

PhosAgro 2011 IFRS Net Profit Up 88% to USD 765 Million

Moscow - PhosAgro ("PhosAgro" or "the Company") (MICEX-RTS, LSE: PHOR), a leading global vertically integrated phosphate-based fertiliser producer, today announces its audited consolidated IFRS financial statements for the year ended 31 December 2011. PhosAgro earned a profit of RUB 22.5 billion (USD 765 million) for 2011, up 88% year-on-year (y-o-y) from RUB 12.0 billion (USD 395 million) in 2010. Basic and diluted earnings per share (with a nominal value of RUB 2.5) grew 89% y-o-y to RUB 161 (USD 5.48).

Financial and Operational Highlights:

Result	2011		2010		y-o-y Change (RUB vs. RUB) %
	USD	RUB	USD	RUB	
Revenue	3,420m	100,518m	2,534m	76,951m	31%
EBITDA*	1,204m	35,371m	674m	20,464m	73%
Net Income	765m	22,476m	395m	11,981m	88%
Earnings per share	5.48	161	2.79	85	89%
Sales volumes	kmt		kmt		
Phosphate-based fertilisers sales	4,061.7		3,841.5		5.7%
Phosphate rock sales	4,149.3		4,732.5		(12.3)%
Nitrogen fertilisers sales	889.4		850.4		4.6%

Rates: average 2010: 30.3692 RUB/USD; 2011: 29.3874 RUB/USD

As of 31 December 2010: 30.4769 RUB/USD; as of 31 December 2011: 32.1961 RUB/USD

*EBITDA is calculated as operating profit adjusted for depreciation and amortisation and other material non-cash items

Other Highlights

- Completed modernisation of the 4th production line at Ammophos, increasing NPK fertiliser capacity to 1.7 million tonnes per year;
- PhosAgro associate PhosInt Limited participated in a settlement agreement that ended the dispute between the owners of Nordic Rus Holding, which owns 7.73% of the share capital (10.3% of ordinary shares) of PhosAgro subsidiary Apatit. As a result of the settlement between Acron and Yara International, 51% of Nordic Rus Holding is now owned by Phosint Limited;
- Urea capacity increase at Cherepovetsky Azot on track for launch in May-June 2012.

PhosAgro today reports 2011 net profit of RUB 22.5 billion (USD 765 million), an increase of 88% y-o-y from RUB 12.0 billion (USD 395 million) in 2010. Revenue for the period was 31% higher y-o-y at RUB 100.5 billion (USD 3.4 billion) compared to RUB 77.0 billion (USD 2.5 billion) for 2010.

Operating profit for 2011 was RUB 29.3 billion (USD 998 million), a 100% increase from 2010. EBITDA increased 73% y-o-y to RUB 35.4 billion (USD 1.2 billion) in 2011, representing an EBITDA

margin of 35%, compared to an EBITDA margin of 27% on a RUB 20.5 billion (USD 674 million) result in 2010. Financial performance in 2011 was influenced primarily by higher fertiliser prices compared to 2010.

Cash flow from operations amounted to RUB 32.4 billion (USD 1.1 billion) in 2011, compared to RUB 15.1 billion (USD 498 million) in 2010. The company's capital expenditure (capex) in cash during the same period was RUB 12.9 billion (USD 439 million), compared to RUB 13.0 billion (USD 429 million) in 2010. Investments in 2011 focused on expanding PhosAgro's capacities for key inputs and raw materials, which are discussed in more detail below.

Net debt at the end of 2011 stood at RUB 15.2 billion (USD 472 million), up from RUB 3.7 billion (USD 120 million) from 31 December 2010. This puts PhosAgro's Net debt to EBITDA at a very comfortable level of 0.43x.

CEO Maxim Volkov comments:

"I am pleased to say that in 2011 PhosAgro's revenue exceeded RUB 100 billion for the first time in our history, and this was the second-best year ever (after 2008) in terms of EBITDA and net profit - which reached USD 1.2 billion (up 73% y-o-y) and USD 765 million (up 88% y-o-y), respectively.

"In addition to exceptional financial results, we over-delivered on the promise we made to investors during the IPO to pay around 30% of net profit for the last 3 quarters of 2011 as dividends: the Board has recommended total dividend payments for the last nine months of 2011 of RUB 7.2 billion, or 49% of net profit attributable to the equity holders of the Parent for the same period.

"PhosAgro made important progress on key strategic priorities during 2011. We increased vertical integration in key inputs like electricity and increased processing of our own raw materials. Modernisation of our ammonia production has resulted in reduced gas consumption, and therefore lower production costs, per tonne of product.

"One of our most important achievements in 2011 was the modernisation of the 4th production line at Ammophos, which further improved our product flexibility by increasing our NPK capacity to 1.7 mln tonnes per year. We produced a record-high 1.2 million tonnes of NPK in 2011, and expect to further increase this amount in 2012.

"PhosAgro has maintained capacity utilisation at near 100% as a result of this enhanced product flexibility, which allows us to switch between any type of phosphate-based fertiliser. While India, the primary global importer of DAP, has put downward pressure on markets since Q4 2011, demand for NPKs has remained strong throughout this period and we have adjusted our production lines accordingly.

"Other notable developments in 2011 were related to global supply: we saw China widen the group of phosphate-based fertiliser products covered by restrictive export duties to include NP and TSP. This, combined with a global market that has reached 21 million tonnes per year, makes the ramp-up of Ma`aden's DAP production a significantly less impactful event for the global supply/demand balance.

"Our 2011 financial results, combined with a generous dividend policy as well as continued successful development of more efficient and more flexible production capacity, underscore PhosAgro's unique position as the world's only publicly traded pure phosphates play."

Market Conditions

Although soft commodities prices succumbed to downward pressure in the last quarter of 2011, corn and soybean prices at the end of the year were 63% and 22% higher, respectively, than the historic average for 2006-2010. Farmers have responded to this by planting more corn: current USDA estimates are for 95.9 million acres of corn to be planted in 2012, the highest level since 1937.

In the phosphate sector, the impact of Ma`aden was muted due to ongoing growth in demand. The launch of production and sales were significantly delayed, the market had already priced in the introduction of this new supply, and it was balanced by an expansion of restrictive export duties for phosphate-based fertilisers in China. The rupee devaluation and lower demand from India, the world's largest importer of DAP, put downward pressure on DAP prices in the end of 2011. This was reflected in a 15% decline in DAP prices in the fourth quarter, although DAP prices in 2011 were still 31% higher on average y-o-y, at USD 633/tonne (FOB Baltic).

Nitrogen fertilisers also continue to perform well, with urea prices in 2011 rising from USD 375/mt to a maximum level of USD 517/mt (FOB Baltic) in the middle of the year, representing an average weekly price for the year of USD 424/mt.

Phosphate segment

Result	2011 RUB mln	2010 RUB mln	Year-on-year change %
Revenue	88,982	68,832	29%
Cost of goods sold	(50,631)	(42,812)	18%
Gross profit	38,351	26,020	47%

Phosphate segment revenue increased by 29% year-on-year and totalled RUB 88,982 million (USD 3.0 billion) in 2011. The Company increased output of phosphate-based fertilisers and MCP by 6% year-on-year, and sales were also up 6% year-on-year. This increase is a result of PhosAgro delivering on its strategy to grow organically through increased processing of its own phosphate rock for phosphate-based fertilisers such as MAP, DAP and NPK. In 2011, PhosAgro's flexible production capacity enabled the Company to switch from DAP/MAP production to NPK in order to meet changing market demand as well as to receive higher margins. Production and sales volumes of NPK were therefore respectively up 29% year-on-year and 27% year-on-year.

The phosphate segment's gross profit for 2011 was up 47% year-on-year to RUB 38,351 million (USD 1.3 billion), resulting in a gross profit margin of 43%, compared to 38% in 2010, mainly as a result of an increase in prices for phosphate-based fertilisers.

Production and sales volumes of feed phosphate MCP decreased respectively by 7% year-on-year and by 8% year-on-year, largely due to unfavourable market conditions.

PhosAgro is largely self-sufficient in key raw materials for phosphate fertiliser production, and therefore is not subject to price inflation for phosphate rock. However, expenditure on sulphur and sulphuric acid, used primarily in the production of phosphate fertilisers, amounted to RUB 4,838 million (USD 164.6 million) in 2011, up 98% from RUB 2,447 million (USD 80.6 million) a year ago.

Revenue per tonne for the principal phosphate-based fertiliser products and feed phosphate

Product	2011 RUB	2010 RUB	Year-on-year change %
Domestic:			

MAP	17,387	11,898	46%
DAP	17,444	13,304	31%
NPK	15,944	10,345	54%
MCP	18,581	16,798	11%
Export:			
MAP	17,032	14,135	20%
DAP	17,150	11,871	44%
NPK	14,917	10,650	40%
MCP	17,780	12,334	44%

Nitrogen segment

Result	2011 RUB mln	2010 RUB mln	Year-on-year change %
Revenue	10,727	7,012	53%
Inter-segment revenues	3,629	2,154	68%
Cost of goods sold	(7,495)	(6,253)	20%
Gross profit	6,861	2,913	136%

Revenue in the nitrogen segment was RUB 10,727 million (USD 365million) in 2011, an increase of 53% year-on-year, compared to RUB 7,012 million (USD 231 million) in 2010. Production of nitrogen-based fertilisers was up 2% year-on-year, with sales rising 5% year-on-year in 2011, mainly as a result of global demand for nitrogen-based fertilisers and an increase in prices for these products.

Gross profit rose by 136% year-on-year to RUB 6,861 million (USD 233 million) in 2011, with a gross profit margin of 48%.

The price of natural gas, which is the key raw material for nitrogen fertilisers, continued to increase in Russia in 2011 as Gazprom continues its policy of moving towards liberalizing domestic gas prices. PhosAgro's average natural gas purchase price increased by 15% from RUB 2,633 per th. m³ (USD 2.41 per mmBtu) in 2010 to RUB 3,015 roubles per th. m³ (USD 2.85 per mmBtu) in 2011.

Revenue per tonne for the principal nitrogen-based fertilisers

Product	2011 RUB	2010 RUB	Year-on-year change %
Domestic:			
Ammonium nitrate	7,550	5,725	32%
Urea	13,021	8,898	46%
Export:			
Ammonium nitrate	8,954	6,030	48%
Urea	11,301	7,838	44%

Cost of sales

PhosAgro's cost of sales increased by 18% in 2011 to RUB 56,196 million (USD 1.9 billion), which was a slower rate of increase than revenue (up 31%) for the year. Excluding the effect of a 6% increase in sales volumes during 2011, PhosAgro's cost of sales would have increased in line with the Russian PPI inflation rate of 12%. The increase in cost of sales was primarily due to:

- A 26% increase in salaries and social contributions to RUB 11,078 million due to higher labour rates and increased social security contributions enacted in the Russian Federation in 2011. The maximum rate for social security contributions was set at 34% in 2011, which represents an 8% increase from the maximum rate of 26% in effect in 2010;
- A RUB 2,391 million y-o-y increase in expenditures on sulphur and sulphuric acid to RUB 4,838 million in 2011. From March 2011 a new pricing formula was negotiated with suppliers whereby the price is now linked to global sulphur and DAP prices, both of which rose during the year;
- An increase in cost of materials and services by RUB 2,019 million, or 10% y-o-y, mainly due to a rise in raw materials prices driven primarily by inflation in Russia and higher purchase volumes of raw materials as a result of increases in production volumes.

Item	2011				2010			
	RUB mln	USD mln	share of total revenue	percentage of cost of sales	RUB mln	USD mln	share of total revenue	percentage of cost of sales
Materials and services	23,032	784	23%	40%	21,013	692	27%	44%
Salaries and social contributions	11,078	377	11%	20%	8,789	289	11%	18%
Depreciation and amortisation	5,486	187	5%	10%	4,774	157	6%	10%
Natural gas	4,951	168	5%	9%	4,459	147	6%	9%
Sulphur and sulphuric acid	4,838	165	5%	9%	2,447	81	3%	5%
Fuel	4,207	143	4%	7%	3,674	121	5%	8%
Electricity	3,290	112	3%	6%	3,152	104	4%	7%
Other items	51	2	0%	0%	43	1	0%	0%
Change in stock of WIP and finished goods	(737)	(25)	(1%)	(1%)	(681)	(22)	(1%)	(1%)
Total	56,196	1,913	56%	100%	47,670	1,570	62%	100%

General and administrative expenses were up 10% in 2011 to RUB 5,758 million (USD 196 million), mainly due to an increase in salaries and social contributions by 19% to RUB 3,334 million (USD 113 million).

Selling expenses in 2011 equalled RUB 6,588 million (USD 224 million), up just 1% compared to 2010. This was primarily due to a 7% (RUB 216 million) increase in Russian Railways infrastructure tariff and operator's fees and a RUB 76 million, or 16%, increase in salaries and social contributions. These increases were partially offset by a RUB 500 million, or 36%, decrease in materials and services.

Capital investments in 2011 amounted to RUB 16,801 million (USD 572 million), 58% higher than the RUB 10,614 million (USD 349 million) in 2010. Cash used in capital expenditures during 2011 amounted to RUB 12,905 (USD 439 million), compared to RUB 13,040 million (USD 429 million) a year earlier. In 2011 capital expenditure focused on construction of the main ore shaft № 2 at the Kirovsky underground mine (expected to enable the mine to increase production to 14 mtpa in 2-3 years), as well as construction of new 500 kmt p.a. urea capacity and a 32 MW gas-powered electricity generation facility at Cherepovetsky Azot. All of these projects remain on track for completion within planned timelines.

Total debt at 31 December 2011 amounted to RUB 32,153 million (USD 999 million), versus RUB 8,932 million (USD 293 million) at the end of 2010. This increase was primarily due to new EUR- and USD-denominated long- and short-term debt facilities obtained in the first half of the year at very low interest rates.

Outlook

- PhosAgro has begun selection of a licensing and equipment supply partner for a new ammonia plant with an annual capacity of 760 kmt p.a., which is currently planned to come online in 2016, and would enable further expansion of PhosAgro's mineral fertiliser production capacities;
- The Company's strong financial position and cash flows mean PhosAgro is well positioned to continue investing in its planned development programme and the consolidation of minority stakes of subsidiaries;
- PhosAgro's new urea plant is due to come online in May-June 2012 with a capacity of 500 kmt per year;
- Ma'aden has come online, and other new capacity additions due in near future will not be sufficient to meet growing demand;
- Record planting acreage and historically high prices for key grains will drive demand for fertilisers;
- PhosAgro plans an overall increase in fertiliser production and sales in 2012 vs. 2011, with a greater share of NPKs.

Conference Call and Webcast

On Monday, 23 April 2012 at 14:00 London time (17:00 Moscow; 09:00 New York), PhosAgro will host a conference call and webcast to discuss its audited consolidated IFRS financial results for 2011.

PhosAgro CEO Maxim Volkov will present the 2011 results and answer questions from conference call and webcast participants.

Webcast link: <http://www.media-server.com/m/p/57326v5t>

Conference call dial-ins:

+7 499 272 4337 Moscow☐

+1 646 843 4608 New York☐

+44 (0) 20 3003 2666 London

Toll Free:

0808 109 0700 UK

1 866 966 5335 USA

8 10 8002 1774011 Russia (Moscow only)

Conference call password: PhosAgro