FOTC 2014 Fertilizer Outlook & Technology Conference

MAKING THE RIGHT MOVES

OUR CHALLENGES. OUR IMAGE. OUR FUTURE

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Fertilizer Situation in the Former Soviet Union

The Fertilizer Institute
Nourish, Replenish, Grow

Fertilizer Industry Round Table

FERTILIZER SITUATION IN THE FORMER SOVIET UNION

by

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CIS summit, October 2014
Minsk, Belarus

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FSU – Former Soviet Union – comprises countries which are now part of EU, CIS and Central Asia

15 republics

+ 3

European Union (EU)

in 2004
- Estonia
- Latvia
- Lithuania

+ 12

Commonwealth of Independent States (CIS)

in 1991
- Russia, Ukraine, Belarus,
- Azerbaijan, Armenia, Kazakhstan,
- Kyrgyzstan, Moldova, Tajikistan,
- Uzbekistan, Turkmenistan, Georgia

Fertilizer market overview of the FSU region

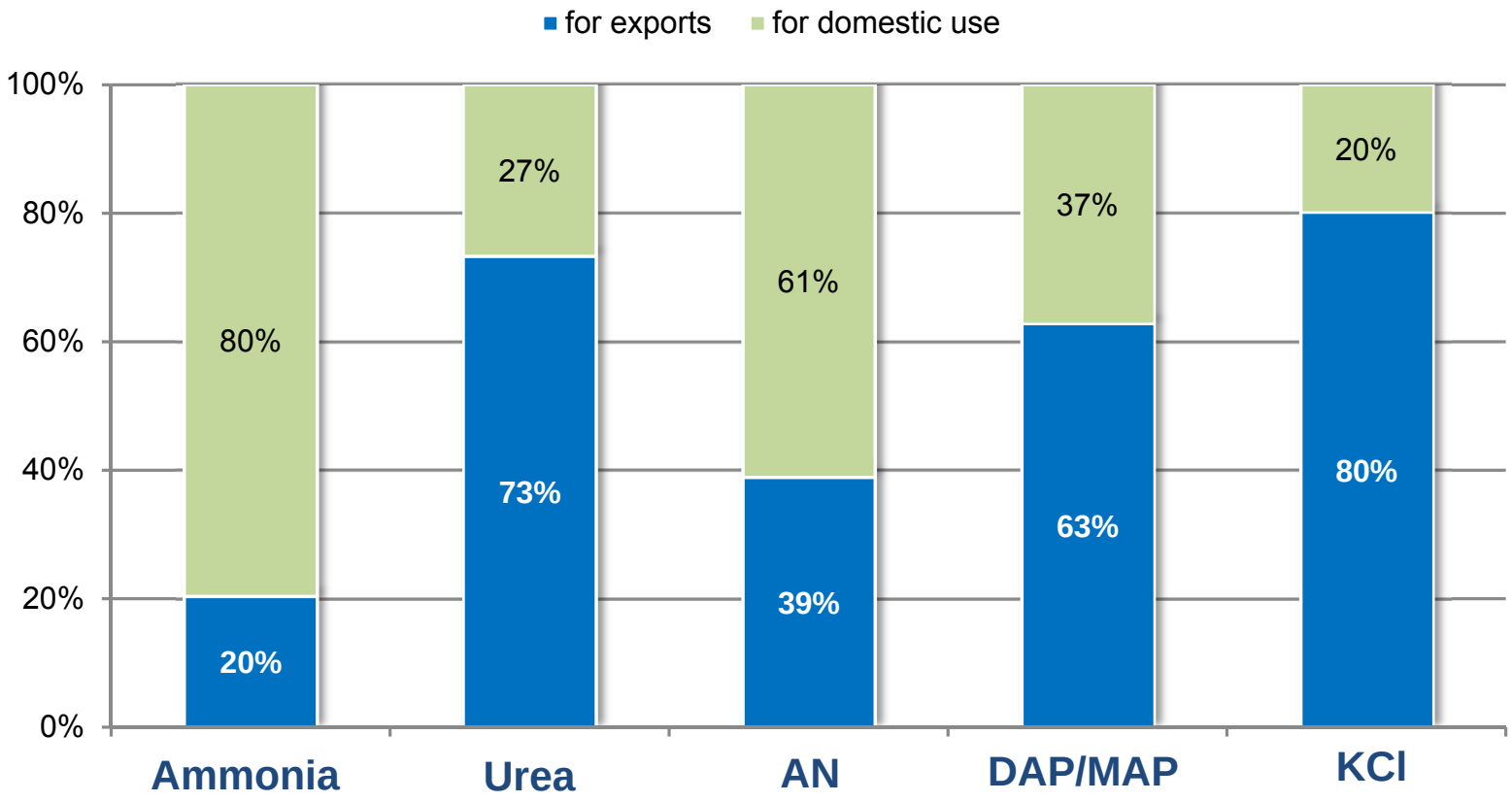
Nitrogen	Phosphate	Potash	Sulphur
			
✓ Russia ✓ Ukraine	✓ Russia ✓ Lithuania	✓ Russia ✓ Belarus	✓ Russia ✓ Kazakhstan

Abundant reserves of natural gas (nitrogen and sulphur industries), as well as home to large potash and phosphate reserves

Fertilizer market overview of the FSU region:
71 million tonnes of ammonia and fertilizers produced in 2013

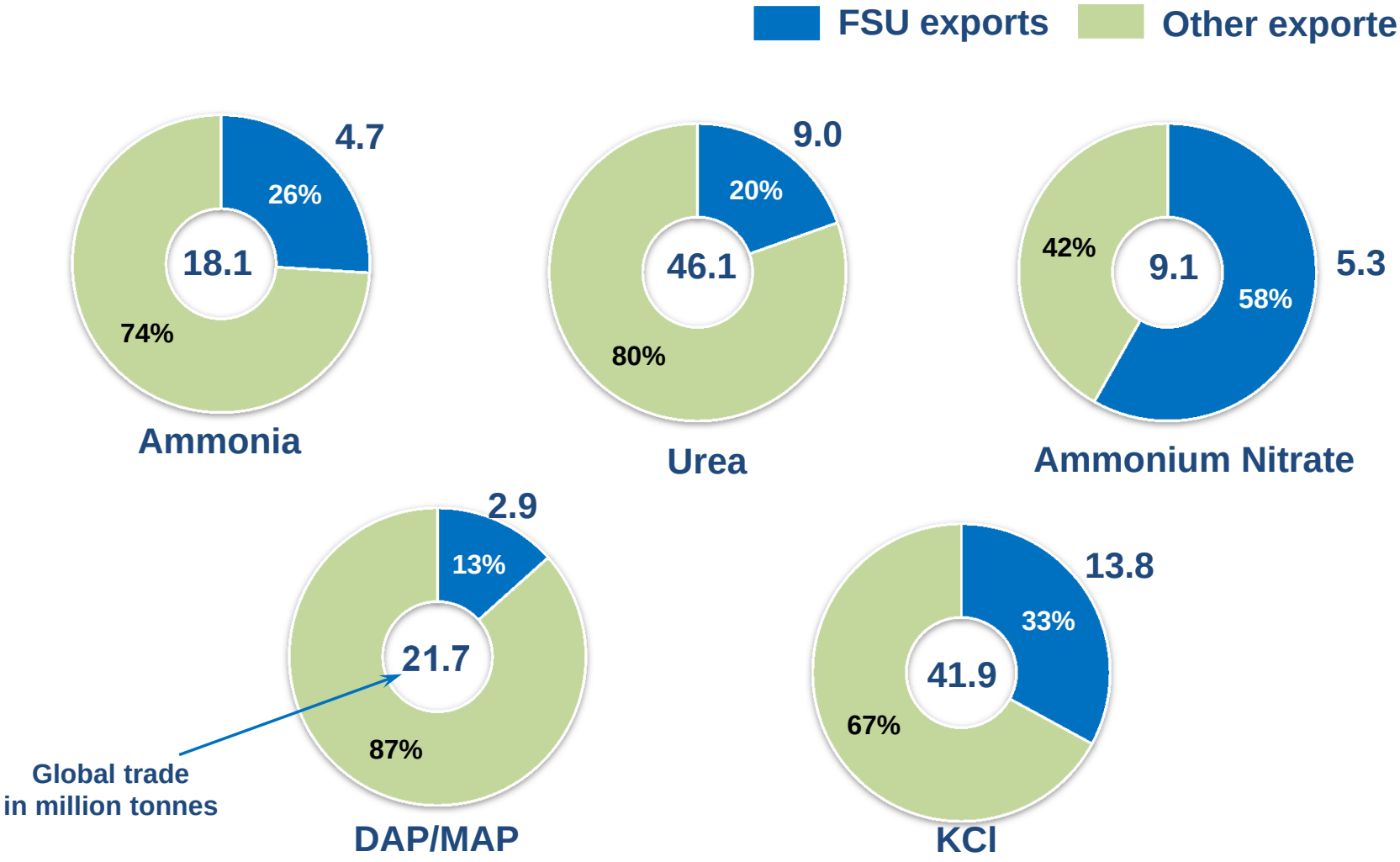
Country	Ammonia	Urea	AN	DAP/MAP	KCl
Russia	14,441	6,706	7,693	3,523	10,000
Ukraine	4,437	2,879	2,144	23	0
Belarus	1,026	1,219	0	106	7,072
Uzbekistan	1,465	565	2,094	48	141
Lithuania	900	438	588	781	0
Turkmenistan	315	340	272	0	0
Georgia	210	0	486	0	0
Kazakhstan	140	0	275	152	0
Estonia	95	150	0	0	0
Latvia	0	0	0	0	0
Armenia	0	0	0	0	0
Azerbaijan	0	0	0	0	0
Kyrgyzstan	0	0	0	0	0
Tajikistan	0	0	0	0	0
Unident. FSU	0	0	0	0	0
Moldova		0	0	0	0
Total	**23,029**	**12,297**	**13,553**	**4,632**	**17,213**
Total North America	**16,225**	**9,275**	**3,146**	**10,231**	**17,395**
Compare North America vs FSU	*-6,804*	*-3,022*	*-10,407*	*5,599*	*182*

Supply breakdown for exports and domestic demand in FSU: exports play a key role for FSU producers



FSU producers rely heavily on international markets and prices, particularly for potash, urea and phosphates

FSU position in global fertilizer trade (2013, million t) – world's leading supplier of fertilizer products



FOB Black Sea is an important global nitrogen price benchmark comprising substantial exports ex-FSU of all nitrogen products

Fertilizer market overview of the FSU region: key players

	EuroChem	Acron	PhosAgro	Uralchem	Ostchem	Uralkali
Head-quarters	Moscow → Zug	Moscow	Moscow	Moscow	Kiev	Berezniki
Employees	22,000	15,722	18,870	11,492	23,500	11,300 (in the main production unit)
Portfolio N-P-K-S	N / P / NPK / K	N / P / NPK	N / P / NPK	N / P / NPK / NS / K	N	K
Office in the USA	Tampa, FL	Aventura, FL	---	---	---	Buffalo Grove, IL

Key fertilizer market trends the FSU region

Global expansion and partnerships with foreign companies are high on the agenda

EuroChem	Acquisition of BASF assets in Belgium and K&S Nitrogen; land for a project in the USA, JV with Migao for NPK in China
Ostchem	Consolidation of the industry in Ukraine: acquisition of Severodonetsk, Cherkassy and Gorlovka; ownership of assets in Estonia
Acron	Gaining minority ownership in the newly established Polish holding Grupa Azoty; ownerhsip of Hongri Acron in China
Uralchem	Signed joint technology development agreement with Stamicarbon
Phosagro	10-year contract for explosives with Australian Orica

Investments in logistics and infrastructure to optimize the supply chain of fertilizers to customers

EuroChem	Owns fertilizer terminal in Tuapse, Russia, Black Sea Owns Murmansk Bulk Terminal, Russia Building a bulk terminal in Ust-Luga, Russia, Baltic Sea
Ostchem / Group DF	Own Nika-Tera, a Black Sea port in Mykolayiv, Ukraine
Uralkali	Ownership in BBT terminal, Saint Petersburg, Russia
Acron	Owns BCT, ammonia and UAN terminal in Sillamae, Estonia; Owns DBT fertilizer terminal in Muuga, Estonia Owns Andrex terminal in Kaliningrad port, Russia
Uralchem	Controlling stake in ammonia terminal Ventspils, Latvia (2014); Joint fertilizer terminal project with Riga port, Latvia (end-2013)

Nitrogen fertilizer projects (mainly ammonia & urea) are being developed extensively across the region

2009-2013

Product	Added capacity	Site
Ammonia	65	Novgorod
Ammonia	90	Berezniki
Ammonia	100	Novomoskovsk
Ammonia	100	Dorogobuzh
Ammonia	110	Kemerovo
Ammonia	60	Togliatti-KUAZ
Ammonia	165	Perm
Ammonia	100	Rossosh
Ammonia	95	Nevinnomyssk
Ammonia	200	Cherepovets
Ammonia	300	Kirovo-Chepetsk
Ammonia	100	Odessa
Ammonia	50	Fergana (Uzb)
Urea	330	Jonava
Urea	130	Grodno
Urea	330	Novgorod
Urea	545	Novomoskovsk
Urea	80	Berezniki
Urea	575	Cherepovets
Urea	60	Togliatti-KUAZ
Urea	140	Perm
Urea	30	Fergana (Uzb)
Urea	35	Odessa
Urea	44	Severodonetsk
Urea	198	Cherkassy
Urea	125	Kemerovo
Urea	90	Salavat
Urea	265	Nevinnomyssk
UAN	349	Cherkassy
UAN	130	Novomoskovsk
CAN	270	Kirovo-Chepetsk
AN	270	Kirovo-Chepetsk
CAN	420	Novomoskovsk
AN	347	Nevinnomyssk
AS	35	Kemerovo
AS	35	Schekino

2014-2018

Product	Added capacity	Site
Ammonia	396	Mary (Turk-n)
Ammonia	700	Novgorod
Ammonia	677	Mendeleyevsk
Ammonia	442	Togliatti-KUAZ
Ammonia	726	Cherepovets
Ammonia	140	Schekino
Ammonia	396	Sumgayit (Azer-n)
Ammonia	660	Aktau
Ammonia total - 4.1 million tonnes		
Urea	635	Mary (Turk-n)
Urea	717	Mendeleyevsk
Urea	660	Sumgayit (Azer-n)
Urea	500	Cherepovets
Urea	825	Aktau
Urea	210	Novomoskovsk
Urea total – 3.5 million tonnes		
AN	380	Mendeleyevsk
AN (tech)	330	Novomoskovsk
AN – 0.7 million tonnes		

+ other possible

Product	Added capacity	Site
Ammonia	500	Rossosh
Ammonia	891	Kingisepp
Ammonia	891	Nevinnomyssk
Ammonia	990	Ust-Luga
Ammonia	1700	Far East of Russia
Ammonia	660	Garabogaz (Turk)
Ammonia	330	Karadah (Azer-n)
Ammonia	396	Poti (Georgia)
Ammonia	150	Tashkymur (Kyr)
Ammonia	300	Gubakha
Ammonia total - 6.8 million tonnes		
Urea	500	Rossosh
Urea	1155	Nevinnomyssk
Urea	1166	Ust-Luga
Urea	3000	Far East of Russia
Urea	1155	Garabogaz (Turk)
Urea	660	Poti (Georgia)
Urea	130	Tashkymur (Kyr)
Urea	500	Gubakha
Urea total - 8.3 million tonnes		
AN (tech)	330	Kemerovo
AN	900	Gorlovka
AN	140	Tashkymur (Kyr)
AN total - 1.4 million tonnes		

New ammonia capacity growth will increase Russia's exports availability

Terminal	Country	Majority ownership	Throughput in 2013 ('000t)	Storage capacity
Yuzhnyy	Ukraine	State	3,550	120,000
Ventspils	Latvia	Uralchem	336	60,000
Sillamae	Estonia	Acron	258	60,000

All via Baltics terminals:

- Acron, Novgorod
- Phosagro, Cherepovets (surplus)
- EuroChem, Kingisepp
- Schekino

Phosphate capacity expansion ongoing – brownfield NPK expansions and potential additional DAP/MAP capacity

Phosagro	• Brownfield expansions of NPK capacity
EuroChem	• Phosphate rock project in Kazakhstan ongoing
Sunkar	• Phosphate rock project in Kazakhstan launched; followed by DAP/MAP

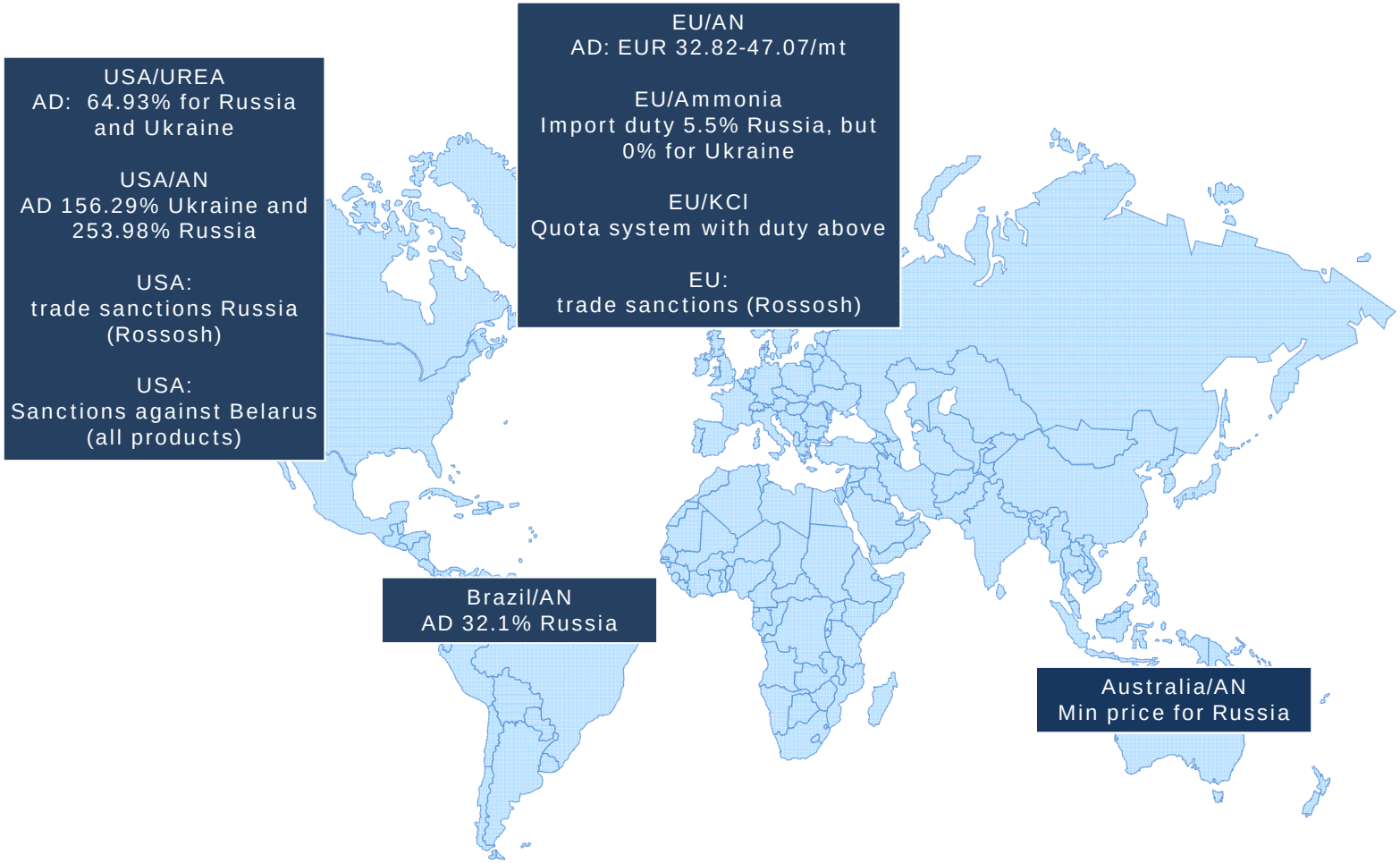
New potash projects will break the monopoly of Uralkali in Russia

2014-2018*

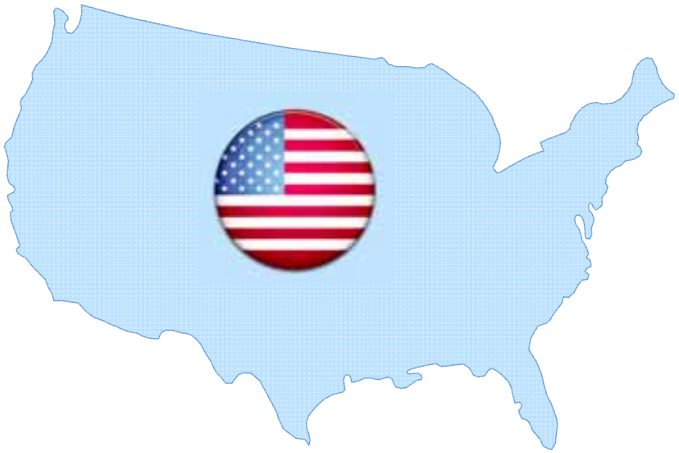
Company	Capacity additions	Site
Belaruskaliy	550	Soligorsk
EuroChem	780**	Kotelnikovo
EuroChem	510**	Usolskiy
Uralkali	450	Solikamsk
Uralkali	210	Berezniki
Turkmen Chemicals	840	Garlyk
Acron (post-2018)	*1,200*	
Total added capacity 2014/18	3,340	

*** Potash mine capacity additions from 2014 to 2018 // ** followed by further ramp-up in subsequent years**

Current trade barriers against FSU fertilizer products in the world restrict access to premium markets of the US and EU



Current trade between FSU and United States is largely represented by UAN and ammonia



3.7 million tonnes fertilizers imported into the USA from FSU in 2013

Exports from FSU

- 1,600,000 t UAN
- 870,000 t ammonia
- 568,000 t KCl
- 520,000 t urea
- 130,000 t AN

Current trade between FSU and United States is limited by protective anti-dumping duties and sanctions

Implications of FSU developments to the future US fertilizer industry

- FSU ammonia could be backed out of the US market by increased local production
- Increased fertilizer consumption in the FSU could reduce AN export capability – will US anti-dumping continue longer term?
- Russian urea imports now established in the US – will they continue as US production grows?
- UAN imports from Russia face challenge from increased local US production
- Russian potash exports to US could continue to grow attracted by higher netbacks from the US market

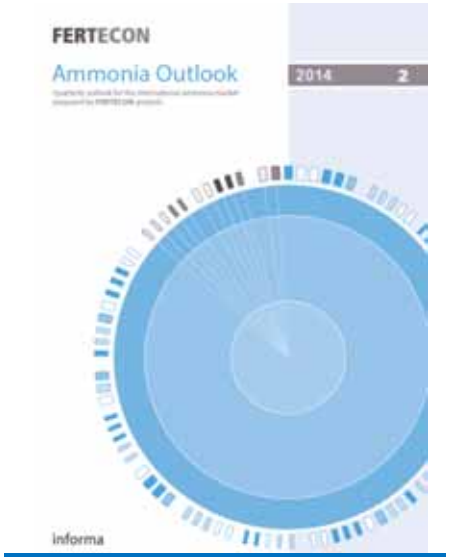
US supply costs for nitrogen products will remain lower than those for FSU material

Key challenges of the fertilizer producers in the FSU region

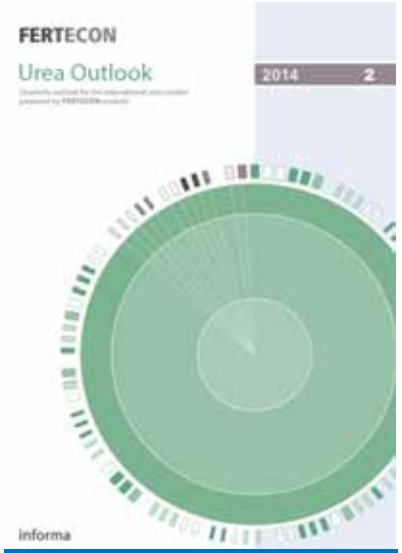
- Anti-dumping duties reduce the margins versus competitors
- Some tensions within FSU countries complicate things further between neighbouring markets
- New potash projects will increase competition in the international market
- New capacity in the US will force out some FSU products
- Trade restrictions in the international market limit business opportunities
- Limited capacity of the domestic market to be able to absorb new supply

FERTECON'S SELECTED FERTILIZER SERVICES

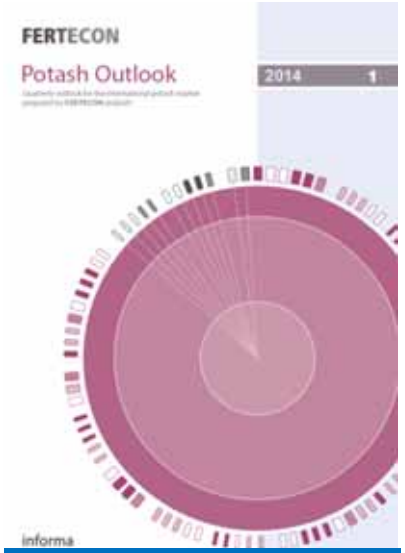
FSU Update



Ammonia Outlook



Urea Outlook



Potash Outlook

THANK YOU

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