

PhosAgro 6M 2015 EBITDA up 156% to RUB 41.5 bln

Moscow - PhosAgro ("PhosAgro" or "the Company") (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, today announces its reviewed condensed consolidated interim IFRS financial results for the six months ended 30 June 2015. PhosAgro's revenue for the period increased by 65% to RUB 93.7 billion (USD 1,633 million), while EBITDA grew by 156% to RUB 41.5 billion (USD 723 million), compared to RUB 16.2 billion (USD 464 million) in 6M 2014.

6M 2015 financial and operational highlights:

Result	6M 2015		6M 2014		year-on-year change (RUB vs. RUB), %
	RUB	USD	RUB	USD	
	million		million		
Revenue	93,702	1,633	56,702	1,621	65%
EBITDA*	41,496	723	16,219	464	156%
EBITDA margin	44%		29%		15 p.p.
Net profit	27,686	482	8,097	231	242%
	RUB	USD	RUB	USD	
Earnings per share	214	4	60	2	257%
Sales volumes	Kmt		Kmt		
Phosphate-based products	2,724.8		2,394.0		14%
Nitrogen-based fertilizers	715.7		749.2		(4%)
Apatit mine and beneficiation plant	1,428.2		1,746.4		(18%)
Other products	55.6		114.1		(51%)

RUB/USD rates: average 6M 2015: 57.3968; average 6M 2014: 34.9796

as of 30 June 2015: 55.5240; as of 31 December 2014: 56.2584

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

Highlights

Interim dividend recommendation:

- At its meeting on 17 August 2015, PhosAgro's Board of Directors recommended that shareholders approve a dividend of RUB 7,381 million, which represents RUB 57 per share (RUB 19 per Global Depositary Receipt). Shareholders will vote on the dividend recommendation at an Extraordinary General Meeting of Shareholders scheduled for 6 October 2015.

Production, sales and logistics flexibility:

- As a result of ongoing activities to improve production efficiency, the Company continued to grow production and sales during 6M 2015. Total fertilizer production and sales volumes for the period grew year-on-year by 10%. Revenue in 6M 2015 was 65% higher year-on-year, supported by increases in average realised prices denominated in roubles for DAP/MAP and NPK exports of over 75% and 62%, respectively.

Strategic developments:

- In January, PhosAgro completed its RUB 2.6 billion project to construct new liquid ammonia storage facilities at the Balakovo branch of Apatit. These are currently the largest ammonia storage tanks in Russia, with a total capacity of 8,000 tonnes. The ammonia storage will allow PhosAgro to increase ammonia supply for its Balakovo plant, and support the further development of production capacities.
- In line with its strategy to develop downstream production capacity and expand its product portfolio, in February PhosAgro commissioned a new phosphate-potash-sulphur fertilizer production line with a capacity of 100 ths tonnes/year (PKS-100), together with a finished goods warehouse with a 1,500 tonne capacity. Total investment into the project, which PhosAgro financed from its own cash flows, amounted to over RUB 500 million.
- PhosAgro continued its restructuring process during 6M 2015, launching the merger of Agro-Cherepovets, PhosAgro AG and Nordic Rus Holding into PhosAgro-Cherepovets. This is aimed at further enhancing cost efficiency and simplifying the corporate structure.
- In June 2015 the Company officially launched Smart Bulk Terminal in Ust-Luga, which will help to achieve sustainable savings on fertilizer exports. This new terminal has a capacity of 1.5 million tonnes of fertilizer per year, and PhosAgro aims to ship up to 50% of its export volumes through Smart Bulk Terminal already in 2015.

An improved pricing environment, combined with significant rouble depreciation, supported year-on-year revenue growth of 65% in 6M 2015, to RUB 93.7 billion (USD 1,633 million), compared to RUB 56.7 billion (USD 1,621 million) for 6M 2014. Operating profit for the period was RUB 37.1 billion (USD 647 million), up 204% from RUB 12.2 billion (USD 349 million) in 6M 2014. PhosAgro's EBITDA was RUB 41.5 billion (USD 723 million) in 6M 2015, 156% higher year-on-year. The EBITDA margin increased to 44% for 6M 2015, compared to 29% in 6M 2014.

Net profit for 6M 2015 amounted to RUB 27.7 billion (USD 482 million), compared to a net profit of RUB 8.1 billion (USD 231 million) in 6M 2014. Basic and diluted earnings per share came to RUB 214 (USD 4) for 6M 2015, compared to earnings of RUB 60 (USD 2) in 6M 2014.

The Company significantly improved its financial position compared to year-end 2014, when the dramatic rouble depreciation resulted in a net loss from the revaluation of USD- and EUR-denominated loans and operations with derivatives. The significant rouble depreciation in 6M 2015 in comparison with 6M 2014 (average USD foreign exchange rates for 6M 2015 and 6M 2014 were RUB 57.40 and RUB 34.98, respectively) had a positive impact on all of PhosAgro's results in the first half of this year. The slight appreciation of the RUB vs the USD as of 30 June 2015 (RUB 55.52 per USD) compared to 31 December 2014 (RUB 56.26 per USD) resulted in a foreign exchange gain of RUB 11 million (USD 192 thousands) in 6M 2015, compared to a RUB 1,090 million (USD 31 million) foreign exchange loss in 6M 2014.

Cash flow from operating activities increased by 144% year-on-year in 6M 2015, to RUB 32.7 billion (USD 569 million), compared to RUB 13.4 billion (USD 383 million) in 6M 2014, driven by improved

operating performance.

Gross debt at 30 June 2015 amounted to RUB 107.9 billion (USD 1,944 million), compared to RUB 123.8 billion (USD 2,201 million) at 31 December 2014. Net debt at 30 June 2015 stood at RUB 78.3 billion (USD 1,411 million), down from RUB 93.1 billion (USD 1,656 million) at 31 December 2014. Most of the Company's debt is denominated in USD as a natural hedge against primarily USD-denominated sales. The Company's net debt to EBITDA ratio decreased to 0.94 as of 30 June 2015, from 2.48 as of 31 December 2014.

Commenting on 6M 2015 results, PhosAgro Management Board Chairman and CEO Andrey Guryev said:

"We are pleased to report exceptionally strong results, with net profit margin at nearly 30%, allowing us to make sustainable increases to our dividend payments. In a tight market environment, our phosphate segment is driving the majority of that growth, with gross profit margin reaching 57%."

"While part of that growth relates to the significant rouble depreciation, I would emphasise again our successes at implementing operational improvements: we increased production of phosphate-based products by over 12% year-on-year, and our cost-cutting initiatives aimed at optimising our mining and logistics operations have also achieved sustainable savings. We are increasing underground mining already this year, and plan to announce the commissioning of Main Shaft No 2 at our biggest Kirovskiy mine, which has already started trial operation. In June, we officially launched the Smart Bulk Terminal in Ust-Luga, which has a capacity to handle up to 1.5 million tonnes of fertilizer per year, and will enable us to achieve sustainable savings on port fees going forward."

"Looking at global demand in the first half of 2015, India had a substantial impact after it nearly tripled imports compared to 1H 2014. This was more than enough to offset softer markets in Latin America and especially Brazil caused by deteriorating economic conditions and a significant increase in borrowing costs. Russia's macroeconomic situation has also improved compared to the end of 2014 and early 2015. What is especially important for domestic fertilizer sales is that the Government's support programme for farmers helped to significantly improve the market in the second quarter, and we now hope to achieve sales volumes close to 2014 levels."

"Looking ahead, I believe supply-demand fundamentals will remain supportive for DAP prices. On the supply side the most important news this year is coming from China, where the Government aims to cut all subsidies to fertilizer producers, and from September 2015 will be introducing a VAT on fertilizers. Both of these will significantly increase local cash costs, and may drive the least efficient local players out of the market. As such, on the supply side production costs in China and the RMB devaluation are the key items to watch in the short term. On the demand side, very strong grain harvests are expected in most significant agricultural regions, which on the one hand has resulted in further price decreases for several key crops measured in USD. But on the other hand these record yields help farmers achieve solid margins, especially in key regions outside the US, like Europe, Brazil or our domestic market, where the USD has significantly strengthened against local currencies. Taken together, these factors should support phosphate pricing in the medium term."

6M 2015 Market Conditions

- The average DAP price 6M 2015 was USD 476 per tonne FOB Tampa, which is 2% higher than

in 6M 2014 (USD 465 per tonne FOB Tampa);

- Low carryover stocks, the stable Indian rupee and favourable weather conditions have contributed to a significant increase in import demand for DAP and NPK in India. DAP imports in 6M 2015 rose nearly threefold and reached 2.8 million tonnes (0.97 million tonnes in 6M 2014). NPK imports totalled 358 thousand tonnes, or 2.4 times more than in 6M 2014;
- Brazil's imports of phosphate-based fertilizers in 6M 2015 decreased by 25% and amounted to 2.3 million tonnes of MAP/DAP/TSP/NPS/NPK. This decrease was due to the weakening agricultural commodities market, depreciation of the BRL against the USD and rising interest rates in Brazil;
- With phosphoric acid prices in India set at USD 810 per tonne of P₂O₅, the DAP production cash cost increased to the equivalent of USD 530-540 per tonne, CFR.
- As a result of a sharp increase in export supply from China and low seasons in key markets, urea prices began to decline gradually in the middle of the second quarter to USD 240-250 per tonne FOB Baltic, after reaching a peak in January of USD 320 per tonne FOB Baltic. The average urea price in 6M 2015 was USD 280 per tonne FOB Baltic, which is 10% below the average price for urea price in 6M 2014 (USD 311 per tonne FOB Baltic).

Phosphate-Based Products Segment

Result	6M 2015 RUB mln	6M 2014 RUB mln	year-on-year change, %
Revenue	81,874	48,267	70%
Cost of goods sold	(35,286)	(28,353)	24%
Gross profit	46,588	19,914	134%

Phosphate-based products segment revenue grew by 70% year-on-year and totalled RUB 81,874 million (USD 1,426 million) in 6M 2015. PhosAgro increased production of phosphate-based fertilizers and MCP by 12% year-on-year in 6M 2015, while sales volumes were up by 14% year-on-year. Production volumes for phosphate rock and nepheline concentrate increased in 6M 2015 by 1% compared to 6M 2014, and sales volumes decreased by 18%.

The growth in fertilizer sales volumes was primarily due to favourable market conditions and higher demand, which enabled the Company to substantially increase sales of DAP and NPK to Europe and India.

- MAP/DAP fertilizers: MAP export revenue increased by 31% year-on-year, with revenue per tonne up in RUB terms by 76%, while volumes decreased by 26%. DAP export revenue increased by 403% year-on-year, with revenue per tonne in RUB terms growing by 74%, and volumes up by 189%. Domestic MAP sales increased by 29% year-on-year. Revenue from DAP/MAP sales was up 104% year-on-year, from RUB 18,424 million (USD 527 million) in 6M 2014 to RUB 37,595 million (USD 655 million) in 6M 2015, reflecting the overall 17% year-on-year growth in sales volumes and 73% rise in DAP/MAP average revenue per tonne denominated in RUB.
- NPK fertilizers: revenue from NPK export sales increased by 102% year-on-year, from RUB 6,758 million (USD 193 million) in 6M 2014 to RUB 13,646 million (USD 238 million) in 6M 2015, as a result of 24% year-on-year growth in NPK export sales volumes combined with a 62% rise in revenue per tonne denominated in RUB. Revenue from domestic NPK sales grew by 14% year-on-year from RUB 4,413 million (USD 126 million) in 6M 2014, to RUB 5,037 million (USD 88 million) in 6M 2015.
- Phosphate rock: revenue from phosphate rock sales rose by 19% year-on-year to RUB 9,085

million (USD 158 million) in 6M 2015. Revenue per tonne in roubles increased by 62%. Sales volumes decreased by 26%, due to higher internal consumption of phosphate rock by PhosAgro production sites.

The phosphate-based products segment's gross profit for 6M 2015 increased by 134% year-on-year to RUB 46,588 million (USD 812 million), resulting in a gross profit margin of 57%, compared to a 41% margin in 6M 2014, which was the result of higher sales in rouble terms.

Revenue per tonne for the principal phosphate-based products

Product	6M 2015 RUB	6M 2014 RUB	year-on-year change, %
Domestic:			
MAP	24,707	16,072	54%
DAP	26,631	15,431	73%
NPK	18,602	12,891	44%
NPS	16,586	10,603	56%
MCP	25,006	20,120	24%
PKS	13,989	-	-
SOP	33,990	24,144	41%
STPP	47,079	31,132	51%
Export:			
MAP	28,453	16,194	76%
DAP	28,157	16,167	74%
NPK	19,998	12,326	62%
NPS	21,030	10,922	93%
MCP	30,057	19,692	53%
PKS	16,916	-	-
SOP	37,123	24,513	51%
STPP	48,827	34,037	43%

Nitrogen Segment

Result	6M 2015 RUB mln	6M 2014 RUB mln	year-on-year change, %
Revenue	11,164	8,093	38%
Inter-segment transfers	-	8	-
Cost of goods sold	(5,566)	(4,210)	32%
Gross profit	5,598	3,891	44%

Nitrogen segment revenue increased by 38% year-on-year to RUB 11,164 million (USD 195 million) in 6M 2015, from RUB 8,093 million (USD 231 million) in 6M 2014. Production volumes of nitrogen-based fertilizers grew by 1%, while sales volumes decreased by 4% year-on-year in 6m 2015.

Export revenue from urea was 31% higher year-on-year, up from RUB 5,589 million (USD 160 million) in 6M 2014 to RUB 7,342 million (USD 128 million) in 6M 2015, due to a 51% increase in revenue per tonne, balanced by a decrease in sales volumes of 13%. Total revenue from ammonium nitrate (AN) rose by 99%, from RUB 1,785 million (USD 51 million) in 6M 2014, to RUB 3,548 million (USD 62 million) in 6M 2015, due to 40% growth in revenue per tonne and a 42% increase in sales volumes.

Nitrogen segment gross profit for 6M 2015 increased by 44% year-on-year to RUB 5,598 million (USD 98 million), mainly as a result of significant revenue growth caused by the devaluation of the rouble against the US dollar. An increase in purchase volumes of ammonia by 70% as a result of higher fertilizer production balanced the rapid growth in gross profit and kept the margin at 50%, close to the 48% seen in 6M 2014.

Revenue per tonne for the principal nitrogen-based fertilizers

Product	6M 2015 RUB	6M 2014 RUB	year-on-year change, %
Domestic:			
Ammonium nitrate	12,849	9,610	34%
Urea	15,994	11,822	35%
Export:			
Ammonium nitrate	14,393	-	-
Urea	16,698	11,070	51%
NP	-	10,094	-

Cost of Sales

Item	6M 2015			6M 2014			Change y-on-y	
	RUB mln	USD mln	% of cost sales	RUB mln	USD mln	% of cost of sales	RUB mln	%
Materials and services	10,060	175	24%	8,749	250	27%	1,311	15%
Salaries and social contributions	4,812	84	12%	4,976	142	15%	(164)	(3%)
Sulphur and sulphuric acid	4,438	77	11%	1,719	49	5%	2,719	158%
Ammonia	4,408	77	11%	1,599	46	5%	2,809	176%
Depreciation	3,894	68	9%	3,629	104	11%	265	7%
Natural gas	3,567	62	9%	3,694	106	11%	(127)	(3%)
Potash	3,443	60	8%	1,957	56	6%	1,486	76%
Cost of fertilizers purchased for resale from 3rd parties	2,228	39	5%	1,713	49	5%	515	30%
Electricity	1,903	33	5%	1,782	51	5%	121	7%
Ammonium sulphate	1,314	23	3%	354	10	1%	960	271%
Fuel	1,303	23	3%	1,545	44	5%	(242)	(16%)
Heating energy	380	7	1%	804	23	3%	(424)	(53%)
Other items	5	-	-	15	1	-	(10)	(67%)
Change in stock of WIP and finished goods	(305)	(5)	(1)%	328	9	1%	(633)	(193%)
Total	41,450	722	100%	32,864	940	100%	8,586	26%

PhosAgro's cost of sales increased by 26% year-on-year in 6M 2015, to RUB 41,450 million (USD 722 million), while overall fertilizers sales volumes increased by 10%. This cost of sales performance was primarily due to the following factors:

- An increase of RUB 1,311 million (USD 23 million), or 15%, year-on-year in the cost of materials and services due to price inflation of 11.8% (PPI 6M 2015 vs 6M 2014), together with 10% growth in fertilizer production volumes.
- A year-on-year decrease in personnel costs of RUB 164 million (USD 3 million), or 3%, as a result of the headcount reduction programme.
- A year-on-year increase in expenditure on purchased ammonia of RUB 2,809 million (USD 49 million), or 176%, from RUB 1,599 million (USD 46 million) in 6M 2014 to RUB 4,408 million (USD 77 million) in 6M 2015. This was due to 70% higher purchase volumes and a 63% rise in RUB-denominated prices, year-on-year. Growth in ammonia purchase volumes was due to increases in fertilizers production volumes.
- A year-on-year decrease in expenditure on natural gas of RUB 127 million, or 3%, to RUB 3,567 million (USD 62 million) in 6M 2015. This was due to a decline in consumption of gas by 4%. Natural gas is required primarily for the production of ammonia. The decline in volume of gas consumed was due to PhosAgro's 5% year-on-year decline in ammonia production.
- A year-on-year increase in expenditure on potash of 76%, or RUB 1,486 million (USD 26 million), to RUB 3,443 million (USD 60 million) in 6M 2015. This was mainly due to a 67% rise in RUB-denominated potash purchase prices and 5% growth in potash purchase volumes as a result of the start of PKS production in 6M 2015.
- A year-on-year decrease in expenditure on fuel of RUB 242 million (USD 4 million), or 16%, from RUB 1,545 million (USD 44 million) in 6M 2014 to RUB 1,303 million (USD 23 million) in 6M 2015. This was in line with the 15% decrease in fuel consumption as a result of reduced open-pit mining at Apatit and a 1% decrease in purchase prices. Lower heating oil consumption volumes resulted from the change in heating energy production and the replacement of heating oil with other types of resources, such as electricity and oil waste. The purchase price decreased due to using lower-priced brands of heating oil in 6M 2015.
- A year-on-year increase in expenditure on ammonium sulphate of RUB 960 million (USD 17 million), or 271%. RUB-denominated purchase prices rose by 110% year-on-year, while higher production of NPK with high nitrogen content led to growth in consumption of ammonium sulphate by 77%.
- A year-on-year decrease in heating energy expenses by RUB 424 million (USD 7 million), or by 53%, from RUB 804 million (USD 23 million) in 6M 2014 to RUB 380 million (USD 7 million) in 6M 2015. Purchased volumes of heating energy declined by 44% together with a decrease in purchase prices of 16%. Purchase volumes fell due to the transition of Apatit from an energy supplier to an energy purchaser, which was the result of optimisation and outsourcing of these functions.
- An increase in expenditure on sulphur and sulphuric acid of RUB 2,719 million (USD 47 million), or 158%, year-on-year from RUB 1,719 million (USD 49 million) in 6M 2014 to RUB 4,438 million (USD 77 million) in 6M 2015. This was driven by an 8% increase in volumes consumed due to higher production of phosphate-based fertilizers, mainly MAP/DAP, and by 140% growth in RUB-denominated purchase prices.

Administrative expenses rose by 29% year-on-year to RUB 5,197 million (USD 91 million) in 6M 2015, primarily due to:

- An increase in professional services by 164%, or RUB 537 million (USD 9 million), year-on-year, related to optimisation projects.
- A year-on-year rise in personnel expenses by RUB 513 million (USD 9 million), or 22%, mainly due to the implementation of the new management KPI incentive system, which led to increased bonuses to key management as result of overall EBITDA growth.

Selling expenses rose by 51% year-on-year, from RUB 6,070 million (USD 174 million) in 6M 2014 to RUB 9,156 million (USD 160 million) in 6M 2015. This was primarily due to the following changes:

- A 120% increase in freight, port and stevedoring expenses from RUB 2,189 million (USD 63 million) in 6M 2014 to RUB 4,825 million (USD 84 million) in 6M 2015, mainly due to growth of CFR shipments, leading to higher freight costs and port charges, denominated in USD
- Growth of 42% in materials and services from RUB 768 million (USD 22 million) in 6M 2014 to RUB 1,091 million (USD 19 million) in 6M 2015. This was mainly driven by an increase in multimode shipment volumes.

PhosAgro's foreign exchange result changed year-on-year from a loss of RUB 1,090 million (USD 31 million) in 6M 2014 to income of RUB 11 million (USD 192 thousand) in 6M 2015. This was the result of the rouble's 1% appreciation against the US dollar during 6M 2015 (from RUB 56.2584 at 31/12/2014 to RUB 55.5240 at 30/06/2015), compared to an increase of 3% during 6M 2014 (from RUB 32.7292 at 31/12/2013 to RUB 33.6306 at 30/06/2014).

The loss from operations with derivative financial instruments was RUB 94 million (USD 2 million) in 6M 2015, compared to the gain of RUB 133 million (USD 4 million) a year earlier.

Cash spent on capex in 6M 2015 amounted to RUB 15,164 million (USD 264 million), an increase of 113% in comparison with RUB 7,117 million (USD 203 million) in 6M 2014. PhosAgro's capital expenditure, which consists of additions to property, plant and equipment, amounted to RUB 13,805 million (USD 241 million) for 6M 2015, compared to RUB 6,604 million (USD 189 million) in 6M 2014. Capital expenditure focused on ore extraction capacity development in Apatit, the new 760 thousand tonnes/year ammonia plant at PhosAgro-Cherepovets, as well as construction of new storage facilities for liquid ammonia at Balakovo.

Outlook

Market:

- IFA forecasts that during the 2015-16 season, consumption of phosphate-based fertilizers is expected to grow by 0.5 million tonnes of P₂O₅ to 41.8 million tonnes, or 1.1%. In the longer term, growth in consumption of phosphate-based fertilizers is expected to be 1.8% per year, reaching 45.7 million tonnes of P₂O₅ in 2019-20, with faster growth rates in Africa (4.4% per annum), Latin America (3% per annum) and Asia (3% per annum). Nitrogen fertilizer growth in 2015-16 is forecast at 1.0%, reaching 112.9 million tonnes of N, then increasing at a forecast CAGR of 1.3% through 2019-20.
- Demand from India is expected to remain strong until the second half of November. Annual imports of DAP in India are projected to reach at least 5.0 million tonnes (CRU, Argus-FMB).
- Import demand from the United States has recovered as a consequence of the closure in 2014 of DAP/MAP production capacities of 1.5 million tonnes.
- China's introduction of a 13% VAT on fertilizers in September (including exports), is expected to increase cash costs for Chinese producers of DAP/MAP
- Seasonal demand for DAP/MAP is expected to recover in the fourth quarter for Europe and Africa (Ethiopia).
- Agricultural commodities performance continues to be a limiting factor for significant fertilizer price increases. At the same time, farmers' incentives to maintain high yields on cereals, especially soybeans, with minimum growth in planted acres should support phosphate

application.

Company:

- RUB depreciation has accelerated in August and there is limited potential for significant strengthening before the end of the year, which will more than offset seasonal price declines after the end of the autumn application season.
- The Main Shaft №2 at the Kirovsk underground mine is scheduled to be commissioned in the near future.
- Plans to open sales offices in Sao Paulo (Brazil), Zug (Switzerland) and Warsaw (Poland) are on track.
- As result of the marketing efforts at the new sales offices, the Company intends to invest further into expanding the number of NPK and other fertilizer grades it produces to better serve local farmers.
- All major development projects are on track, including the new ammonia plant designed to increase cost efficiency and support further expansion of PhosAgro's complex fertilizer production capacity.