



EUROCHEM

Leading Global Fertilizer Producer

1H 2019 | FRS Results

August 06, 2019



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Leading Global Fertilizer Producer

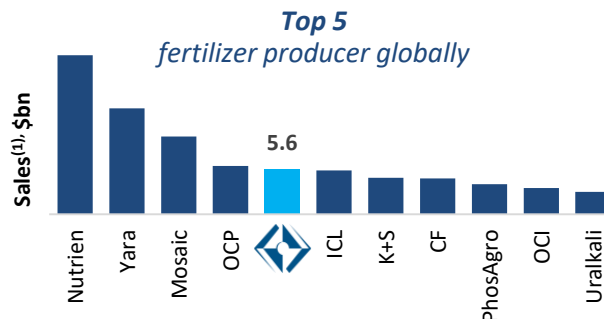
Introduction



Global Footprint

Multi-national business

with production assets in Russia & CIS, Europe, Latin America, Asia



Sales diversification

> 10,000 customers

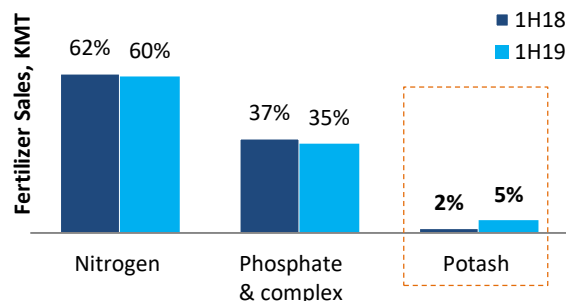
in

> 100 countries

Product offering

Top 3

*fertilizer producer globally with its own production of **N**, **P** and **K** fertilizers*



Diversified production

Share of **K** fertilizers up to 5% in total fertilizer sales

Vertical integration

Cost leadership through vertical integration

improving cash cost position

Self-sufficiency in resources

Ammonia 100%

Phosphate rock 75%

Potash 100%

Value creation

- ✓ Raw materials
- ✓ Mining / processing
- ✓ Logistics / distribution

Recent Developments



MARKETS	<ul style="list-style-type: none">▪ Supportive market conditions across different fertilizers segments in 1H 2019 with softened phosphate prices to be offset by production cuts in China and strong anticipated demand in Latin America▪ EU introduced antidumping duty on UAN from Russia, USA & Trinidad. EuroChem to redirect exported volumes to other regions
FINANCIAL POSITION	<ul style="list-style-type: none">▪ Sales 14% up (y-o-y) to \$3.05 bln in 1H 2019▪ 1H 2019 EBITDA at \$0.8 bn, +21% y-o-y▪ Free cash flow positive (\$0.136 bn) in 1H 2019
DEBT PROFILE	<ul style="list-style-type: none">▪ Successful return to public debt capital markets: \$700 mn Eurobond with concurrent tender offer / 3 ruble bonds placed for RUB 39 bn▪ Expert RA, Russian rating agency, upgraded credit rating outlook to ruA+ positive▪ Off-covenant ECNW project finance: last available disbursements made, loan to be smoothly amortized till 2029▪ Strong liquidity position▪ Net covenant leverage at 2.09x as of 1H 2019
CORPORATE DEVELOPMENTS	<ul style="list-style-type: none">▪ 467 KMT KCl produced at UKK▪ Own potash product successfully delivered and accepted in Brazil▪ ECNW fully ramped-up with 1 MMT annual ammonia production capacity▪ 3rd fertilizer plant opened in Brazil (Araguari, Minas Gerais) with production capacity of 6 KMT/day & storage of 100 KMT
MANAGEMENT	<ul style="list-style-type: none">▪ Petter Ostbo, former EVP and CFO at Yara, stepped in as Group's CEO▪ Charlie Bendana appointed as CCO



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Markets Overview



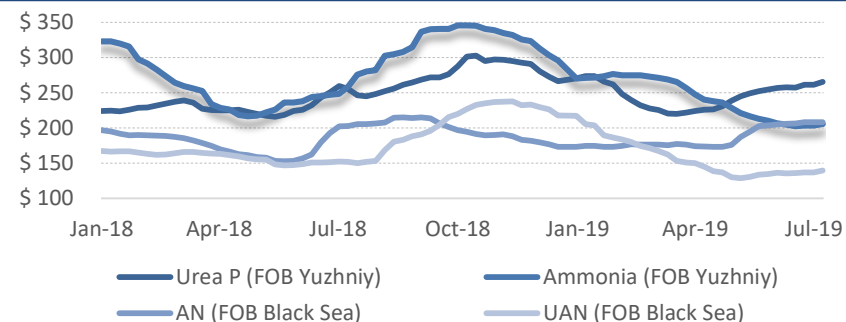
- **Nitrogen:** urea prices 7% in 1H19 y-o-y with softened level vs. 2018 end levels on the back of new supply (Socar plant, Azerbaijan), oversupply & low season in LatAm, high stocks in India, Iran discounted shipments and weather conditions in EU/N-Am. Ammonia softened by 5% with low gas price environment in WEurope and aggravated application season in US due to rains. **EU introduced 34% preliminary antidumping duty** on UAN from Russia, USA & Trinidad. EuroChem to redirect exported volumes to other regions
- **Phosphates:** muted demand from key global regions led to a market weakness with prices decreased by 5% in 1H19, y-o-y
- **Potash:** last year's bullish market sentiments supported by sustainable supply-demand balance moved prices 12% up
- **Iron ore:** prices reached its highs since 2014 on the back of recovering margins in the steel industry

Market Prices for Key Products

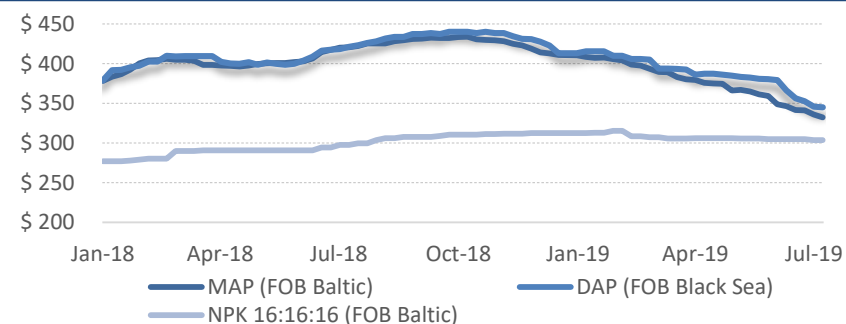
Average Market Prices US\$/t	1H 2019	1H 2018	Δ, y-o-y	Last 12M	
				MAX	MIN
Prilled urea (FOB Yuzhny)	245	228	7%	303	220
Ammonia (FOB Yuzhny)	246	258	-5%	346	203
MAP (FOB Baltic sea)	380	400	-5%	434	341
MOP (FOB Baltic sea, spot)	277	247	12%	284	229
Iron Ore (63,5% Fe, CFR China)	94	72	32%	121	64

Source: Company data, CRU, Fertecon; prices are quoted as US\$ per tonne

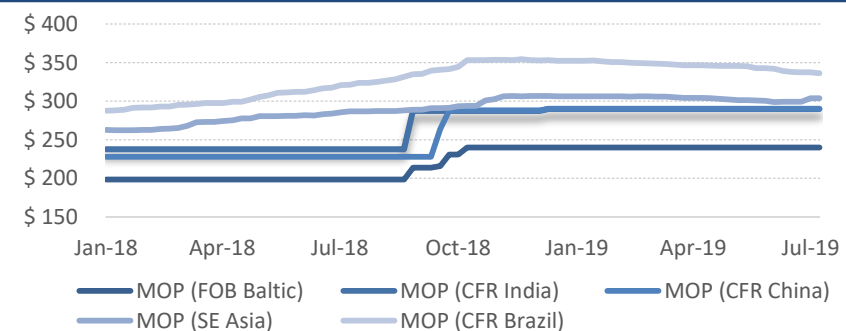
Nitrogen



Phosphates



MOP



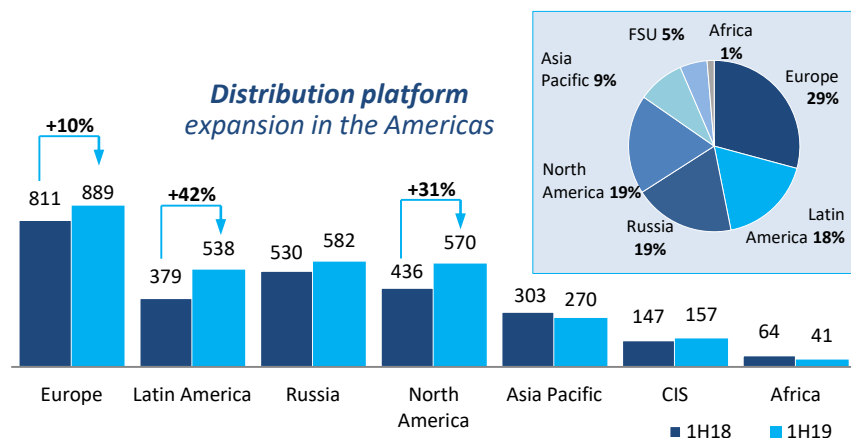
Sales Dynamics



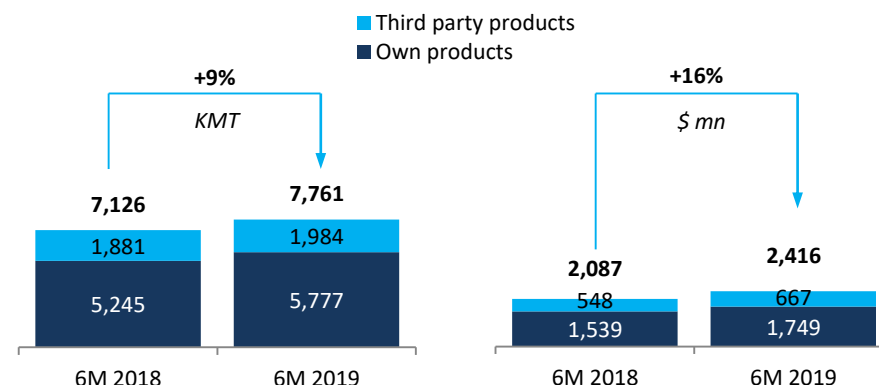
- Strong 6M19 results with total sales increased by **14%** to **\$3.05bn** and fertilizer sales by **16%** to **\$2.4bn** due to supportive market conditions and stable demand
- Volumes **up** across all segments apart from slight dip in phosphates (DAP product -40 KMT) on the back of softening prices & increased stocks
- Potash sales rose to **389 KMT** with **~63%** exported to LatAm
- Sales to LatAm **+42%** in 1H19 y-o-y, being the strategic market for EuroChem. 3rd fertilizer plant opened in Brazil with production capacity of 6 KMT/day & storage of 100 KMT
- Key markets represent **85%** of sales (Europe, LatAm, N.Am, Russia)
- 11%** reduction of sales to Asia given poor weather conditions and low agricultural activity

EuroChem & 3 rd Party Products	1H19 KMT	1H18	Δ, y-o-y	1H19 US\$m	1H18	Δ, y-o-y
Nitrogen products, incl.:	4,693	4,386	7%	1,156	997	16%
<i>Nitrogen fertilizers</i>	4,687	4,378	7%	1,155	995	16%
Phosphate products & complex fertilizers, incl.:	2,679	2,604	3%	1,113	1,042	7%
<i>Phosphate fertilizers</i>	1,098	1,138	-4%	485	485	0%
<i>Complex fertilizers</i>	1,390	1,260	10%	542	469	15%
<i>Potash fertilizers</i>	389	136	186%	146	48	205%
Total fertilizer sales	7,761	7,126	9%	2,416	2,087	16%
Mining products, incl.:	3,016	2,914	4%	261	208	26%
<i>Iron ore concentrate</i>	2,934	2,910	1%	235	190	24%
Industrial products	997	909	10%	309	299	3%
Other sales	n/a	n/a	n/a	60	76	-22%
Total, namely:	11,774	10,949	8%	3,046	2,671	14%
<i>3rd-party sales</i>	1,984	1,881	5%	667	548	22%

Sales Breakdown by Region



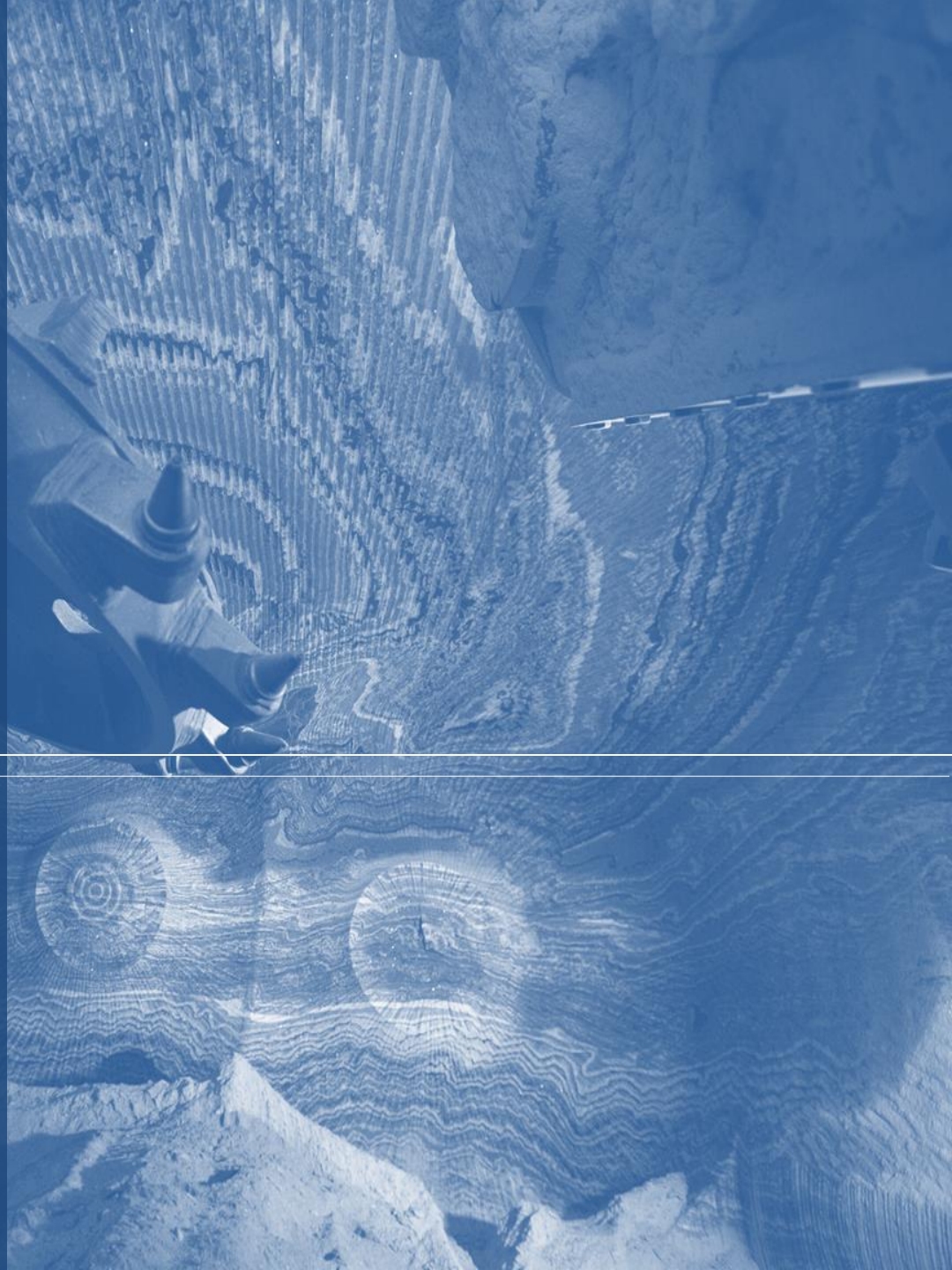
Fertilizer Sales Dynamics





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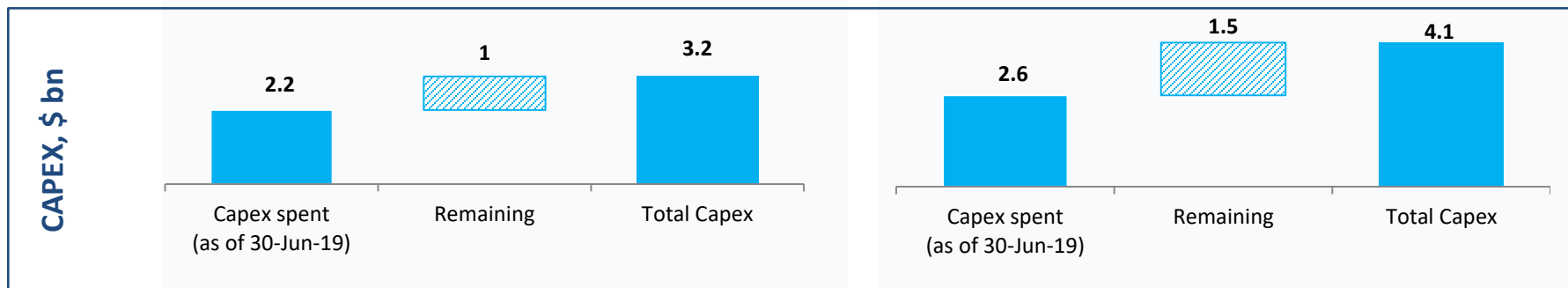
Potash Projects



Recent Developments



	Usolskiy	Volgakaliy
STATUS	<ul style="list-style-type: none"> • 467 KMT KCl produced at UKK • Own potash successfully delivered and accepted in Brazil • 2 shafts / 4 floatation trains operational / 2 out of 3 compaction lines in service with the 3rd being commissioned • 1.1 MMT to be produced in 2019 • <u>Next steps</u>: 2.3 MMT design capacity by 2020 with possible upgrade to 2.9 MMT in 2 years 	<ul style="list-style-type: none"> • 35 KMT of ore accumulated (~12 KMT finished product equivalent) • 3D seismic survey to be conducted by year end to improve mine planning • 2 shafts' design capacity remain at 10-12 MMT of ore annually restricted to 7.5 MMT in test mode • Plant capacity of 2.3 MMT of finished product per year



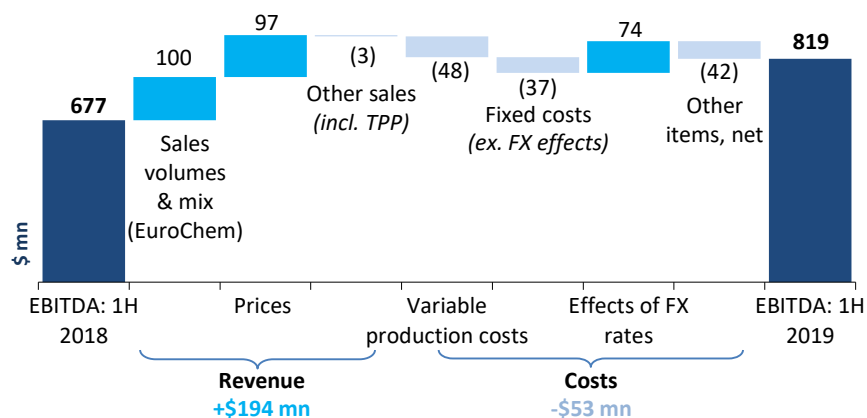


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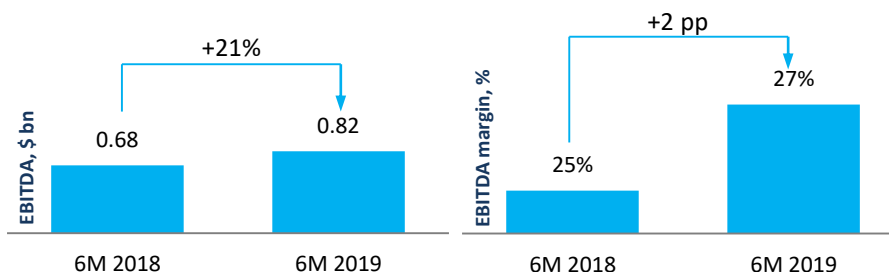
Financial Overview

- 6M 2019 financial results unveiled **14%** sales increase to **\$3.05bn** and EBITDA by **21%** reaching **\$0.8bn**
- With major projects ramped-up in 2019 (ECNW and UKK), EBITDA margin of **27%** was **2 pp** up y-o-y
- 6M19 EBITDA growth attributable to sales improvement together with positive FX impact and costs control
- RUB/USD exchange rate depreciated by **9%** in 1H19 y-o-y
- USD being the main functional Group's currency represented **47%** of sales (EUR – 20%, RUB – 20%, other – 13%)
- Costs of sales increase attributable mostly to larger sales volumes in 1H19 and ECNW/UKK ramp-ups

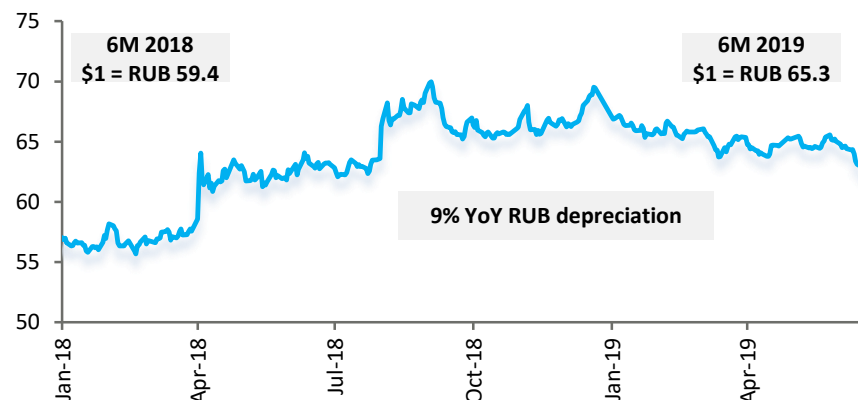
EBITDA Bridge 6M 2019 vs 6M 2018



	1H 2019	1H 2018	Δ, y-o-y
Sales, \$ mn	3,046	2,671	14%
Sales, KMT	11,774	10,949	8%
Cost of sales, \$ mn	(1,823)	(1,661)	10%
Gross Profit	1,224	1,009	21%
Gross Profit Margin, %	40%	38%	+2 pp
EBITDA, \$ mn	819	677	21%
EBITDA Margin, %	27%	25%	+2 pp
Net Income, \$ mn	612	210	191%
Net Income Margin, %	20%	8%	12%



USD/RUB Exchange Rate

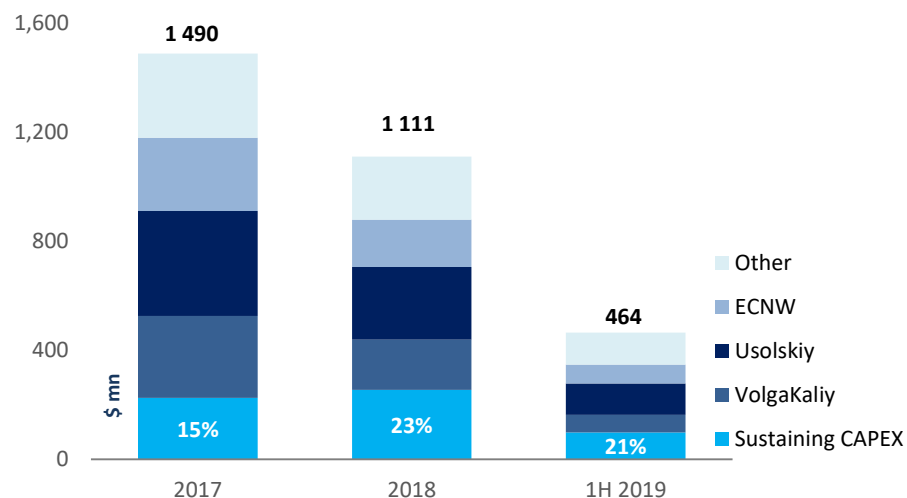


Cash Flow Analysis

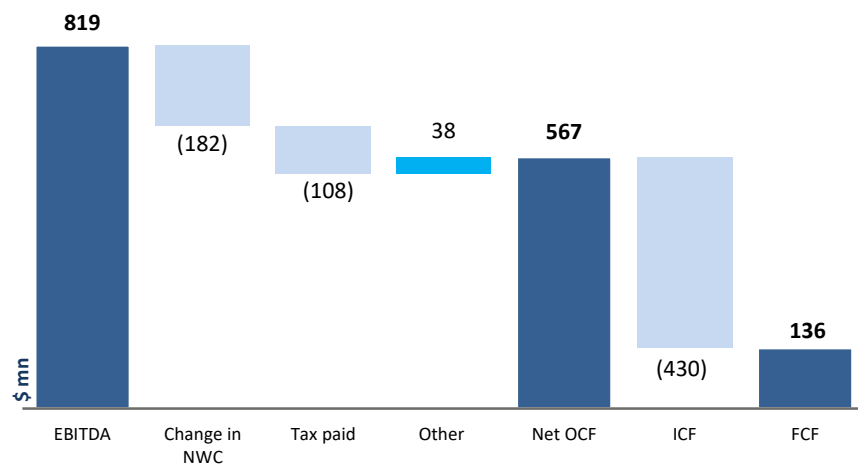


- OCF increased by **12%** in 1H19 to **\$567 mn** y-o-y notwithstanding a lift in NWC on the back of distribution development and new production capacity in Brazil, expansion on East Coast of North America together with higher stocks in US due to delayed farming season because of rainy weather conditions
- OCF by **1.2x** covered CAPEX requirements enabling to self-finance investment projects
- With ramping-up of major investment projects EuroChem turned to **FCF positive** in 1H19, **+\$136 mn**
- In June 2019 ECNW new plant officially opened with **1 MMT** annual ammonia production capacity

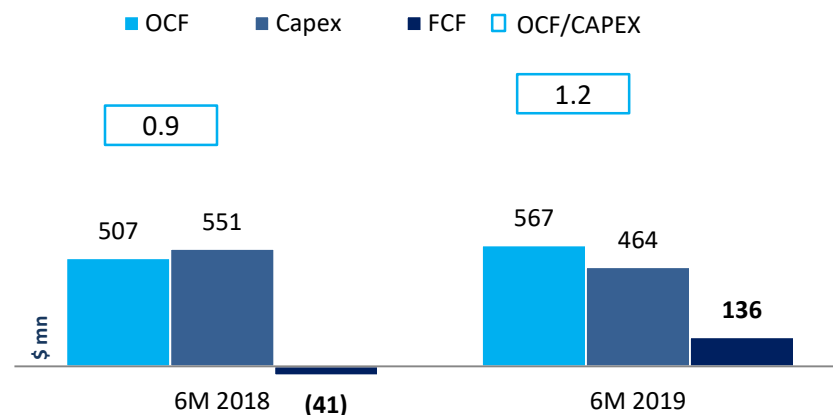
CAPEX Dynamics



Cash Flow Bridge⁽¹⁾



FCF ⁽¹⁾ Analysis

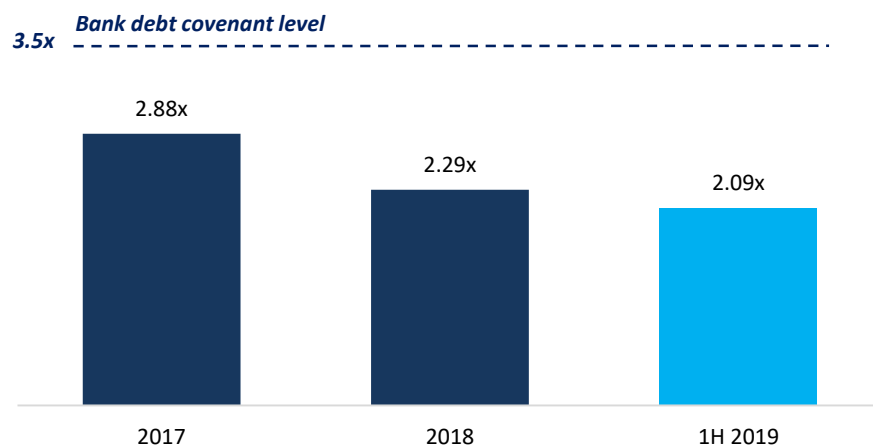


Debt Profile



- Proved conservative financial policy with Net Debt / EBITDA decreased to **2.09x** and balanced debt portfolio
- 2019-2020 upcoming debt maturities decreased almost **twice** vs FY2018 end, in line with management's expectations
- Successful return to public debt capital markets: \$700 mn Eurobond with TO/ 3 ruble bonds placed for RUB 39 bn
- Expert RA upgraded credit rating outlook to **ruA+ positive**
- Off-covenant ECNW project finance: last available disbursements made, loan to be smoothly amortized till 2029
- Strong liquidity position with **\$2.7 bn** available facilities

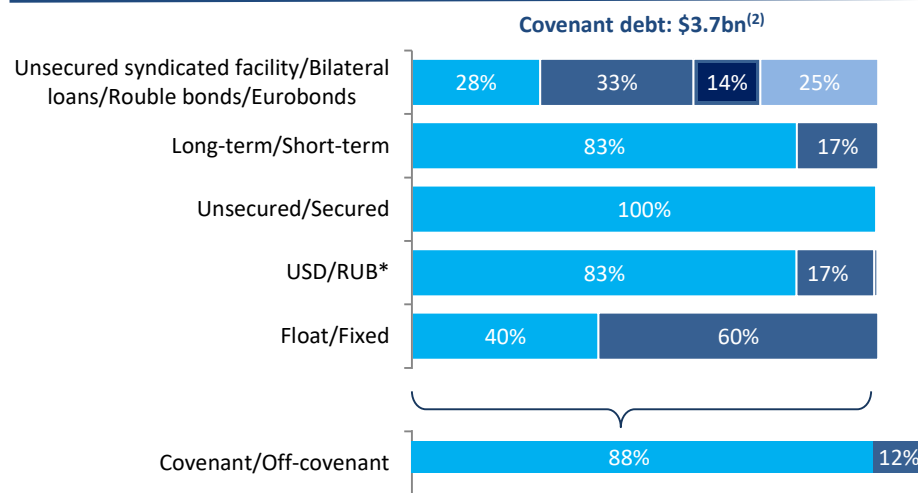
Net Debt / LTM EBITDA Dynamics



Source: Company information, 1H2019 IFRS

⁽¹⁾ As of June 30, 2019. Discrepancy in debt maturity schedule with total debt due to capitalized costs difference ⁽²⁾ Defined as per bank covenants (does not include project finance facilities)

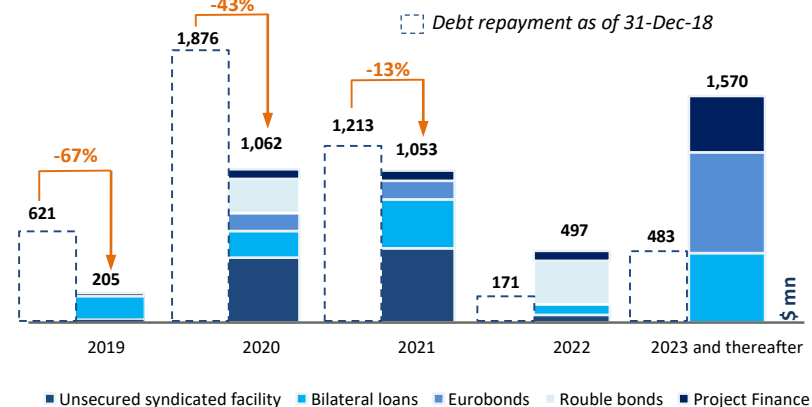
Debt Mix⁽¹⁾



^(*) The share of loans denominated in BRL, ARS and EUR is less than 1%

Debt Maturity Profile⁽¹⁾

Total debt (incl. project finance) as of June 30, 2019: USD 4,262 mn



Q & A

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