

Spring is always  
around the corner...



## 2015 IFRS RESULTS

15 APRIL 2016

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1. 2015 Highlights
2. Financial Performance
3. Debt Position
4. 2016 Outlook
5. Q&A



# 2015 HIGHLIGHTS: MARKET

## Nitrogen Fertilisers

- Consumption grew in India and decreased in Brazil.
- Exports from China remained high due to lower export tariffs.
- In the key production regions, cash costs decreased due to depreciation of national currencies and decline in coal and gas prices.

## Phosphate Fertilisers

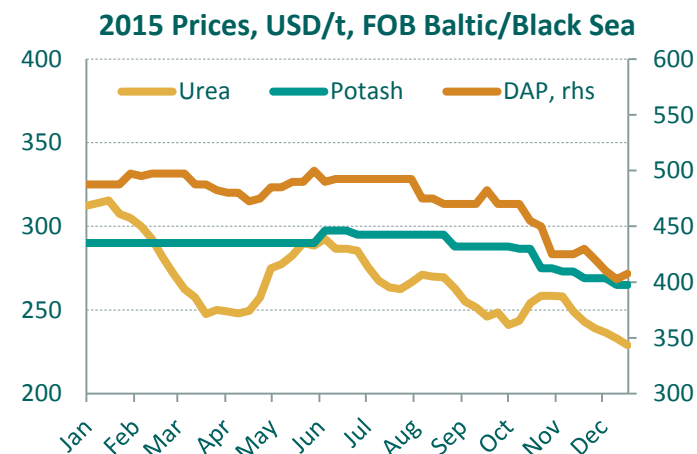
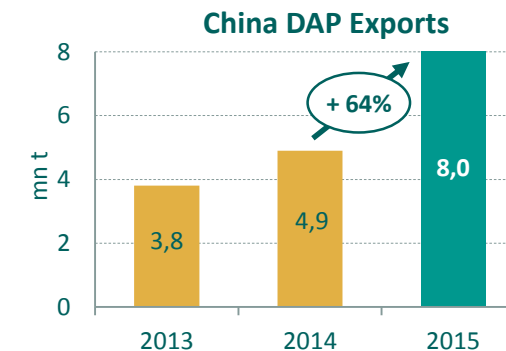
- Consumption growth in India was offset by the decline in Brazil.
- China significantly increased its exports due to lower export tariffs.
- In the key production regions, cash costs decreased due to depreciation of national currencies and decline in ammonia and sulphur prices.

## Potash Fertilisers

- Potash sales declined 5% because of high inventories at the beginning of the year.
- Producers in Russia and Belarus became more competitive due to depreciation of national currencies.
- The increased competition put pressure on prices.

## Market Overview

- The demand was depressed by several factors, including low prices for agricultural products and the weakened national currencies in the major consuming regions.
- The market was oversupplied. Prices decreased in all segments.
- Russian producers remained competitive.







# 2015 HIGHLIGHTS: COMPANY

- ✓ **The Group's commercial output increased 3% and reached a record high of 6.4 mn t.**
- ✓ **Progress in implementation of investment projects:**
  - **Stage 1 of the Oleniy Ruchey mine reached full design capacity of 1.1 mn tpa of apatite concentrate**
  - **Test-run at Ammonia-4 project is underway**
- ✓ **Weaker rouble significantly contributed to stronger financial performance and helped reduce the debt burden:**
  - **EBITDA margin went up to 40%, from 23% in 2014**
  - **Net Debt / EBITDA in dollar terms decreased to 1.0 from 1.9 as at the beginning of 2015**
- ✓ **Leveraged free cash flow reached a record high of USD 351 mn.**
- ✓ **Moody's and Fitch Ratings upgraded Acron Group ratings by one notch.**



# KEY FINANCIALS

	RUB mn			USD mn		
	2015	2014	Growth,%	2015	2014	Growth,%
Revenue	106,055	74,631	<b>+42%</b>	1,740	1,942	<b>-10%</b>
EBITDA	42,416	20,410	<b>+108%</b>	696	531	<b>+31%</b>
EBITDA margin	40%	27%	<b>+13 p.p.</b>	40%	27%	<b>+13 p.p.</b>
Net profit	16,706	6,904	<b>+142%</b>	274	180	<b>+53%</b>
Net profit margin	16%	9%	<b>+7 p.p.</b>	16%	9%	<b>+7 p.p.</b>
Assets	226,774	195,940	<b>+16%</b>	3,111	3,483	<b>-11%</b>
Cash and cash equivalents incl. irrevocable bank deposits	30,421	24,773	<b>+23%</b>	417	440	<b>-5%</b>
Total debt	81,606	80,561	<b>+1%</b>	1,120	1,432	<b>-22%</b>
Net debt	51,185	55,788	<b>-8%</b>	702	992	<b>-29%</b>
Net debt / EBITDA	1.2	2.7	<b>-56%</b>	1.0	1.9	<b>-46%</b>
Net cash flow from operating activities	36,531	12,694	<b>+188%</b>	599	330	<b>81%</b>
Capital expenditures*	-15,107	-11,478	<b>+32%</b>	-248	-299	<b>-17%</b>
Leveraged free cash flow	21,424	1,216	<b>increase</b>	351	31	<b>increase</b>
Sales volume (kt)	6,296	6,300	<b>0%</b>			

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

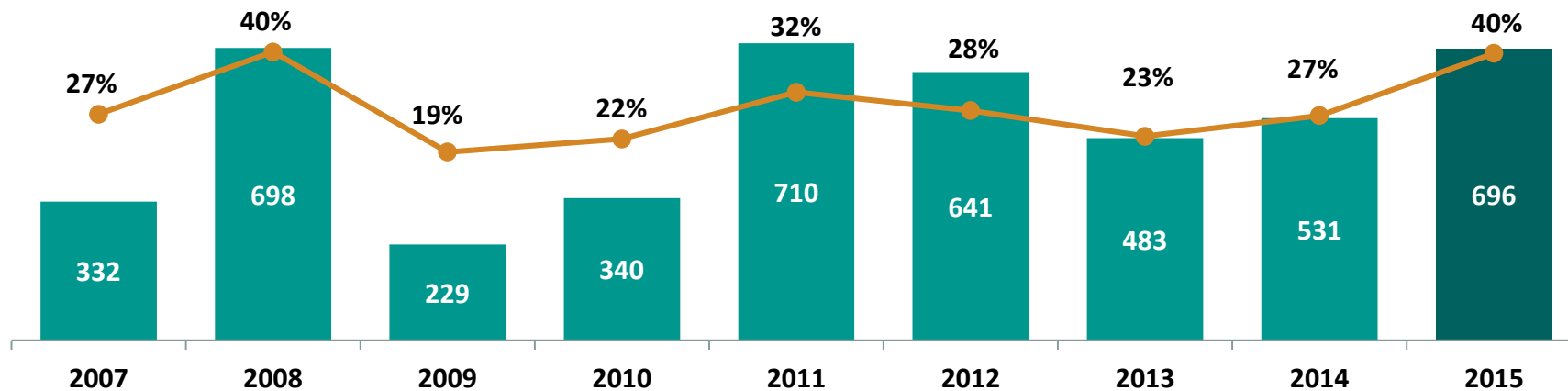
**Note:** Exchange rate for conversion into foreign currency was 72.8827 RUB/USD as of 31 December 2015 and 56.2584 RUB/USD as of 31 December 2014; average annual exchange rate was 60.9579 RUB/USD in 2015 and 38.4217 RUB/USD in 2014.



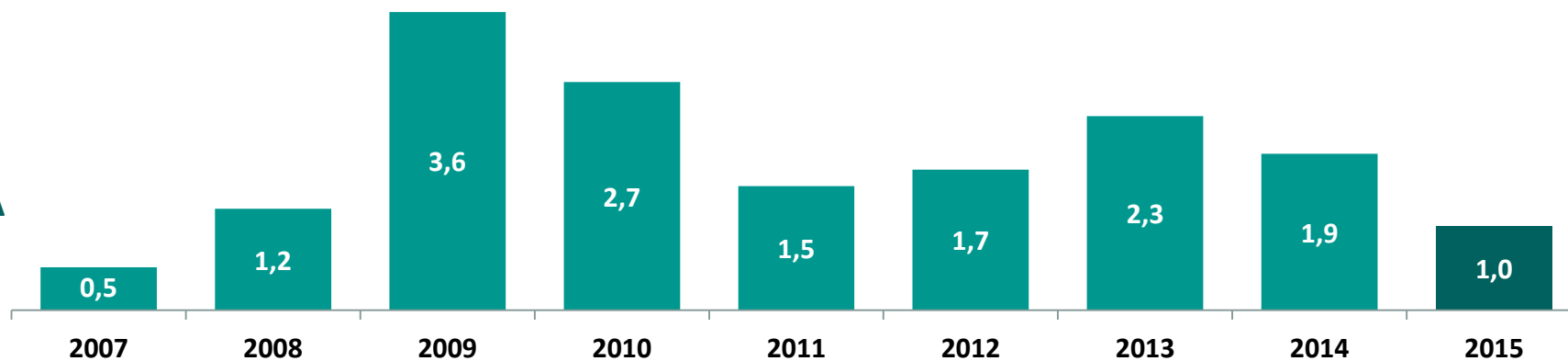
# NEAR RECORD-HIGH RESULTS

EBITDA margin

EBITDA  
(USD mn)



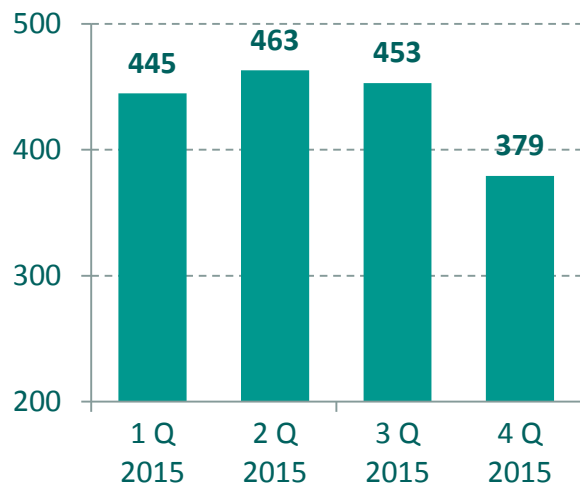
NET DEBT/ EBITDA  
(in dollar terms)



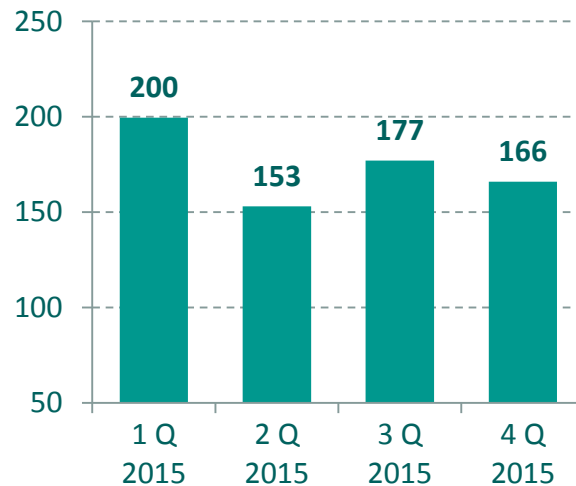


# QUARTERLY RESULTS

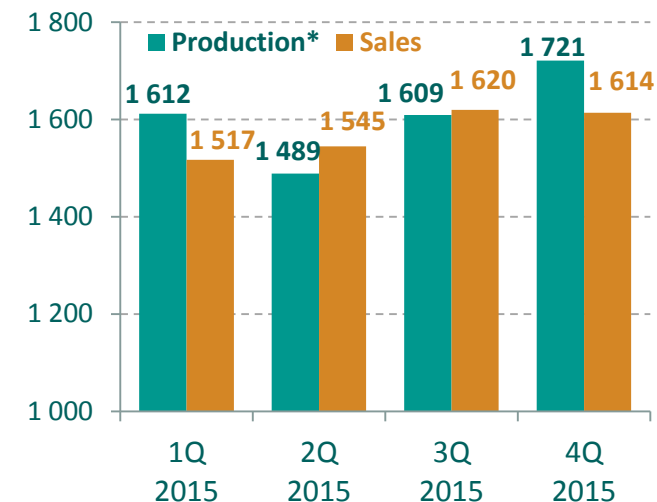
### REVENUE (USD mn)



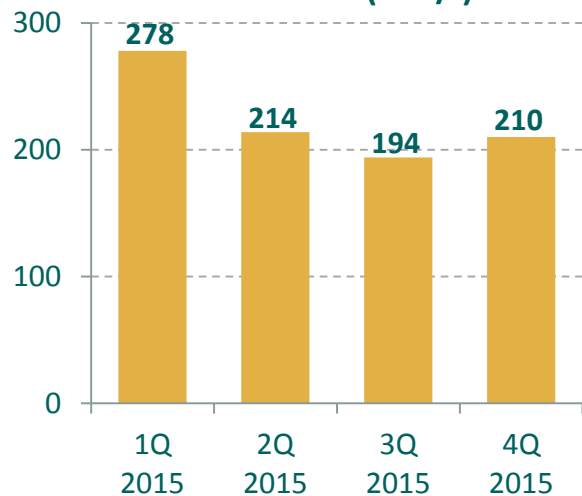
### EBITDA (USD mn)



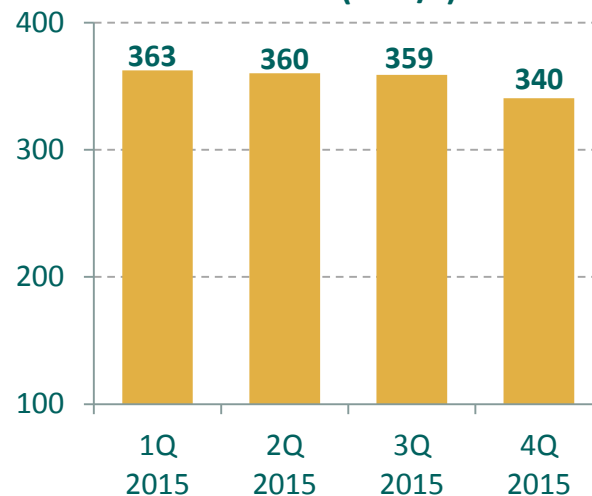
### PRODUCTION & SALES (kt)



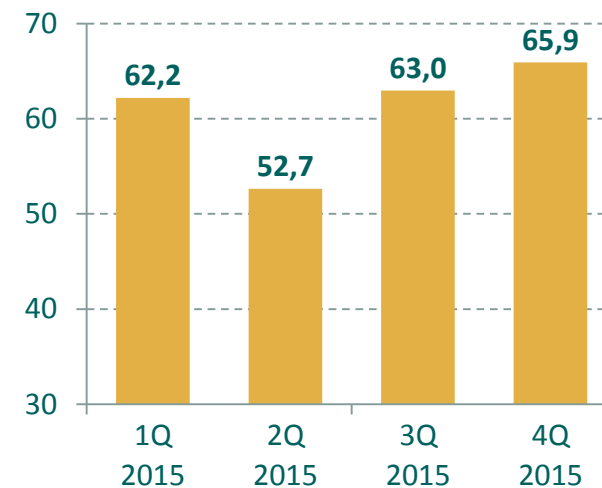
### WORLD PRICES: AMMONIUM NITRATE FOB BALTIC (USD/t)



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



### RUB/USD DYNAMICS



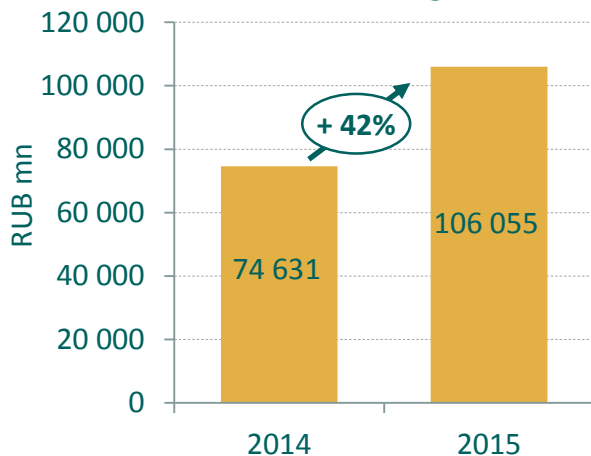
\* Group's commercial output



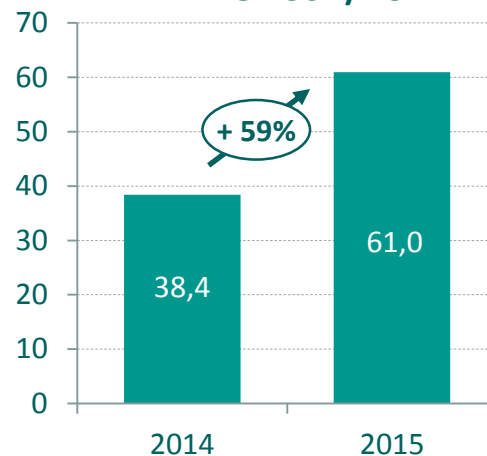


# REVENUE DYNAMICS

## REVENUE

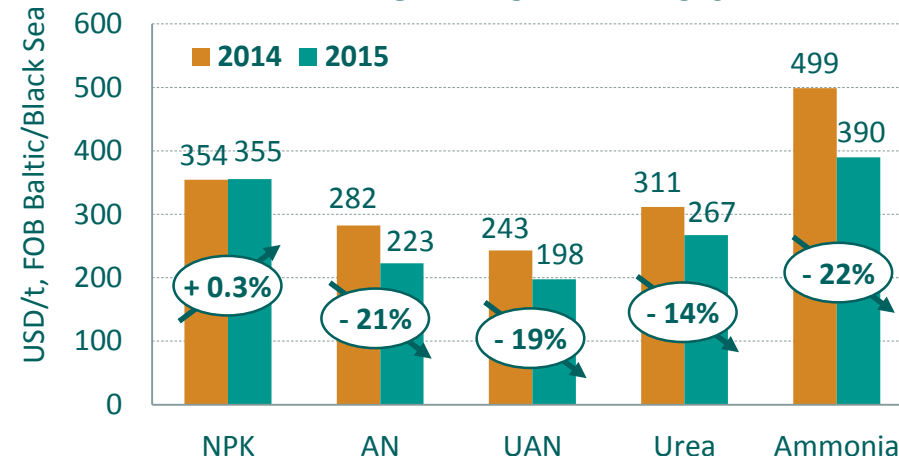


## AVERAGE USD/RUB



Source: CBR

## AVERAGE INDICATIVE PRICES

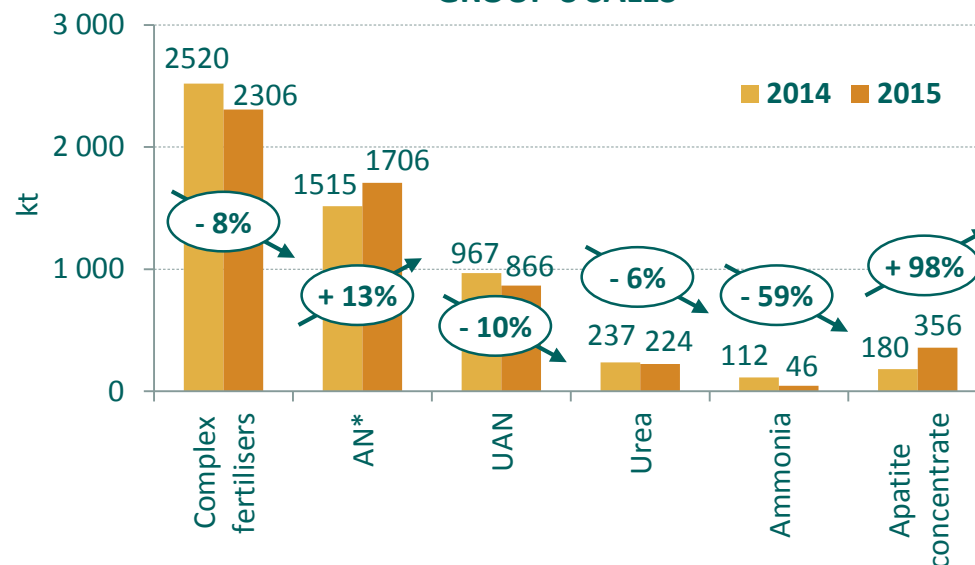


Source: Fertecon, FMB, The Market

## OPERATING RESULTS

- **GROUP's sales** were flat at 6.3 mn t
- **ACRON:** commercial output declined 5% because of scheduled repairs
- **DOROGOBUZH:** commercial output was up 22%, mainly due to increased AN output
- **HONGRI ACRON:** commercial output was down 19% because of scheduled repairs and an equipment upgrades
- **NWPC:** apatite concentrate output increased 39% as Stage 1 reached full design capacity

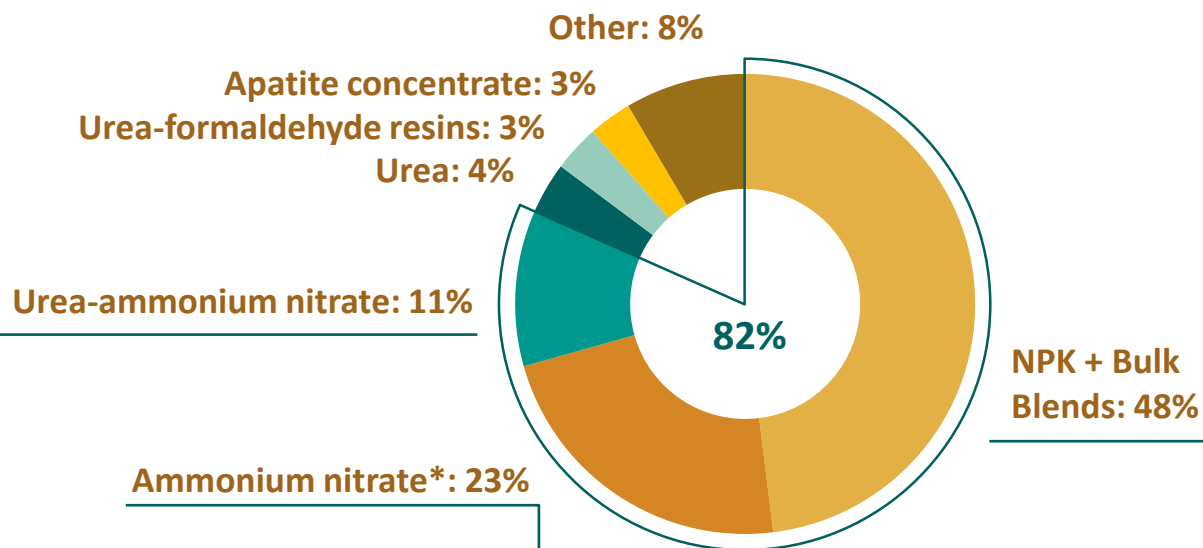
## GROUP'S SALES



\* Including technical-grade and low-density AN

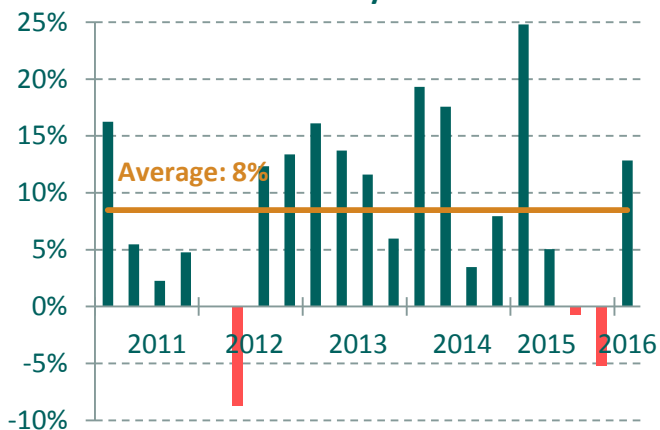


# REVENUE BREAKDOWN

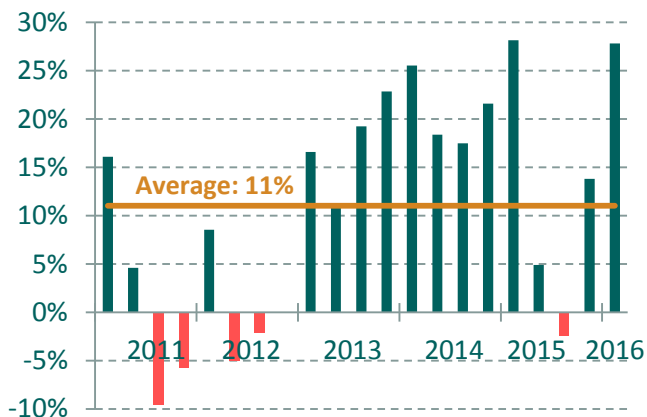


## PREMIUM PRODUCTS

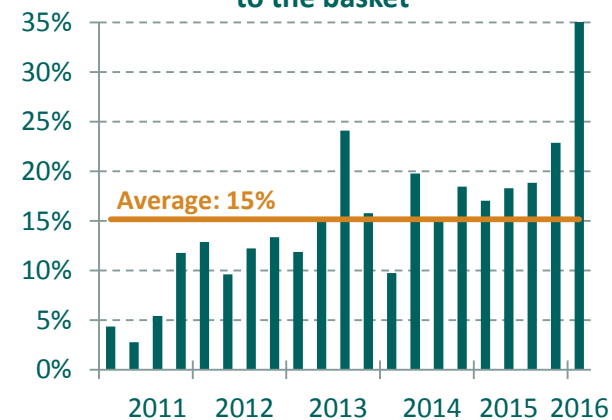
UAN premium/discount to Urea by nutrient



AN premium/discount to Urea by nutrient



NPK premium to the basket\*\*



\* Including technical-grade and low-density AN

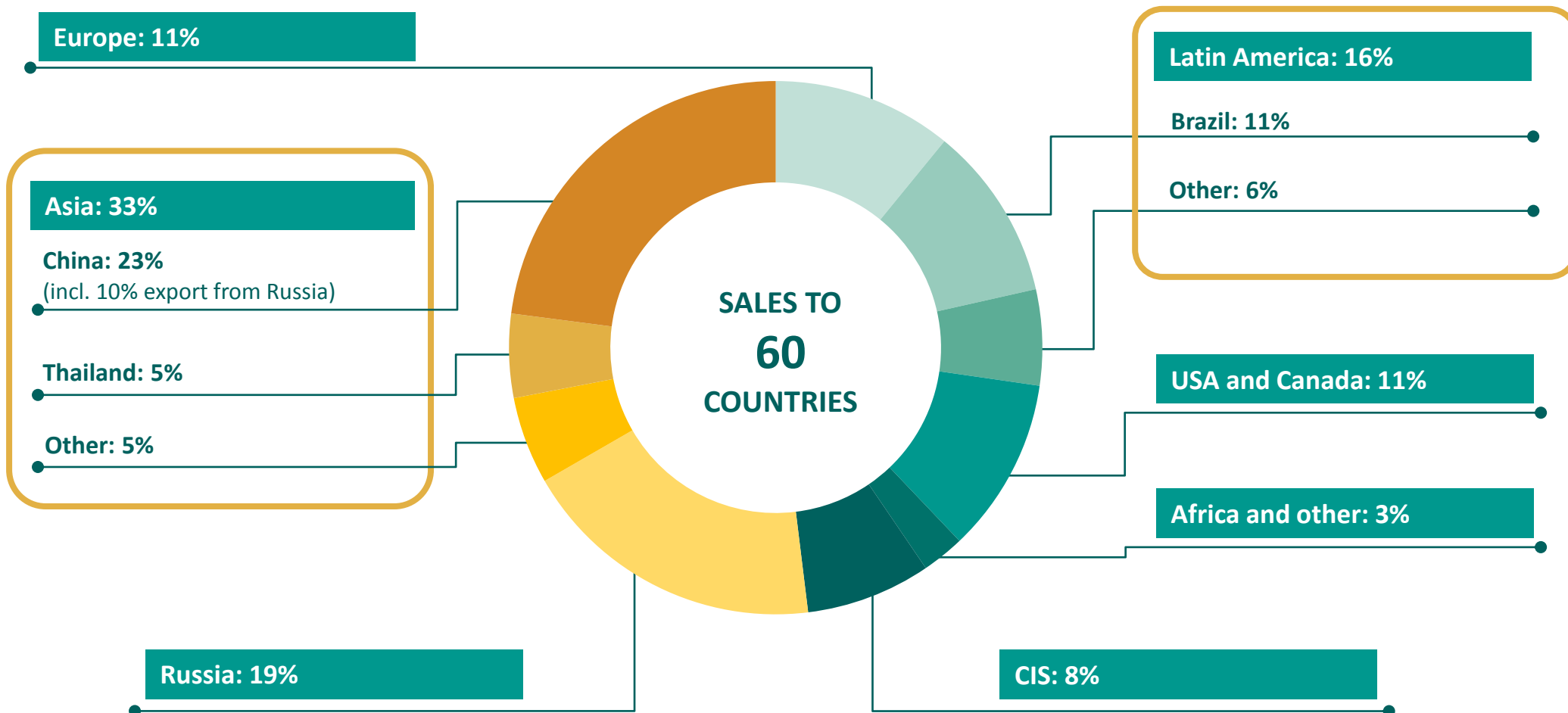
\*\* Calculated via urea, DAP and potash



# DIVERSIFIED SALES MARKETS

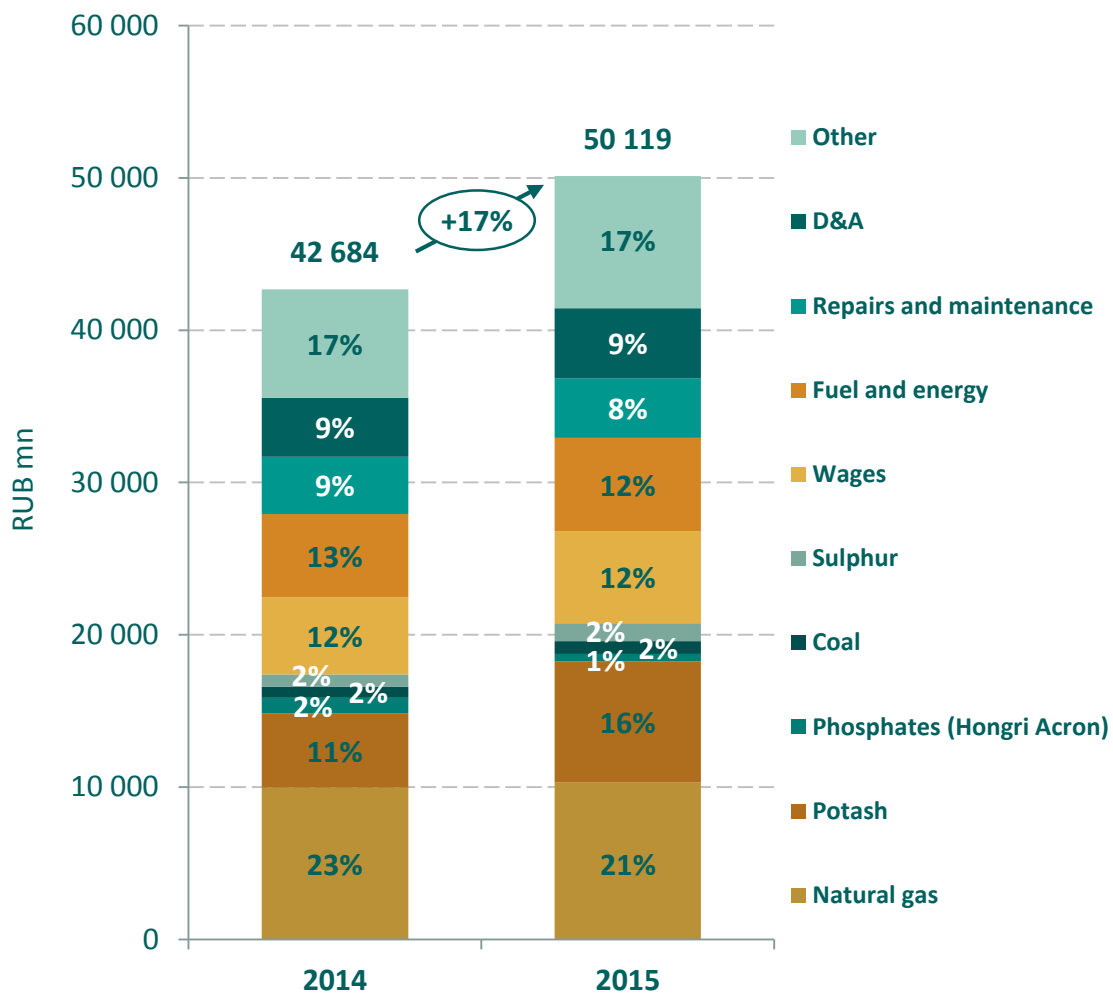
## Acron Group

- #1 AN supplier to Brazil (48% of AN imports)
- #2 NPK supplier to China (27% of NPK imports)
- #3 UAN supplier to USA (19% of UAN imports)



Note: sales in monetary terms

## COGS BREAKDOWN

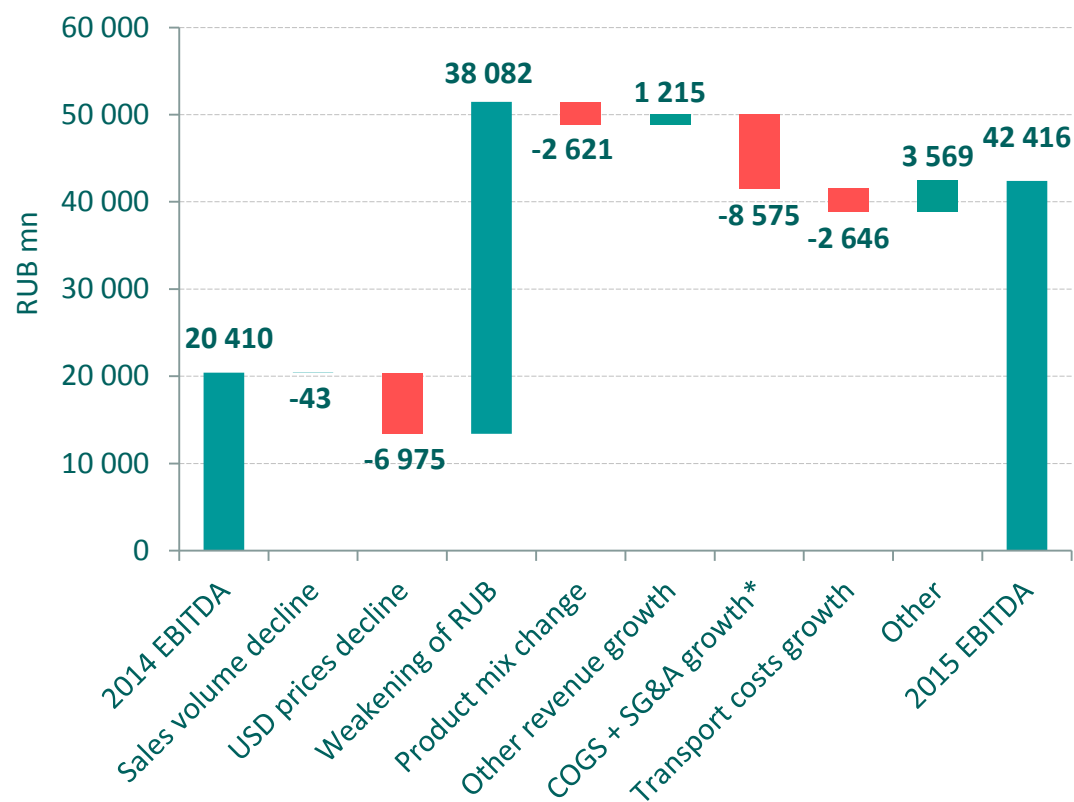


**COMMENTS**

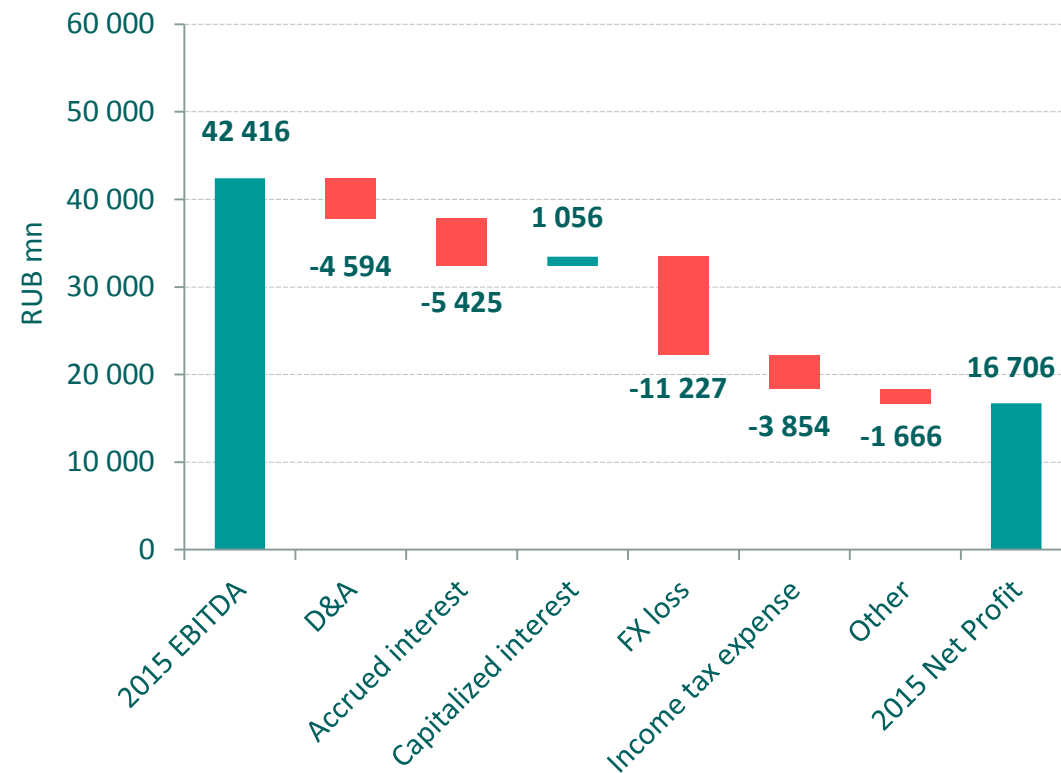
COGS were up 17% mostly due to increased price of purchased potash, which is linked to the US dollar

Note:  
Sulphur, coal and phosphate rock are consumed only at Hongri Acron.  
Natural gas is consumed only by Russian production facilities.

## EBITDA BRIDGE



## EBITDA AND NET PROFIT

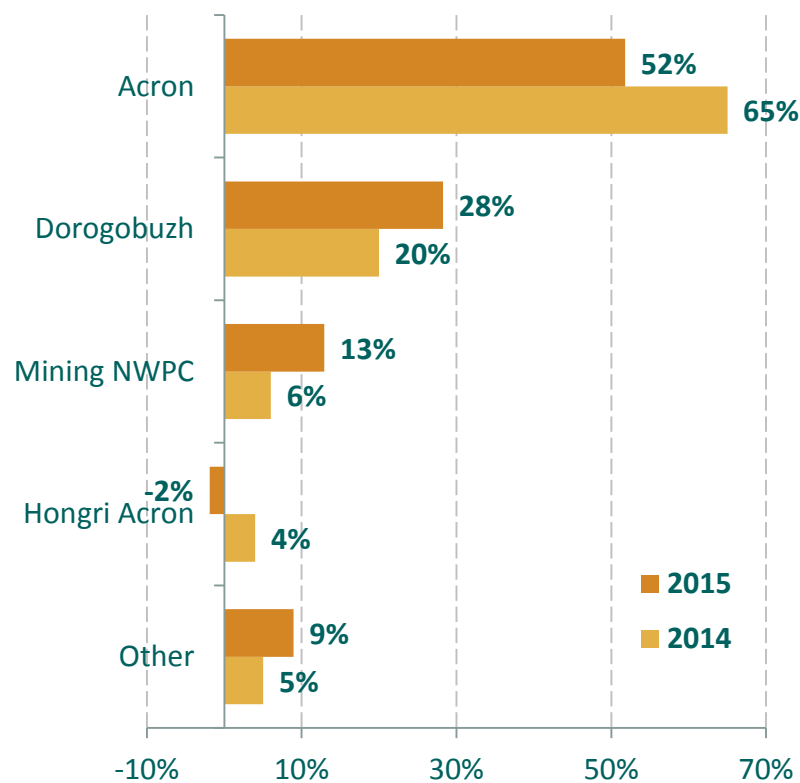


EBITDA grew mainly due to a weaker rouble

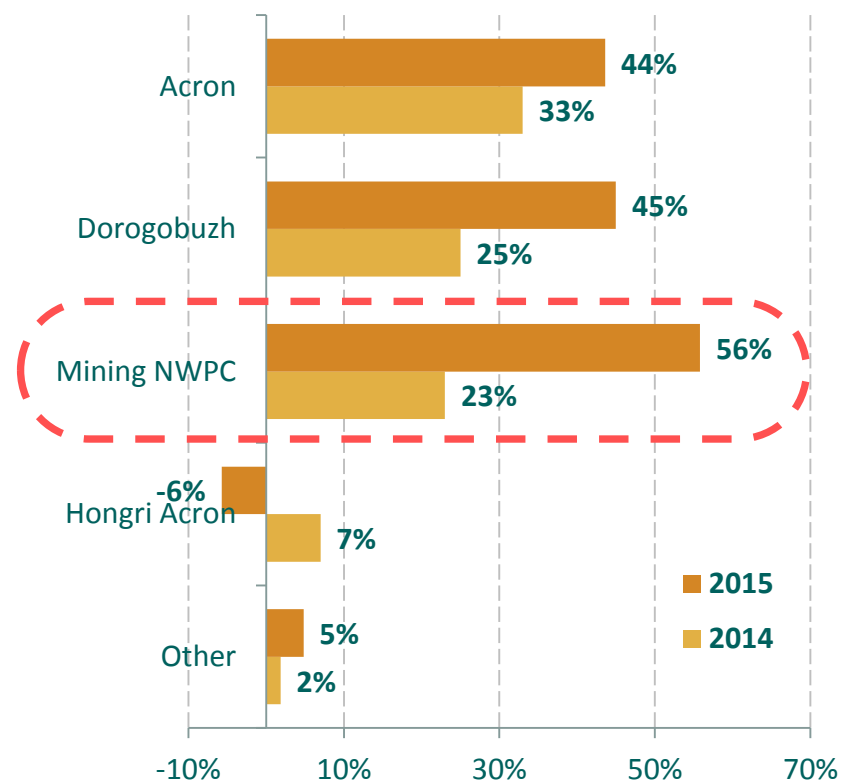
Net profit was lower due to FX loss on debt revaluation

\* excl. depreciation and amortisation

## CONTRIBUTION TO GROUP'S EBITDA

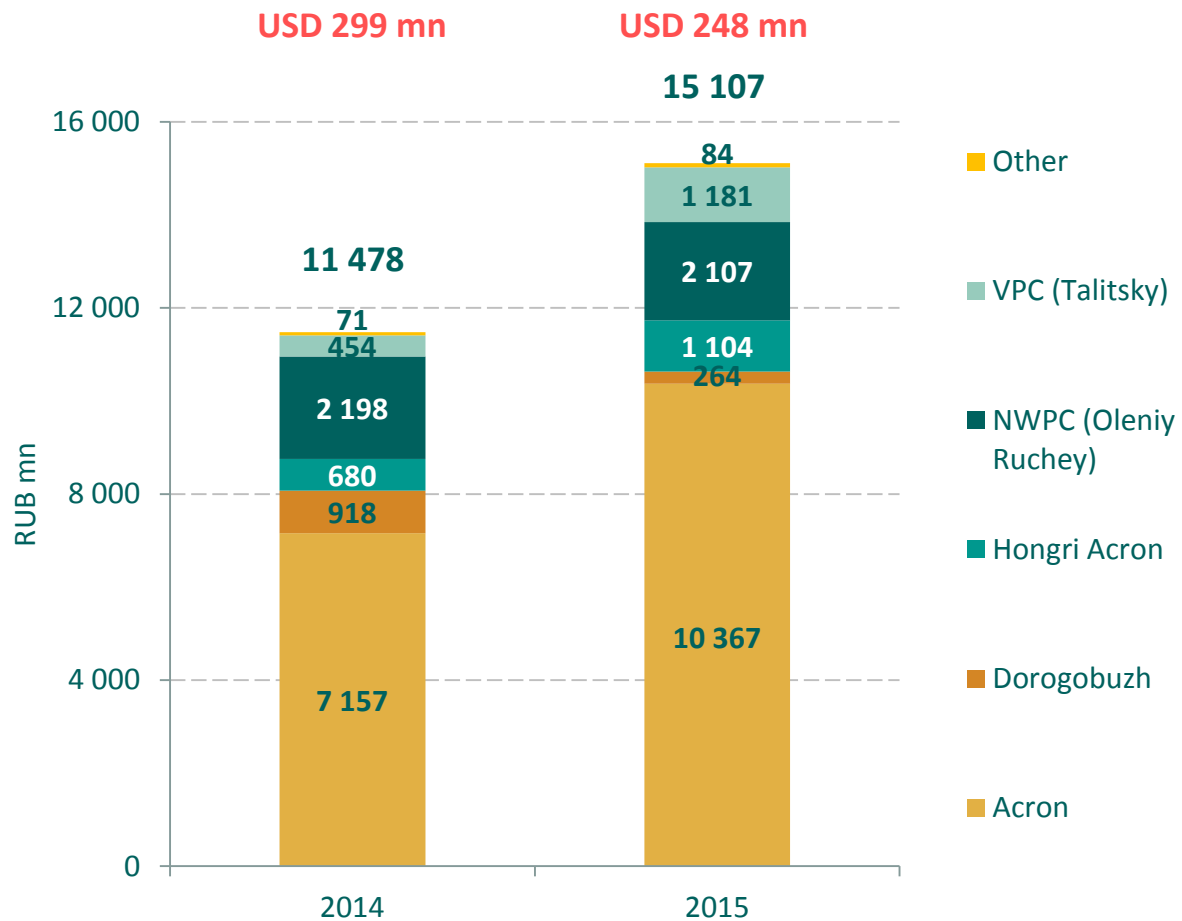


## EBITDA MARGIN





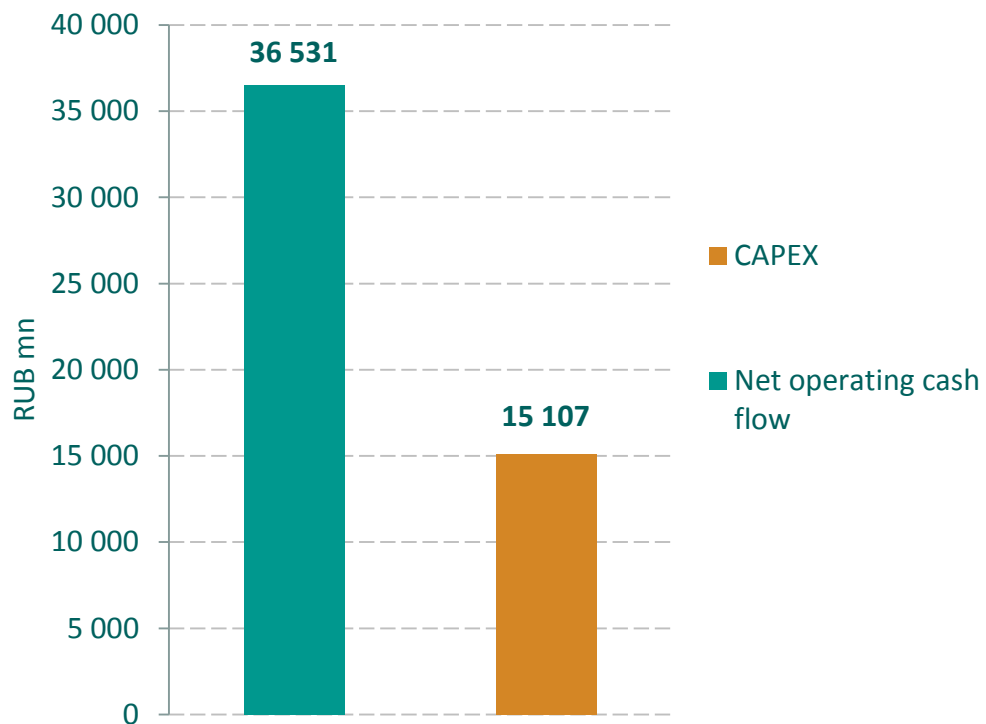
## CAPEX BREAKDOWN



### COMMENTS

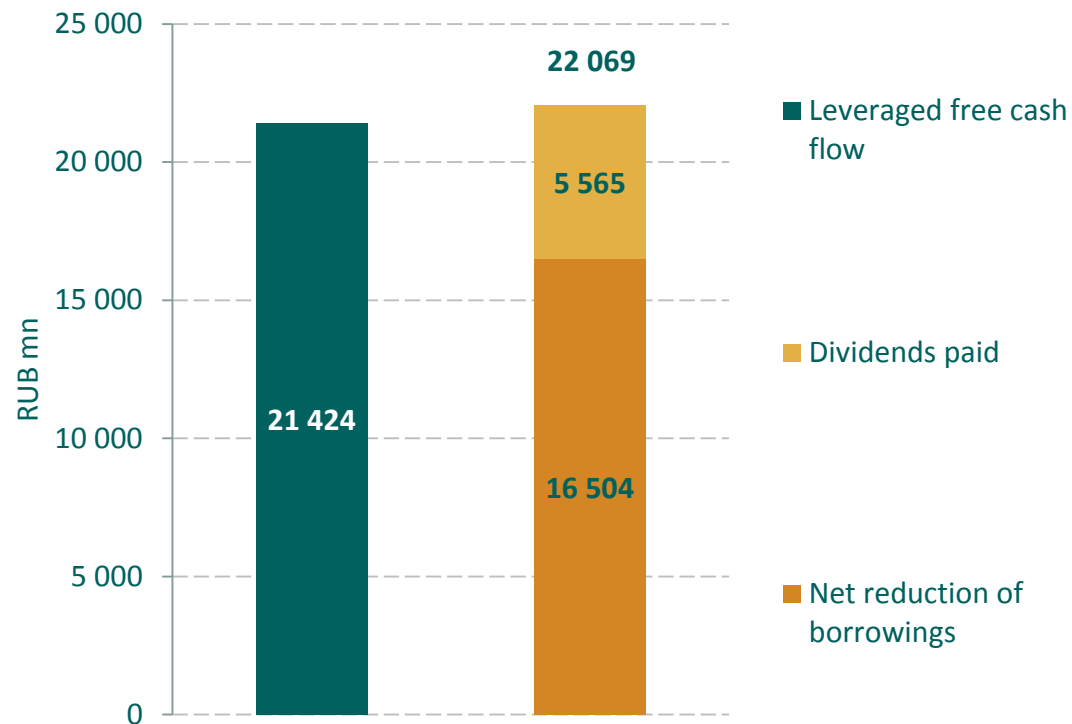
- In 2015, CAPEX was up 32%. In dollar terms CAPEX was down 17% to USD 248 mn.
- The increase was due to intensified CAPEX in Ammonia-4 project along with large-scale scheduled overhaul at Acron site in Veliky Novgorod.
- CAPEX for 2016 is projected approximately at USD 200 mn.

## OPERATING CASH FLOW VS. CAPEX

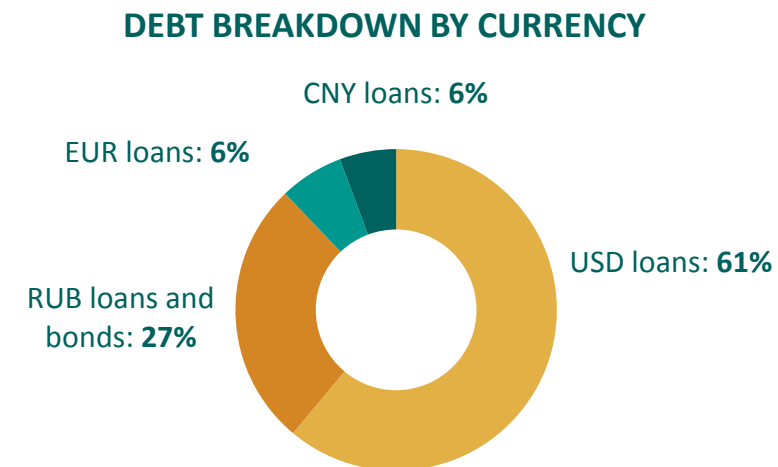
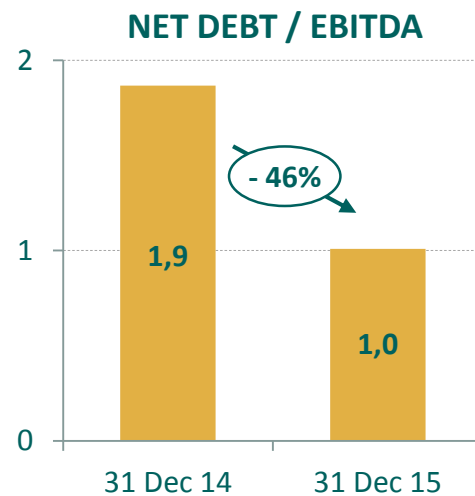
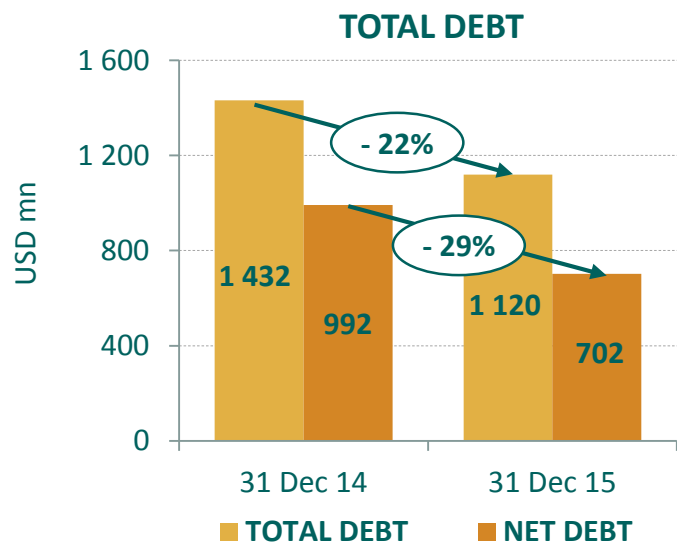


In 2015, the company generated strong free cash flow...

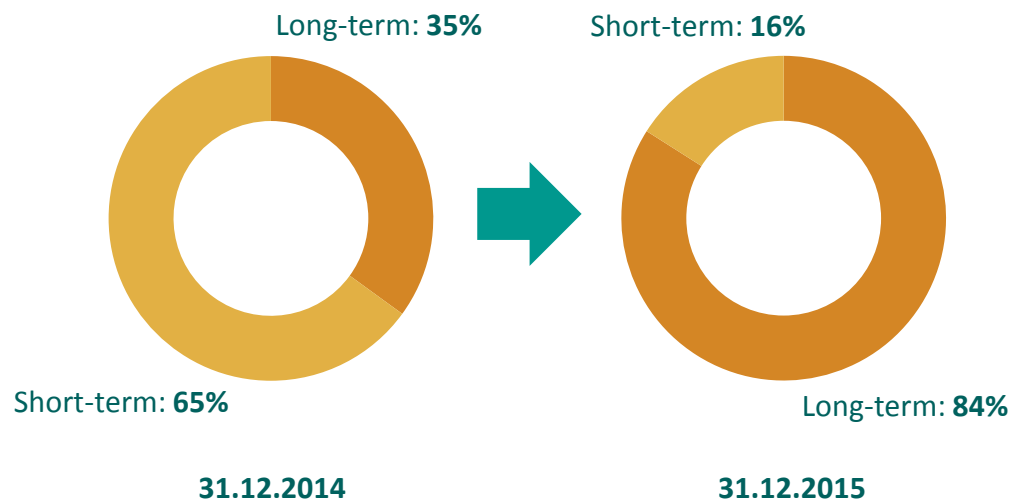
## FREE CASH FLOW & DESIGNATION



... which was used to pay dividends and pay debt



### DEBT MATURITY STRUCTURE

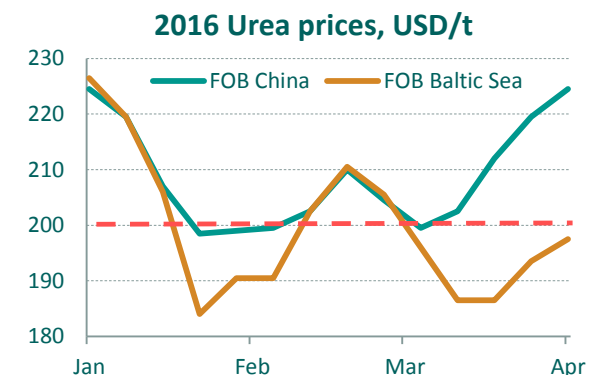


### AS AT 31 DECEMBER 2015

- Net debt / EBITDA declined to **1.0** from **1.9** as on 31 Dec 2014
- Average interest rate: **6.77%**, against **4.61%** as on 31 Dec 2014
- Liquid stakes in Uralkali and Grupa Azoty covered **81%** of the net debt
- Credit ratings: Moody's **Ba3**/Stable, Fitch **BB-**/Stable. Both agencies upgraded Acron Group ratings by one notch in 2015

## Nitrogen Fertilisers

- At the beginning of the year, prices continued to decline. Prices fell below the level of cash costs of the majority of Chinese producers (for urea it is estimated at USD 240).
- Urea prices bottomed at USD 200 FOB China, when Chinese producers refused to continue reducing prices.
- Production in China is expected to decline, which will stabilise the market. In February, urea exports were the lowest since June 2014.



## Phosphate Fertilisers

- At the beginning of the year, demand from India and Brazil was weak. Prices continued to fall.
- China has started cutting production. In February, DAP and MAP exports were the lowest since January 2014.
- Along with stabilisation of ammonia and sulphur prices, this has led to the market stabilisation.

## Potash Fertilisers

- The increased level of competition will continue to put pressure on prices.

## Market Overview

- Consumption growth is expected in all market segments.
- Despite low prices, Russian producers remain competitive.

Consumption	2015E		2016F	
Nitrogen fertilisers, N	110.1	0.0%	111.7	<b>+1.4%</b>
Phosphate fertilisers, P <sub>2</sub> O <sub>5</sub>	40.6	-0.6%	41.4	<b>+1.9%</b>
Potash fertilisers, K <sub>2</sub> O	31.9	+0.2%	32.7	<b>+2.5%</b>

Source: IFA, December 2015



# 2016 OUTLOOK: COMPANY

- ✓ In March, in accordance with earlier announced plans, Acron sold its 0.93% stake in Uralkali.
- ✓ In April, Acron will buy back a 9.1% stake in Talitsky from Eurasian Development Bank.
- ✓ Negotiations are underway to raise project finance for Talitsky potash project.
- ✓ At the new Ammonia-4 unit, the first product is scheduled for the end of April. The output in 2016 is expected at 350-400 kt.
- ✓ The year 2015 was the seventh consecutive year when the Group's production performance improved. Commissioning of the new ammonia unit in 2016 and Stage 2 of the Oleniy Ruchey mine in 2017 will contribute to this trend.
- ✓ Completion of Ammonia-4 and Oleniy Ruchey Stage 2 investment projects, along with proceeds from their operation will increase the Group's cash flow. We expect that we will have sufficient funds for:
  - Maintaining debt burden at a comfortable low level
  - Increasing dividend, starting from distributions for 2016
  - Financing construction of the Talitsky mine.

**THANK YOU FOR YOUR ATTENTION!**

**QUESTIONS?**