

PhosAgro Reports 9M 2013 IFRS Net Profit of RUB 9.1 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 nine months ended 30 September 2013. PhosAgro earned a net profit for the period of RUB 9.1 billion (USD 288 million), compared to RUB 19.1 billion (USD 615 million) in 9M 2012. Basic and diluted earnings per share came to RUB 64 (USD 2) for 9M 2013 compared to RUB 128 (USD 4) in 9M 2012.

9M 2013 Financial and Operational Highlights:

Result	9M 2013		9M 2012		year-on-year change (RUB vs. RUB), %
	USD	RUB	USD	RUB	
Revenue	2,571 m	81,276 m	2,548 m	79,237 m	3%
EBITDA*	629 m	19,897 m	874 m	27,194 m	(27%)
EBITDA margin	24%	24%	34%	34%	(10 p.p.)
Net Profit	288 m	9,094 m	615 m	19,120 m	(52%)
Earnings per share	2	64	4	128	(50%)
Sales volumes	Kmt		Kmt		
Phosphate-based fertilizers	3,479.6		3,230.2		8%
Nitrogen-based fertilizers	930.6		787.8		18%
Apatit mine and beneficiation plant	3,034.0		3,311.7		(8%)
Other products	232.5		203.9		14%

RUB/USD rates: average 9M 2013: 31.6170; average 9M 2012: 31.0984

As of 30 September 2013: 32.3451; as of 31 December 2012: 30.3727

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

Other 9M 2013 Highlights

Production and sales flexibility:

- During 9M 2013 PhosAgro's revenue and sales volumes benefited from the Company's strategy of enhancing production flexibility, with total fertilizer production and sales showing significant year-on-year growth of 9% and 10%, respectively. Revenue for the same period increased by only 3% year-on-year as result of:
 - a 14% decline in average DAP prices (FOB Tampa) and a 17% decline in average urea prices (FOB Baltic);

- a 5% year-on-year increase in revenue following the consolidation of Metachem in December 2012, which brought sales of technical phosphates (STTP) and potassium sulphate (SOP) amounting to RUB 3,347 million (USD 106 million) in 9M 2013.

Consolidation of ownership in production facilities:

- In January 2013, the holders of 10.95% of shares in Apatit accepted PhosAgro's mandatory tender offer; in April 2013, PhosAgro sent a compulsory share purchase notification (squeeze out) to Apatit for the buyout of shares belonging to Apatit minority shareholders. As of 30 September 2013, the holders of 4.05% of all issued shares of Apatit had accepted PhosAgro's share purchase notification; in addition to the squeeze-out, the Company purchased 76% of Nordic Rus Holding, which owns 7.42% of Apatit, bringing PhosAgro's ownership in the subsidiary to 100%;
- In June 2013, PhosAgro acquired 25.24% of Metachem, bringing its ownership in the subsidiary to 100%;
- In August 2013, PhosAgro acquired 100% of PhosInt Trading Limited, which owns 100% PhosAgro Asia Pte Ltd. PhosAgro Asia Pte Ltd will be PhosAgro's first trading operation in Asia, and will focus on international sales of mineral fertilizers in the region.

PhosAgro reported its 9M 2013 net profit of RUB 9.1 billion (USD 288 million), a decrease of 52% year-on-year from RUB 19.1 billion (USD 615 million) in 9M 2012. Revenue for the period was up 3% year-on-year to RUB 81.3 billion (USD 2,571 million), compared to RUB 79.2 billion (USD 2,548 million) for 9M 2012.

Operating profit for 9M 2013 was RUB 14.1 billion (USD 447 million), a 37% decrease from RUB 22.4 billion (USD 721 million) in 9M 2012. EBITDA margin decreased year-on-year to 24%, compared to 34% for 9M 2012.

Cash flow from operating activities amounted to RUB 15.9 billion (USD 502 million) in 9M 2013, compared to RUB 21.7 billion (USD 699 million) in 9M 2012. The Company's capital expenditure (capex) in cash terms during the nine months ended 30 September 2013 was RUB 13.1 billion (USD 414 million), compared to RUB 9.7 billion (USD 313 million) in 9M 2012.

Net debt at 30 September 2013 stood at RUB 39.7 billion (USD 1,228 million), up from RUB 26.8 billion (USD 883 million) at 31 December 2012. Net debt increased due to a significant cash outflow for the Apatit minority shareholder buy-out, which was funded through PhosAgro's successful long-term USD 500 million debut Eurobond issue. Unfavourable market conditions also contributed to the increase in net debt. As a result, the Company's net debt to annualised EBITDA ratio increased to 1.5 as of 30 September 2013. Excluding the effect of Apatit buyout (under normal course of business), net debt/annualised EBITDA would be 1.1 as of 30 September 2013.

Commenting on the 9M 2013 results, PhosAgro Management Board Chairman and CEO Andrey A. Guryev said:

"In the first nine months of 2013 we have increased revenue by 3% year-on-year as a result of growth in fertilizer production and sales by 9% and 10%, respectively. DAP prices remain under

significant pressure for the third year in a row, with FOB Tampa prices dropping another 21% from USD 493 per tonne at the beginning of the year to USD 390 per tonne as of the end of September 2013, and with a further decrease to just around USD 350 per tonne today. This has brought most of our industry to below break-even levels. I am pleased that we have managed to generate a 24% EBITDA margin at such challenging times, and to maintain almost 100% production capacity utilisation.

“Despite challenging market conditions, we have achieved several strategic goals with respect to consolidation of our production subsidiaries during the period: we completed the Apatit minority squeeze out and now own 100% of this unique mining asset. We also made progress on further organic growth with the launch of construction of a new modern ammonia plant. This plant will help to sustain our low cost advantage in the future and establish a base for the development of further downstream fertiliser capacity aimed at delivering any type of phosphate-based fertilizer to farmers in either concentrated or complex triple (NPK) and even quadruple (NPKS) nutrient form.”

9M 2013 Market Conditions

- Weak demand from India, the world's largest DAP market, combined with continued declines in the rupee vs. the US dollar, put downward pressure on DAP/MAP prices;
- The average DAP price per tonne for 9M 2013 fell 14% to USD 467 (FOB Tampa), compared to USD 540 (FOB Tampa) in January-September 2012;
- According to CRU and Fertecon, India imported 2.7 mln tonnes of DAP in the first 9 months of 2013, compared to 4.9 mln tonnes in 9M 2012;
- Uralkali's new sales strategy, following its exit from BPC, has had a negative impact on all three nutrients and caused stagnation on global fertilizer markets, resulting in further significant decreases in prices for all fertilizers: from 30 July 2013, DAP has decreased another 23% from USD 455 (FOB Tampa) to just slightly above USD 350 as of the date of this release;
- Weakness in the global phosphate-based fertilizer market has led producers to curtail production. According to Argus FMB and Fertecon, OCP has decreased its capacity utilisation to 50%-60%, while in China capacity utilisation is at 50%-70% according to CFMW;
- DAP exports from China in January-September 2013 were 2.3 mln tonnes, 15% lower than the 2.7 mln tonnes exported in 9M 2012. China's total phosphate-based fertilizer exports for 9M 2013 decreased 18% (800 ths tonnes) year-on-year and amounted to 3.6 mln tonnes, compared to 4.4 mln tonnes in 9M 2012;
- Despite the decline in feed stock prices, during the first nine months of 2013 DAP spot prices remained below cash cost levels for marginal producers of concentrated phosphate fertilizers, and are currently below the average cash cost for the industry.

Phosphate-based products segment

Result	9M 2013 RUB mln	9M 2012 RUB mln	year-on-year change, %
Revenue	70,926	68,948	3%
Cost of goods sold	(47,336)	(42,521)	11%
Gross profit	23,590	26,427	(11%)

Phosphate-based products segment revenue increased by 3% year-on-year and totalled RUB 70,926 million (USD 2,243 million) in 9M 2013. PhosAgro increased production of phosphate-based fertilizers and MCP by 6% year-on-year in nine months of 2013, while sales volumes were up 8% year-on-year. Production and sales volumes for phosphate rock and nepheline concentrate decreased in 9M 2013 compared to 9M 2012 by 0.2% and 8%, respectively.

Revenue growth for the phosphate-based products segment was largely due to the addition in 9M 2013 of export sales of STTP (sodium tripolyphosphate) and SOP (potassium sulphate) of RUB 2,494 million (USD 79 million) and 701 (USD 22 million), respectively, following the consolidation of Metachem at the end of 2012. Revenue from NPK export sales decreased by 17% year-on-year, from RUB 12,334 million (USD 397 million) in 9M 2012 to RUB 10,200 million (USD 323 million) in 9M 2013. This was mainly the result of a 13% decline in revenue per tonne from export sales of NPK. Revenue from DAP/MAP sales decreased by 1% year-on-year from RUB 25,680 million (USD 826 million) in 9M 2012 to 25,399 million (USD 803 million) in 9M 2013. This small decrease was due to lower market prices counterbalancing an 11% increase in DAP/MAP sales volumes. Revenue from domestic sales of phosphate rock decreased by 17% year-on-year to RUB 6,425 million (USD 203 million) in 9M 2013 due to higher internal use following the consolidation of Metachem and lower sales to a significant Russian customer; these volumes were redirected to export markets, which led to an 18% year-on-year increase in export sales of the product to RUB 7,142 million (USD 226 million) for the period.

The phosphate segment's gross profit for 9M 2013 decreased by 11% year-on-year to RUB 23,590 million (USD 746 million), resulting in a gross profit margin of 33%, compared to 38% in 9M 2012. This was primarily the 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 9M 2013 meant the Company had to increase external purchases of other inputs, which led to an increase in cost of sales (a more detailed discussion is provided in the CoGS analysis below).

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

Product	9M 2013 RUB	9M 2012 RUB	year-on-year change, %
Domestic:			
MAP	15,589	18,901	(17.5%)
DAP	15,068	17,752	(15.1%)

NPK	14,149	14,640	(3.4%)
MCP	19,952	19,368	3%
NPS	11,438	12,217	(6.4%)
Export:			
MAP	15,329	16,902	(9.3%)
DAP	15,040	16,687	(9.9%)
NPK	12,363	14,215	(13%)
MCP	17,520	17,070	2.6%
NPS	10,487	12,050	(13%)

Nitrogen segment

Result	9M 2013 RUB	9M 2012 RUB	year-on-year change, %
Revenue	9,802	9,571	2%
Inter-segment revenues	1,119	2,826	(60%)
Cost of goods sold	(7,171)	(5,645)	27%
Gross profit	3,750	6,752	(44%)

Nitrogen segment revenue was RUB 9,802 million (USD 310 million) in 9M 2013, an increase of RUB 231 million year-on-year from RUB 9,571 million (USD 308 million) in 9M 2012. Production and sales volumes of nitrogen-based fertilizers increased by 17% and 18% year-on-year, respectively, in 9M 2013.

Urea sales volumes increased by 28% 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 18% year-on-year from RUB 5,645 million (USD 182 million) in 9M 2012 to RUB 6,681 million (USD 211 million) in 9M 2013 as a result of higher export sales volumes (up 27%) and a 7% decrease in export revenue per tonne. Ammonium nitrate (AN) sales volumes have decreased by 21%, which was the major factor behind the 17% decrease in revenue from AN sales from RUB 2,374 million (USD 75 million) in 9M 2012 to RUB 1,941 million (USD 61 million) in 9M 2013, which was partially compensated by a 17% increase in domestic prices.

Inter-segment revenues decreased by 60% year-on-year in the first nine months of 2013, to RUB 1,119 million (USD 35 million). This was a result of the merger of Ammophos and Cherepovetskiy Azot, which represented the phosphate-based and nitrogen-based segments, respectively, prior to their merger into PhosAgro-Cherepovets.

As a result of higher expenses for purchased ammonia (a more detailed discussion is provided in the CoGS analysis below), nitrogen segment gross profit decreased by 44% year-on-year to RUB 3,750 million (USD 119 million) in 9M 2013, with a gross profit margin of 34%, compared to 54% in 9M 2012.

Revenue per tonne for the principal nitrogen-based fertilizers

Product	9M 2013 RUB mln	9M 2012 RUB mln	year-on-year change, %
Domestic:			
Ammonium nitrate	9,852	8,399	17.3%
Urea	12,959	12,458	4%
Export:			
Ammonium nitrate	9,591	10,395	(7.7%)
Urea	10,868	11,701	(7.1%)

Cost of sales

PhosAgro's cost of sales increased by 18% year-on-year in 9M 2013 to RUB 52,713 million (USD 1,667 million), in line with the growth in fertilizer sales volumes of 10%, PPI inflation of 3.7% year-on-year from 9M 2012 to 9M 2013, and a 4% increase resulting from the consolidation of Metachem. This increase in cost of sales was primarily due to the following changes from 9M 2012 to 9M 2013:

- A RUB 2,229 million (USD 71 million) or 17% increase in the cost of materials and services. The consolidation of Metachem into PhosAgro led to an increase in materials and services expenses of 7%, or RUB 897 million (USD 28 million). The growth in fertilizer sales volumes by 10% led to higher consumption of related 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 510 million (USD 16 million).
- A RUB 1,709 million (USD 54 million) or 86% increase in ammonia expenses, mainly due to maintenance and debottlenecking of ammonia production facilities in August-September 2013 (which has increased annual production capacity by 50 thousand tonnes), which in turn led to higher purchases of ammonia from third parties. Higher production volumes of nitrogen-based fertilizers and changes in the product mix also meant that PhosAgro's third party ammonia purchases increased to RUB 3,687 million (USD 117 million) in the nine months ended 30 September 2013 from RUB 1,978 million (USD 64 million) in the nine months ended 30 September 2012.
- An increase in expenditure on natural gas of RUB 293 million (USD 9 million), or 7%, to RUB 4,353 million (USD 138 million) in the nine months ended 30 September 2013. Natural gas is required primarily for the production of ammonia. The price per cubic meter of natural gas rose by 12%, while natural gas consumption decreased by 5% year-on-year. The price increase was due to an approximately 15% tariff increase in the second half of 2012. The decrease in volume was due to the maintenance of ammonia production facilities during August-September of 2013.
- An increase in expenditure on electricity of RUB 192 million (USD 6 million), or 8%, from RUB 2,382 million (USD 77 million) in 9M 2012 to RUB 2,574 million (USD 81 million) in 9M 2013. This

was mainly due to the consolidation of Metachem.

- Personnel costs increased 23% year-on-year, primarily due to the following reasons: indexation of salaries, an approximately 4% increase due to the consolidation of Metachem, as well as an increase in Russian social payments and redundancy payments with respect to the staff optimization programme.

- The increase in cost of sales was partially offset by a year-on-year decrease in expenditure on potash of 8%, or RUB 297 million (USD 9 million), to RUB 3,416 million (USD 108 million) in the nine months ended 30 September 2013. This was mainly due to a 9% decrease in potash purchase volumes. Although production volumes of NPK increased by 2%, the share of NPK brands with low potash content in the overall production mix increased.

Item	9M 2013			9M 2012			Change y-on-y	
	RUB mln	USD mln	% of cost of sales	RUB mln	USD mln	% of cost of sales	RUB mln	%
Materials and services	15,467	489	29%	13,238	426	30%	2,229	17%
Salaries and social contributions	10,264	325	19%	8,357	269	19%	1,907	23%
Ammonia	3,687	117	7%	1,978	64	4%	1,709	86%
Potash	3,416	108	6%	3,713	119	8%	(297)	(8%)
Ammonium sulphate	892	28	2%	382	12	1%	510	134%
Natural gas	4,353	138	8%	4,060	131	9%	293	7%
Depreciation and amortisation	5,307	168	10%	4,369	140	10%	938	21%
Fuel	3,284	104	6%	3,277	105	7%	7	0%
Sulphur and sulphuric acid	2,812	89	5%	2,720	87	6%	92	3%
Electricity	2,574	81	5%	2,382	77	5%	192	8%
Other items	49	2	0%	50	2	0%	(1)	(2%)
Change in stock of WIP and finished goods	608	19	1%	310	10	1%	298	96%
Total	52,713	1,667	100%	44,836	1,442	100%	7,877	18%

Administrative expenses rose by 17% year-on-year to RUB 5,548 million (USD 175 million) in the first nine month of 2013 primarily as a result of: inflation, consolidation of Metachem and increased medical insurance coverage.

Selling expenses rose by 7% year-on-year, from RUB 5,695 million (USD 183 million) in the first nine month of 2012 to RUB 6,080 million (USD 192 million) in the first nine month of 2013. This was primarily due to higher sales volumes, as well as a 7% year-on-year increase in Russian Railways infrastructure tariff and operators' fees in 9M 2013.

Cash spent on capex in 9M 2013 amounted to RUB 13,086 million (USD 414 million), compared to RUB 9,719 million (USD 313 million) in the first nine months of 2012. PhosAgro's capital

expenditure, which consists of additions to property, plant and equipment, amounted to RUB 12,150 million (USD 384 million) for 9M 2013, compared to RUB 10,707 million (USD 344 million) in 9M 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), the construction of new storage facilities for liquid ammonia at Balakovo Mineral Fertilizers, and the new ammonia plant now being built at PhosAgro-Cherepovets.

Total debt at 30 September 2013 amounted to RUB 48,516 million (USD 1,500 million), compared to RUB 36,469 million (USD 1,201 million) at 31 December 2012. Net debt at 30 September 2013 amounted to RUB 39,712 million (USD 1,228 million), compared to RUB 26,805 million (USD 883 million) at 31 December 2012.

Outlook

Market:

- Stabilisation of potash prices is expected to revive demand for NPK fertilizers and push purchases of all nutrients;
- Despite lower prices, global agricultural commodities market trends remain positive. The current cereals basket price is at a level that has historically been equivalent to DAP prices being at a point USD 100 per tonne higher than where they currently are;
- Record accessibility of phosphate-based fertilizers should support greater seasonal demand from North America and Western Europe in early 2014, and may also push advance purchases by other markets;
- India's low import volumes this year combined with favourable weather conditions and higher demand in the current Rabi season will draw down stockpiles and help restart import demand for DAP and NPK earlier;
- New phosphoric acid and MAP/DAP capacities in the Middle East and Northern Africa have once again been delayed to next year (now two years behind plan).

Company:

- While concentrated phosphate fertilizer demand remained under pressure in 9M 2013, PhosAgro sees very high global demand for complex fertilizers and NPS; the Company intends to further invest into both increasing capacity and expanding the number of NPK grades it produces;
- All major development projects are on track: the new ammonia plant designed to increase cost efficiency and support expansion of complex fertilizer capacity, as well as new PK/NPK/NPKS production projects;
- Following the full consolidation of Apatit shares, PhosAgro will focus on consolidating its ownership of PhosAgro-Cherepovets in 4Q 2013 - 1Q 2014;
- Management focus on cost optimisation will help to reduce the Company's material and personnel costs in addition to recent ammonia, sulphur and potash price developments;

· The Management Board is revising the capital expenditure programme to comply with PhosAgro's financial policy with respect to capital spending and leverage.