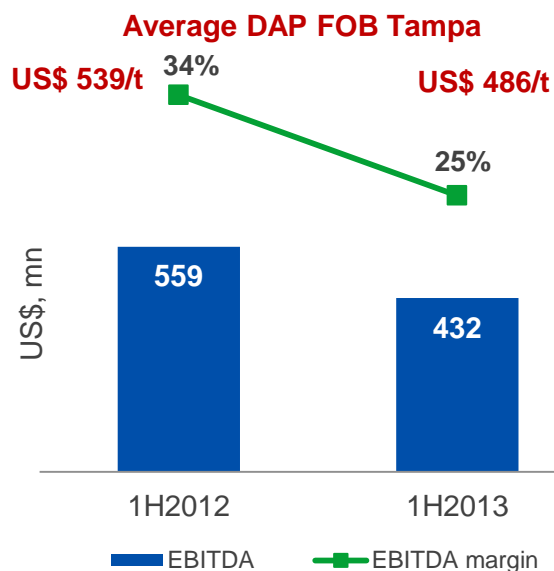
Revenue (H1 2012/2013)



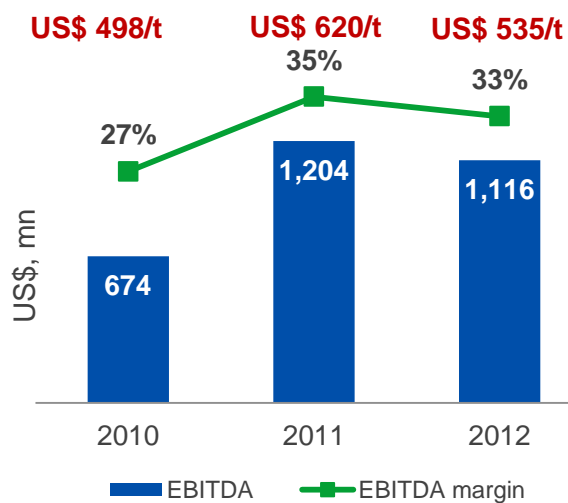
Revenue (FY 2010-2012)



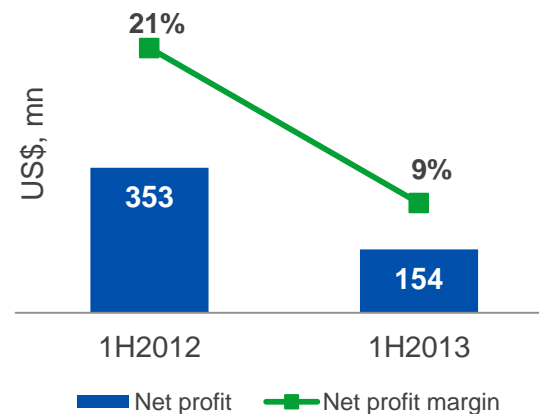
EBITDA (H1 2012/2013)



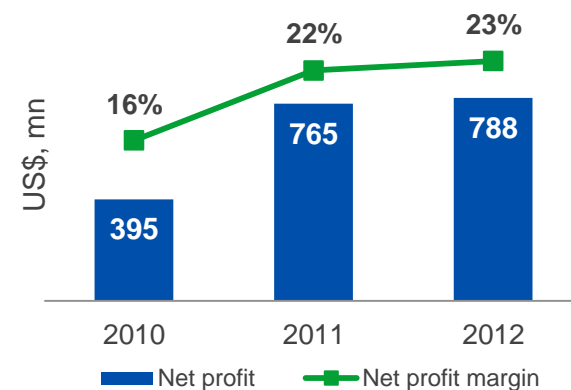
EBITDA (FY 2010-2012)



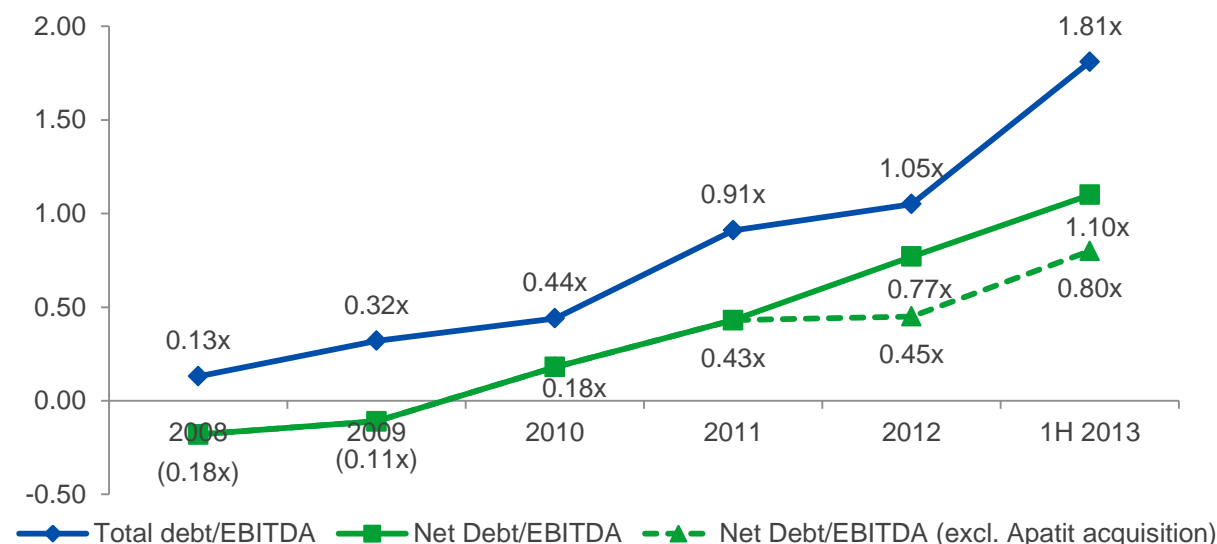
Net Profit (H1 2012/2013)



Net Profit (FY 2010-2012)



Total debt and net debt / annualised EBITDA



Public debt

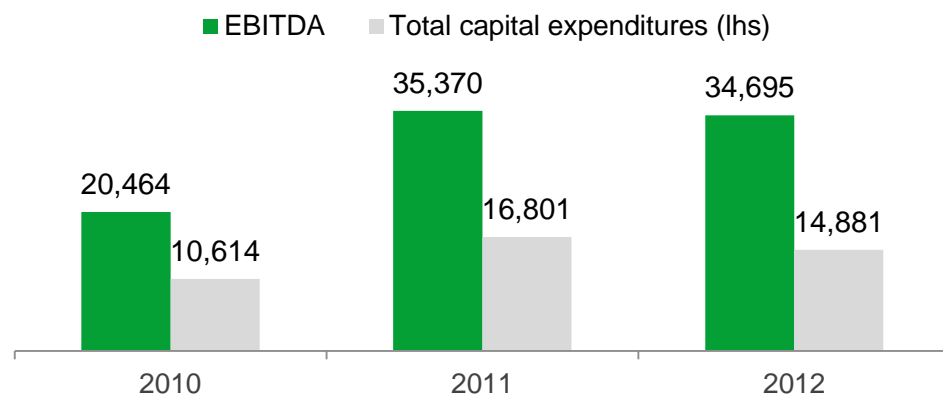
Eurobonds issued on February 2013 (LPN)

Issue size	\$US 500 mln		
Corporate ratings	Baa3 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		

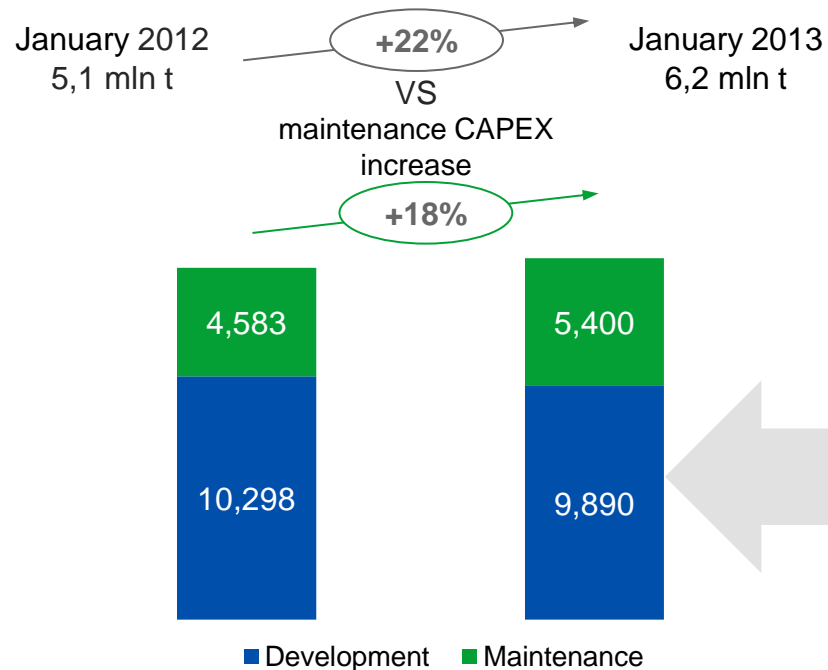
Comment

- PhosAgro carefully manages its balance sheet and cost of financing for all current initiatives, including both the consolidation of subsidiaries and growth projects
- Net debt / annualised EBITDA temporarily increased to slightly above the target level of 1x due to the significant cash outflow for the Apatit minority shareholder buy-out as result of mandatory tender offer, which was funded through PhosAgro's successful long-term, USD 500 million debut Eurobond issue
- Excluding effect of Apatit buyout (under normal course of business), net debt/EBITDA would be 0.80x at 30 June 2013
- A group of PhosAgro shareholders completed a secondary public offering of existing shares and GDRs, which was followed by an additional share issue by PhosAgro in which the selling shareholders re-invested 45% of the proceeds from the SPO, giving the Company an additional USD 210 million of financing in April 2013

EBITDA vs Capex¹



Downstream end-products overall capacity increase



Major expansion projects

Project	RUB mln	To be spent over
New PKS production facility with 100 kt pa at Metachem	303	2013 - 2015
New NPK production facility with 450 kt pa capacity at BMF	6,325	2013 - 2016
New ammonia plant with 760 kt pa capacity at PhosAgro-Cherepovets.	23,447	2013 - 2016
Including licensing and engineering feasibility which will be added to CAPEX as soon as contract is signed	2,581	

Source: PhosAgro

Note: (1) Cash flows used in operations before income tax and interest paid

Applied average USD/RUB exchange rates: 30.37 (2010), 29.39 (2011), 31.09 (2012)

Dividends

Post-IPO dividends	per share, RUB	per GDR, US\$
2011 April-December	57.5	0.61
9M 2012	63	0.67
Final 2012 Dividend	19.9	0.21
2012 Total	82.9	0.88
1H2013	15.45	0.16

- Dividend per share increased 44%
- Dividend policy aimed at paying dividends of between 20% and 40% of annual consolidated net income
- Post-IPO dividend yield > 7%*
- calculated in accordance with IFRS
- Total post-IPO payout ratios: 49% from net profit attributable to shareholders; 42% from total net profit
- Board of Directors has recommended RUB 2.5 bln final dividend for 2012
- October 12, 2013 an extraordinary general meeting of shareholders approved a dividend payment of RUB 15.45 per share (RUB 5.15 per GDR)

Total paid

Post-IPO dividends paid	Dividends, RUB bln
2011	7.2
2012	10.3
Total	17.5



Thank You





Q&A

