

Acron Pursues Tarnow as Output Decreases

By [The Moscow Times](#)

July 15, 2012



Acron, with core production in Novgorod, is seeking to enter new markets.

Chemicals maker Acron sweetened its takeover bid for Poland's state-controlled rival Tarnow, aiming to overcome objections to a deal that are as much about politics as business.

Poland is seeking 15 billion zlotys (\$4.3 billion) from privatizations before the end of 2013, but the sale of state assets to Russian companies is a sensitive issue given the historical tensions between the two countries.

Acron, one of Europe's 10 largest mineral fertilizer groups, hiked its offer for Poland's No.1 player Friday by 25 percent to 45 zlotys per share, or 1.96 billion zlotys, valuing Tarnow at 2.89 billion zlotys.

The Polish treasury, which holds 32 percent in Tarnow, made no official comment on the new offer, but broadcaster TVN CNBC cited Treasury Minister Mikolaj Budzanowski as saying

Poland is still opposed to Acron's bid.

"The treasury made its position clear ... we understand why they are careful," Acron's deputy chief Vladimir Kantor said in Warsaw. "Of course, we see that in the past there were some tensions between our countries, [but] why should we live with the past? Economic collaboration is a good standing point for better relations."

After decades of repressive colonial rule by the Soviet Union and tense relations since the fall of the Berlin Wall, many Poles are suspicious of Russian motives.

But if the market believes the Polish government is putting political and historical grievances before hard-headed financial logic, that could cool enthusiasm for an economy that has delivered two decades of growth and become Central Europe's biggest magnet for investment.

Acron, with assets in Russia, Canada, China and Estonia, wants to use Tarnow as a base for operations within the European Union, but the Polish treasury, which oversees state assets, frets the deal could also affect PGNiG, the Polish state-owned gas monopoly, which has Tarnow among its key clients.

"In my opinion the price is attractive," said Tomasz Kasowicz, analyst at Erste Bank. "But right now, after the statements from the treasury that it would rather realize the strategy presented by Tarnow's management, that is organic growth and through acquisitions, I would not expect the treasury to respond to the bid."

To fend off the Acron bid, Poland has proposed putting Tarnow at the heart of consolidation in the chemical sector, with plans for it to make a counter bid for rival Pulawy, targeted by local synthetic rubber maker Synthos.

Tarnow itself has also moved to defend itself against Acron and proposed a share issue to dilute the current owners, which could be used to buy Pulawy.

Acron, which has so far secured only 1.2 percent of Tarnow's stock, said it may go for a significant minority rather than the targeted 66 percent if Tarnow's owners reject the proposed share issue at a shareholders' meeting Saturday.

The treasury has also previously said that a counterbid for Tarnow could be in the works, but a "white knight" has yet to arrive.

"The last weeks have proven that our offer is the only one on the market, all other scenarios are only speculations and do not raise the value for shareholders," Kantor said. "We underline that our offer is valid until Monday, July 16, and is final."

Acron also said Friday that domestic production of the company's main complex fertilizer fell by a third in the second quarter due to a pricing dispute with the supplier of a key component.

The Russian division of the company slashed production of nitrogen, phosphorus and potassium fertilizer by roughly 30 percent in the second quarter, compared to the first three months of 2012, as supply of apatite concentrate, a key ingredient for its multiple-nutrient fertilizer production, fell short.

"This trend continues in the beginning of the third quarter as apatite concentrate supplies to Dorogobuzh have not been resumed and the complex fertilizer operations have been idle to date," Acron's acting chief executive Alexander Popov said in a statement.

The company has experienced cuts in the supplies of apatite concentrate from Apatit, after supplies were halted over a price dispute with fertilizer group Phosagro, Apatit's owner.

Acron's first-half total production output, however, was up 7 percent to 3.11 million tons from 2.9 million tons a year ago, largely supported by its nitrogen segment, which grew 16 percent in the first six months of 2012 to 1.42 million tons from 1.23 million tons a year ago.

"Losses from the forced shutdown of complex fertilizer operations were partially offset by conversion to nitrogen fertilizer production," Popov said.

Acron's Chinese Hongri asset also showed high operating results, boosting complex fertilizers output by 24 percent in the first six months of 2012.

Despite the domestic production setback, Acron remains upbeat on the global trends, saying market conditions "remain predictable."

"The pricing environment is sustainable and currently supported by growing prices for agricultural commodities and strong demand for fertilizers from developing markets," Popov said.

Original url:

<https://www.themoscowtimes.com/2012/07/15/acron-pursues-tarnow-as-output-decreases-a16267>