

PhosAgro Reports Q1 2013 IFRS Profit of RUB 3.3 bln

Moscow - PhosAgro ("PhosAgro" or "the Company") (Moscow Exchange, LSE: PHOR), a leading global vertically integrated phosphate-based fertilizer producer, today announces its reviewed consolidated interim condensed IFRS financial statements for the three months ended 31 March 2013. PhosAgro earned a profit for the period of RUB 3.3 billion (USD 108 million), compared to RUB 8.0 billion (USD 266 million) in Q1 2012. Basic and diluted earnings per share came to RUB 23 (USD 0.76) for Q1 2013 compared to RUB 52 (USD 1.72) in Q1 2012.

Q1 2013 Financial and Operational Highlights:

Result	Q1 2013		Q1 2012		year-on-year change (RUB vs. RUB), %
	USD	RUB	USD	RUB	
Revenue	950 m	28,902 m	856m	25,918 m	12%
EBITDA*	248 m	7,554 m	301 m	9,099 m	(17%)
EBITDA margin	26%	26%	35%	35%	(9 p.p.)
Net Income	108 m	3,291 m	266 m	8,047 m	(59%)
Earnings per share	0.76	23	1.7	52	(56%)
Sales volumes	kmt		kmt		
Phosphate-based fertilizers (MAP/DAP/NPK/NPS)	1,294.4		1,067.3		21%
Nitrogen-based fertilizers	336.7		240.2		40%
Apatit mine and beneficiation plant	1,018.0		1,153.1		(12%)
Other products	79.9		84.2		(5%)

RUB/USD Rates: average Q1 2013: 30.4142; average Q1 2012: 30.2642

As of 31 March 2013: 31.0834; as of 31 December 2012: 30.3727

*EBITDA is calculated as operating profit adjusted for depreciation and amortisation.

Other Q1 2013 Highlights

· Production and sales flexibility:

o Production flexibility enabled the Company to significantly increase production and sales of NPS, which offset lower export revenue from MAP, DAP and NPK. NPS export sales increased by RUB 1,629 million (USD 54 million) year-on-year, while export revenue from MAP, DAP and NPK decreased by RUB 1,432 million (USD 47 million), or 11%, compared to Q1 2012.

· *Organic growth through capacity expansion and greater operational efficiency:*

o Urea production volumes increased by 94% from 121 kmt in Q1 2012 to 234 kmt in Q1 2013. Export revenue per tonne for urea increased by 15% in Q1 2013 compared to Q1 2012.

· *Consolidation of ownership in production facilities:*

In January 2013, the holders of 10.95% of shares in Apatit accepted PhosAgro's mandatory tender offer. The Company subsequently launched a squeeze out of the remaining shareholders of Apatit with funding from the Company's debut USD 500 million Eurobond issue.

PhosAgro today reports its Q1 2013 net profit of RUB 3.3 billion (USD 108 million), a decrease of 59% year-on-year from RUB 8.0 billion (USD 266 million) in Q1 2012. Revenue for the period was up 12% year-on-year to RUB 28.9 billion (USD 950 million), compared to RUB 25.9 billion (USD 856 million) for Q1 2012.

Operating profit for Q1 2013 was RUB 5.7 billion (USD 186 million), a 25% decrease from RUB 7.5 billion (USD 249 million) in Q1 2012. EBITDA margin decreased year-on-year to 26%, compared to 35% for Q1 2012.

Cash flow from operating activities amounted to RUB 4.1 billion (USD 134 million) in Q1 2013, compared to RUB 9.9 billion (USD 328 million) in Q1 2012. The Company's capital expenditure (capex) in cash terms during the three months ended 31 March 2013 was RUB 3.0 billion (USD 98 million), compared to RUB 3.5 billion (USD 116 million) in Q1 2012.

Net debt at 31 March 2013 stood at RUB 35.5 billion (USD 1,142 million), up from RUB 26.8 billion (USD 883 million) on 31 December 2012. Net debt increased due to the significant cash outflow for the Apatit minority shareholder buy-out as result of mandatory tender offer, which was funded through PhosAgro's successful long-term, USD 500 million debut Eurobond issue. The Company's net debt to annualised EBITDA ratio temporarily increased to slightly above the target level of 1x as of 31 March 2013, and returned to 0.75x as a result of the subsequent new share issue, which raised over USD 210 million in the second half of April 2013.

Commenting on the Q1 2013 IFRS results PhosAgro Management Board Chairman Maxim Volkov said:

"In the first three months of 2013 we increased revenue by 12% year-on year as result of growth in fertilizer production and sales by 18% and 25%, respectively. We are in the second consecutive year of DAP prices being under significant pressure, with FOB Tampa prices dropping another 6% from an average of USD 516 in Q1 2012 to an average of just USD 487 in Q1 2013. Despite softening prices for our key products like DAP, MAP and NPK in the first quarter, PhosAgro managed to maintain almost 100% utilisation, which I believe distinguishes us from our peers.

"We made progress on number of key strategic priorities in Q1 2013, finishing the mandatory buyout offer to Apatit shareholders and entering the fixed income market by issuing a successful debut Eurobond that was over 5x oversubscribed.

“We believe that fertilizer demand will strengthen in the course of 2013, and we have maintained significant momentum towards achieving all of our strategic goals. Looking forward to the rest of 2013 we are in a good position to continue to deliver on strategic initiatives that should deliver sustainable, tangible shareholder value.”

Q1 2013 Market Conditions

- Soft commodity prices remain high, despite the expectations of output growth for major agricultural products;
- High inventories combined with delays in subsidy decisions inhibited demand from India, the world’s largest DAP importer;
- India only in mid May signed new DAP supply contracts, with significantly lower than usual volumes, that run until September 2013, thus establishing a price floor for the near future;
- Unfavourable weather conditions in the US have substantially delayed planting, which has affected spring demand for fertilizers and also put pressure on DAP/MAP prices;
- Stable demand from Western Europe, Brazil and Thailand, on the other hand, helped push prices up from the lowest level of USD 470 (FOB Baltic) in January 2013 to USD 530 per tonne (FOB Baltic) in March;
- Despite high soft commodity prices, the uncertain macroeconomic environment continues to effect consumer behaviour. Fertilizer consumers remain hesitant to acquire product, delaying purchases until the very beginning of the planting season, thus keeping prices low in times when stocks are normally being built up.

Phosphate-based products segment

Result	Q1 2013 RUB mln	Q1 2012 RUB mln	year-on-year change, %
Revenue	25,182	23,013	9%
Cost of goods sold	(16,608)	(13,574)	22%
Gross profit	8,574	9,439	(9%)

Phosphate-based products segment revenue increased by 9% year-on-year and totalled RUB 25,182 million (USD 828 million) in Q1 2013. PhosAgro increased production of phosphate-based fertilizers and MCP by 9% year-on-year in the first quarter, while sales volumes were up 21% year-on-year. Production and sales volumes for phosphate rock and nepheline concentrate decreased in Q1 2013 compared to Q1 2012 by 2% and 12%, respectively.

Revenue growth for the phosphate-based products segment was largely due to a significant increase in the export sales of NPS, from RUB 56 million (USD 2 million) in Q1 2012 to RUB 1,685 million (USD 55 million) in Q1 2013, as well as the addition of SOP and STPP to the Group’s product mix following the consolidation of Metachem in late December 2012. Sales of SOP and STPP amounted to RUB 268 million (USD 9 million) and RUB 928 million (USD 31 million), respectively, in Q1 2013. Revenue from NPK fertilizer export sales decreased by 16% year-on-year in the first quarter of 2013, from RUB 4,358 million (USD 144 million) to RUB 3,659 million (USD 120 million). This was mainly a result of a 16% decline in revenue per tonne from export sales of NPK. Revenue from DAP/MAP sales was just 1% lower year-on-year, from RUB 9,196 million (USD 304 million) for Q1 2012 to RUB

9,102 million (USD 299 million) in the three months ended 31 March 2013. This small decline was due to lower market prices, despite an 8% increase in DAP/MAP sales volumes. Revenue from domestic sales of phosphate rock decreased by 27%, to RUB 2,273 million (USD 75 million) in Q1 2013 due to lower sales to Acron and higher internal use following the consolidation of Metachem.

The phosphate segment's gross profit for Q1 2013 decreased by 9% year-on-year to RUB 8,574 million (USD 282 million), resulting in a gross profit margin of 34%, compared to 41% in Q1 2012. This was primarily a result of a decrease in prices for the Company's main phosphate-based products.

PhosAgro is largely self-sufficient in key raw materials for phosphate fertilizer production, and therefore is not subject to price inflation for phosphate rock. However, higher production volumes and changes in the production mix in Q1 2013 meant the Company had to increase external purchases of other inputs, which led to an increase in cost of sales (a more detailed analysis is provided in the CoGS analysis below).

Revenue per tonne for the principal phosphate-based fertilizers and feed phosphate

Product	Q1 2013 RUB	Q1 2012 RUB	year-on-year change, %
Domestic:			
MAP	15,684	18,070	(13%)
DAP	15,305	17,978	(15%)
NPK	14,121	14,365	(2%)
MCP	19,394	19,355	0%
NPS	11,543	-	-
Export:			
MAP	15,037	15,479	(3%)
DAP	15,003	16,471	(9%)
NPK	11,872	14,069	(16%)
MCP	16,988	16,754	1%
NPS	10,655	10,233	4%

Nitrogen segment

Result	Q1 2013 RUB	Q1 2012 RUB	year-on-year change, %
Revenue	3,658	2,679	37%

Inter-segment revenues	829	1,585	(48%)
Cost of goods sold	(3,033)	(2,187)	39%
Gross profit	1,454	2,077	(30%)

Nitrogen segment revenue was RUB 3,658 million (USD 120 million) in Q1 2013, an increase of 37% year-on-year from RUB 2,679 million (USD 89 million) in Q1 2012. Production and sales volumes of nitrogen-based fertilizers increased by 60% and 40% year-on-year, respectively, in Q1 2013.

Urea sales volumes increased by 46% year-on-year following the launch of the new urea plant at PhosAgro-Cherepovets in the second half of 2012. Export revenue from urea increased by 66% year-on-year from RUB 1,451 million (USD 48 million) in Q1 2012 to RUB 2,414 million (USD 79 million) in Q1 2013 as a result of higher export sales volumes (up 44%) and a 15% increase in export revenue per tonne. The structure of ammonium nitrate (AN) sales shifted from export to domestic in Q1 2013. Domestic AN sales increased by 87% to RUB 1,168 million (USD 38 million) in Q1 2013 from RUB 626 million (USD 21 million) a year earlier.

Inter-segment revenues decreased by 48% year-on-year in the first three months of 2013, to RUB 829 million (USD 27 million). This was a result of the merger Ammophos and Cherepovetskiy Azot, which are representing phosphate-based and nitrogen-based segments, respectively.

As a result of higher expenses for purchased ammonia (more detailed analysis provided in the CoGS analysis below), nitrogen segment gross profit decreased by 30% year-on-year to RUB 1,454 million (USD 48 million) in Q1 2013, with a gross profit margin of 32%, compared to 49% in Q1 2012.

Revenue per tonne for the principal nitrogen-based fertilizers

Product	Q1 2013 RUB	Q1 2012 RUB	year-on-year change, %
Domestic:			
Ammonium nitrate	9,839	8,471	16%
Urea	112,527	11,908	5%
Export:			
Ammonium nitrate	-	9,907	-
Urea	11,270	9,772	15%

Cost of sales

PhosAgro's cost of sales increased by 29% year-on-year in Q1 2013 to RUB 18,649 million (USD 613 million), while fertilizer sales volumes increased by 25% and PPI grew 4.3% y-o-y from Q1 2012 to

Q1 2013. This increase in cost of sales was primarily due to the following changes from Q1 2012 to Q1 2013:

- A RUB 775 million (USD 25 million) or 20% increase in the cost of materials and services. Higher production of NPS/NPK, which have a high nitrogen content, led to an increase in purchases of ammonium sulphate of RUB 276 million (USD 9 million).
- The consolidation of Metachem into PhosAgro led to an increase in materials and services expenses of RUB 85 million (USD 3 million).
- A RUB 871 million (USD 29 million) or 118% increase in expenses on ammonia. Higher production volumes and changes in product mix meant that PhosAgro's ammonia purchases increased to RUB 1,607 million (USD 53 million) in Q1 2013 from RUB 736 million (USD 24 million) in Q1 2012.
- An increase in expenditure on potash of 8%, or RUB 90 million, year-on-year to RUB 1,267 million (USD 42 million) in the three months ended 31 March 2013. This was the result of a 16% increase in potash purchase prices, balanced by a 7% decrease in potash purchase volumes. Even though the NPK production volumes rose by 4.5% year-on-year in Q1 2013, the share of NPK brands with low potash content in the overall production mix increased from period to period.
- An increase in expenditure on natural gas of RUB 268 million (USD 9 million), or 20%, from RUB 1,310 million (USD 43 million) in the three months ended 31 March 2012 to RUB 1,578 million (USD 52 million) in Q1 2013. Natural gas is required primarily for the production of ammonia. The price per cubic meter of natural gas rose by 13%, while natural gas consumption grew by 7% year-on-year. The price increase was due to an approximately 15% tariff increase in the second half of 2012. The increase in volume was due to an approximately 3.2% increase in ammonia production, the launch of a gas-powered electric generation facility in the second half of 2012, and additional volumes consumed by Metachem, which was consolidated by PhosAgro from Q1 2013.

The increase in cost of sales was partially offset by a decrease in expenditure on sulphur and sulphuric acid of RUB 91 million (USD 3 million), or 9%, from RUB 982 million (USD 32 million) in Q1 2012 to RUB 891 million (USD 29 million) in Q1 2013 due to a 13% decrease in domestic sulphur prices, balanced by a 4% increase in purchase volumes.

Item	Q1 2013			Q1 2012			Year-on-year change	
	RUB mln	USD mln	% of cost of sales	RUB mln	USD mln	% of cost of sales	RUB mln	%
Materials and services	4,749	156	26%	3,974	131	27%	775	20%
Salaries and social contributions	3,389	111	18%	2,823	93	20%	566	20%
Ammonia	1,607	53	9%	736	24	5%	871	118%
Potash	1,267	42	7%	1,177	39	8%	90	8%
Natural gas	1,578	52	8%	1,310	43	9%	268	20%
Depreciation	1,732	57	9%	1,447	48	10%	285	20%

Fuel	1,382	45	7%	1,343	44	9%	39	3%
Sulphur and sulphuric acid	891	29	5%	982	32	7%	(91)	(9%)
Electricity	903	30	5%	858	28	6%	45	5%
Other items	9	0	0%	9	0	0%	0	0%
Change in stock of WIP and finished goods	1,142	38	6%	(150)	(5)	-1%	1,292	(861%)
Total	18,649	613	100%	14,509	479	100%	4,140	29%

Administrative expenses rose by 18% year-on-year to RUB 1,744 million (USD 57 million) in the first quarter of 2013 as result of inflation and the consolidation of Metachem.

Selling expenses rose by 18% year-on-year, from RUB 1,849 million (USD 61 million) in the first quarter of 2012 to RUB 2,188 million (USD 72 million) in the first quarter of 2013. This was primarily due to higher sales volumes, as well as an increase in Russian Railway infrastructure tariff and operators' fees by 7% in Q1 2013 year-on-year.

PhosAgro's capital expenditure, which consists of all additions to property, plant and equipment, amounted to RUB 3,557 million (USD 117 million) for Q1 2013, compared to RUB 3,360 million (USD 111 million) in Q1 2012. 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 the construction of new storage facilities for liquid ammonia at Balakovo Mineral Fertilizers.

Total debt at 31 March 2013 amounted to RUB 54,492 million (USD 1,753 million), compared to RUB 36,469 million (USD 1,201 million) at the 31 December 2012. Net debt at 31 March 2013 amounted to RUB 35,510 million (USD 1,142 million), compared to RUB 26,805 million (USD 883 million) at the 31 December 2012.

Outlook

Market:

- A favourable forecast for the rain season in India, combined with imbalanced nutrient consumption in recent years and a change in Government policy with respect to regulation of local DAP prices, is expected to contribute to an increase in demand for phosphate-based fertilizers during the 2013/2014 season;
- According to the most recent IFA forecast (as of December 2012) the forthcoming 2013/2014 season will see a 2.4% increase in demand for all fertilizers compared to the prior season. The phosphate-based fertilizer segment is expected see 3.5% growth, with phosphate consumption expected to increase at an accelerated rate in fast-growing markets: Africa +7.2%; Eastern Europe and Central Asia +4.7%. Latin America +4.5%;
- Morocco continues to delay the launch of new capacities;
- Farmers in the US are now urgently trying to plant everything: in just a week's time from May 12 to May 19, corn acreage grew 43%, soybean - 18% and wheat - 24%, which has significantly decreased phosphate fertilizer stocks in US;

- Global supply of phosphate-based fertilizers remains at very low levels due to significant cash cost for most producers, and no significant new capacities are expected to be added in the near future.

Company:

- While DAP demand was low in Q1 and now slowly starting to recover, PhosAgro sees very high global demand for complex fertilizers and NPS, and the Company intends to further invest into both increasing capacity as well as expanding the number of NPK grades it produces;
- The contract on PhosAgro's new ammonia plant is almost finalized pending final sign-off by the end of Q2 2013;
- After completion of Apatit mandatory tender offer in Q1 2013, PhosAgro has launched a squeeze out of the remaining shareholders of Apatit;
- In April 2013 Standard & Poor's upgraded PhosAgro's Credit Rating to BBB-/Stable, which is the Company's second investment grade rating;
- On 10 April 2013 a group of the Company's shareholders successfully completed an offering of 11,111,000 shares to the market, which was followed by the issue of 5,022,920 new shares. As result of the offering and the new share issue, PhosAgro's free float increased to 19.2%.

Conference Call and Webcast

On 28 May 2013 PhosAgro will host a conference call and webcast to discuss the results the same day 14:00 London time (17:00 Moscow; 09:00 New York).

PhosAgro CEO Maxim Volkov will answer questions from conference call and webcast participants after a presentation of the results.

The call will be held in English, with simultaneous translation into Russian on a separate line.

Participants will be required to tell the operator their preferred language when dialling in.

Webcast links:

English: <http://www.media-server.com/m/p/cjmudgw9/lan/en>

Russian: <http://www.media-server.com/m/p/cjmudgw9/lan/ru>

Conference call dial-ins:

+7 499 272 4337 Moscow

+1 212 999 6659 New York

+44 (0) 20 3003 2666 London

Toll Free:

0808 109 0700 UK

1 866 966 5335 USA

8 10 8002 4902044 Russia (Moscow only)

Conference call password: PhosAgro

A replay of the webcast and conference call in Russian and English, as well as a transcript in English, will be made available on PhosAgro's website shortly after the call.