

PhosAgro Reports 9M 2012 IFRS Profit up 20% y-o-y to RUB 19.1 billion

Moscow - PhosAgro ("PhosAgro" or "the Company") (Moscow Exchange, LSE: PHOR), a leading global vertically integrated phosphate-based fertiliser producer, today announces the publication of its reviewed consolidated interim condensed IFRS financial results for the nine months ended 30 September 2012. PhosAgro generated net income for the period of RUB 19.1 billion (USD 615 million), compared to RUB 16.0 billion (USD 556 million) in 9M 2011. Basic and diluted earnings per share came to RUB 128 (USD 4.12) for 9M 2012 compared to RUB 113 (USD 3.93) in 9M 2011.

9M 2012 Financial and Operational Highlights:

Result	9M 2012		9M 2011		y-o-y change (RUB vs. RUB), %
	RUB	USD	RUB	USD	
Revenue	79,237 m	2,548 m	73,667 m	2,561 m	8%
EBITDA*	27,194 m	874 m	26,350 m	916 m	3%
EBITDA margin	34%	34%	36%	36%	
Net Income	19,120 m	615 m	15,993 m	556 m	20%
Earnings per share	128	4.12	113	3.93	13%
Sales volumes	kmt		kmt		
Phosphate-based fertilisers (MAP/DAP/NPK/NPS**)	3,230.2		3,012.4		7.2%
Nitrogen-based fertilisers	787.8		698.1		12.8%
Apatit mine and beneficiation plant	3,311.7		3,102.0		6.8%
Other products	203.9		259.5		(21.4%)

RUB/USD Rates: average 9M 2012: 31.0984; average 9M 2011: 28.7664

As of 30 September 2012: 30.9169; as of 31 December 2011: 32.1961

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

** A compound of nitrogen, phosphate and sulphur.

Strategic highlights

Production and sales flexibility:

- In 9M 2012 PhosAgro revenue and sales volumes benefited from the Company's strategy of enhancing production flexibility, with substantial growth in NPK production in the first half of the year followed by increasing DAP volumes in 3Q 2012.

Organic growth through capacity expansion and greater operational efficiency:

- 26 October 2012: New 500 kt per annum urea plant and 32 MW electricity generation capacity officially launched at PhosAgro-Cherepovets, where trial production commenced in July 2012.

Utilise full potential of apatite-nepheline ore:

- 26 October 2012: PhosAgro and Prayon (a Belgian manufacturer of phosphate and fluorine products) signed an agreement to develop technology for extraction of rare earth elements from phosphogypsum.

Consolidation of ownership in production facilities:

- 17 July 2012: Completed PhosAgro-Cherepovets merger, combining subsidiaries Ammophos and Cherepovetsky Azot into a single entity;
- 4 September 2012: PhosAgro won the privatisation tender for the Russian Federation's 20% stake in Apatit and increased its stake in the Apatit's share capital from 57.57% to 77.57%;
- 17 October 2012: PhosAgro acquired 24% of Nordic Rus Holding, which owns 7.73% of Apatit's share capital;
- 8 November 2012: PhosAgro announced the launch of a mandatory tender offer for the acquisition of Apatit shares held by minority shareholders.

PhosAgro today reports its 9M 2012 net profit of RUB 19.1 billion (USD 615 million), an increase of 20% from RUB 16.0 billion (USD 556 million) in 9M 2011. Revenue for the period was up 8% y-o-y at RUB 79.2 billion (USD 2,548 million) compared to RUB 73.7 billion (USD 2,561 million) for 9M 2011.

PhosAgro's 9M 2012 EBITDA was RUB 27.2 billion (USD 874 million), up 3% from RUB 26.4 billion (USD 916 million) a year earlier. EBITDA margin remained relatively stable at 34%, compared to 36% for 9M 2011. Operating profit for 9M 2012 was RUB 22.4 billion (USD 721 million), a 3% increase from 9M 2011.

Cash flow from operating activities amounted to RUB 21.7 billion (USD 699 million) in 9M 2012, compared to RUB 27.7 billion (USD 963 million) in 9M 2011. The company's capital expenditure (capex) in cash terms during the nine months ended 30 September 2012 was RUB 9.7 billion (USD 313 million), compared to RUB 9.4 billion (USD 326 million) in 9M 2011.

Net debt at 30 September 2012 decreased to RUB 10.5 billion (USD 341 million) from RUB 15.2 billion (USD 472 million) on 31 December 2011, resulting in a net debt to annualised EBITDA ratio of 0.29x.

Commenting on the 9M 2012 IFRS results PhosAgro CEO Maxim Volkov said: "In the first nine months of 2012 we increased revenue by 8% y-o-y, while delivering growth in production and sales of phosphate-based fertilisers of 6% and 7%, respectively. By operating at full capacity and increasing the efficiency of our production units we were able to maintain a very solid EBITDA margin of 34%, which is only a slight decrease in a year when DAP/MAP pricing was under pressure globally, with the average DAP price for 9M 2012 at USD 539 FOB Tampa, down 14% from an average of USD 624 for 2011.

"We have also delivered on a number of key strategic priorities to date in 2012, ranging from progress on the consolidation of several production subsidiaries, to capacity increases and greater operational efficiency.

"We have worked hard to create sustainable value for our shareholders in the first nine months of 2012, and will continue to do so going forward."

9M/3Q 2012 market conditions

- India, the largest consumer of phosphate fertilisers globally, resumed imports in Q2 2012,

which resulted in a 20% y-o-y increase in imported volumes during 9M 2012, despite significant growth in DAP prices for domestic consumers and subsidy cuts;

- In all other geographies, phosphate fertiliser stocks remain at very low levels;
- Drought in the US has led to a reduction in grain supplies and growing soft commodities prices, which have approached historic highs, while seasonal demand for phosphate-based fertilisers is expected to grow y-o-y;
- Ma`aden`s capacity utilisation rate remains at 50-60% according to Profercy and Fertecon weekly phosphate reports; with these volumes Ma`aden is fully committed until February 2013;
- DAP prices rose from their 2012 lows of USD 500 per tonne FOB Tainan March 2012 to this year`s maximum of USD 575 per tonne mid-summer.

Phosphate segment

Result	9M 2012 RUB million	9M 2011 RUB million	y-o-y change, %
Revenue	68,948	65,011	6%
Cost of goods sold	(41,644)	(36,290)	15%
Gross profit	27,304	28,721	(5%)

Phosphate segment revenue increased by 6% y-o-y and totalled RUB 68,948 million (USD 2,217 million) in 9M 2012. The Company increased production of phosphate-based fertilisers and MCP by 6% y-o-y, while sales volumes were up 7% y-o-y. Production and sales volumes for phosphate rock and nepheline concentrate increased in 9M 2012 compared to 9M 2011 by 2% and 7%, respectively.

Revenue from NPK fertiliser export sales increased 108% in 9M 2012 to RUB 12,334 million (USD 397 million) from RUB 5,915 million (USD 206 million) as a result of a 98% increase in NPK export sales volumes. Revenue from NPS export sales increased over 3 times, mainly due to an identical increase in export volumes. The record levels of NPK production and sales contributed to a 23% decline in export sales revenue for DAP/MAP to RUB 22,276 million (USD 716 million) in 9M 2012 from RUB 28,775 million (USD 1,000 million) for 9M 2011. Domestic MAP revenues increased 17% to RUB 3,145 million (USD 101 million) from RUB 2,683 million (USD 93 million) as a result of a 9% increase in revenue per tonne and an 8% increase in sales volumes. Revenue from phosphate rock increased 29% y-o-y in 9M 2012, reaching RUB 13,853 million (USD 445 million) on higher revenue per tonne (up 16% y-o-y on domestic market and 13% on export market) and higher sales volumes (up 8% y-o-y).

PhosAgro is largely self-sufficient in key raw materials for phosphate fertiliser production, and therefore is not subject to price inflation for phosphate rock. Expenditure on potash, a key raw material for NPK fertilisers, increased 102% y-o-y in 9M 2012, reaching RUB 3,713 million (USD 119 million), due to a 43% y-o-y increase in volumes of potash purchased and a 42% increase in cost per tonne to RUB 8,420 (USD 271) from RUB 5,946 (USD 207). This was partially compensated by an 18% y-o-y decline in expenditures on sulphur and sulphuric acid, used primarily in the production of other phosphate-based fertilisers, to RUB 2,720 million (USD 87 million) in 9M 2012 from RUB 3,304 million (USD 115 million) in 9M 2011. Sulphur purchase prices declined by 17% to RUB 2,497 (USD 80) per tonne from RUB 3,014 (USD 105) per tonne, while volumes purchased decreased slightly (less than 1% y-o-y) in 9M 2012. These factors, combined with a 7% increase in sales volumes of phosphate-based fertilisers, contributed to a 15% increase in cost of goods sold to RUB 41,644 million (USD 1,339 million) from RUB 36,290 million (USD 1,262 million).

The phosphate segment`s gross profit for 9M 2012 decreased 5% to RUB 27,304 million (USD 878 million) from RUB 28,721 million (USD 998 million), resulting in a 9M 2012 gross profit margin of

40%, compared to 44% in 9M 2011.

Principal phosphate-based fertilisers and feed phosphate: revenue per tonne

Product	9M 2012 RUB	9M 2011 RUB	y-o-y change, %	3Q 2012 RUB	3Q 2011 RUB	y-o-y change, %
Domestic:						
MAP	18,901	17,340	9%	19,264	17,580	10%
DAP	17,752	17,434	2%	17,745	18,484	(4%)
NPK	14,640	15,899	(8%)	14,603	16,355	(11%)
MCP	19,368	18,539	4%	19,417	18,685	4%
Export:						
MAP	16,902	16,771	1%	18,851	17,900	5%
DAP	16,687	15,980	4%	17,202	16,739	3%
NPK	14,215	13,514	5%	15,463	15,243	1%
MCP	17,070	17,217	(1%)	17,513	18,628	(6%)

Nitrogen segment

Result	9M 2012 RUB million	9M 2011 RUB million	y-o-y change, %
Revenue	9,571	8,058	19%
Inter-segment revenues	2,826	2,766	2%
Cost of goods sold	(5,645)	(5,637)	0%
Gross profit	6,752	5,187	30%

Revenue in the nitrogen segment was RUB 9,571 million (USD 308 million) in 9M 2012, an increase of 19% from RUB 8,058 million (USD 280 million) the first nine months of 2011. Sales volumes of nitrogen-based fertilisers increased 13% y-o-y in 9M 2012, primarily as a result of the ramp up of the new urea production unit at PhosAgro-Cherepovets during the third quarter of 2012.

Urea revenue increased 52% y-o-y to RUB 5,715 million (USD 184 million) in 9M 2012 from RUB 3,751 million (USD 130 million) a year earlier as result of a 37% y-o-y increase in sales volumes and a 12% y-o-y increase in export prices. This was partially offset by a 17% y-o-y decrease in revenue from ammonium nitrate (AN) sales to RUB 2,347 million (USD 75 million) from RUB 2,813 million (USD 98 million).

As a result, nitrogen segment gross profit increased by 30% y-o-y to RUB 6,752 million (USD 217 million) in 9M 2012, with a gross profit margin of 54%.

Principal nitrogen-based fertilisers: revenue per tonne

Product	9M 2012 RUB	9M 2011 RUB	y-o-y change, %	3Q 2012 RUB	3Q 2011 RUB	y-o-y change, %
Domestic:						
Ammonium nitrate	8,399	7,524	12%	8,857	8,019	10%
Urea	12,458	11,606	7%	11,493	13,446	(15%)
Export:						
Ammonium nitrate	10,395	8,672	20%	10,526	9,311	13%
Urea	11,701	10,492	12%	12,546	12,635	(1%)

Cost of goods sold

PhosAgro's cost of goods sold rose by 8% y-o-y in 9M 2012 to RUB 44,836 million (USD 1,442 million) from RUB 41,363 million (USD 1,438 million). This was in line with the Company's 8% increase in fertiliser sales volumes. The increase in cost of sales was primarily due to the following changes in 9M 2012 compared to 9M 2011:

- A 9% increase in materials and services costs due to higher fertiliser sales volumes and inflation (below Russian PPI of 9.4% for the 9M 2012) to RUB 15,598 million (USD 502 million) from RUB 14,271 million (USD 496 million);
- A 102% increase in expenditure on potash due to substantially higher NPK sales (up 60% y-o-y) as well as a 42% increase in potash cost per tonne to RUB 8,420 (USD 271) in 9M 2012 from RUB 5,946 (USD 207) in 9M 2011;
- An 11% increase in expenditure on natural gas to RUB 4,060 million (USD 131 million) from RUB 3,654 million (USD 127 million). This was due to a 5% increase in consumption of natural gas related to a 3% y-o-y increase in ammonia production and to the launch of a new 32 MW electricity generation unit at the Cherepovetsky nitrogen complex, as well as to a 6% y-o-y increase in the price of gas to RUB 3,086 (USD 99) per thousand cubic meters from RUB 2,922 (USD 102) in 9M 2011.

Item	9M 2012			9M 2011			Change y-o-y	
	RUB million	USD million	% of cost of sales	RUB million	USD million	% of cost of sales	RUB mln	%
Materials and services	15,598	502	35%	14,271	496	35%	1,327	9%
Salaries and social contributions	8,357	269	19%	8,238	286	20%	119	1%
Potash	3,713	119	8%	1,839	64	4%	1,874	102%
Natural gas	4,060	131	9%	3,654	127	9%	406	11%
Depreciation and amortisation	4,369	140	10%	4,191	146	10%	178	4%
Fuel	3,277	105	7%	3,053	106	7%	224	7%
Sulphur and sulphuric acid	2,720	87	6%	3,304	115	8%	(584)	(18%)
Electricity	2,382	77	5%	2,309	80	6%	73	3%
Other items	50	2	0%	44	2	0%	6	14%
Change in stock of WIP and finished goods	310	10	1%	460	16	1%	(150)	(33%)
Total	44,836	1,442	100%	41,363	1,438	100%	3,473	8%

Other expenses

Administrative expenses rose by 17% y-o-y to RUB 4,723 million (USD 152 million) in the first nine months of 2012 from RUB 4,041 million (USD 140 million), mainly due to an increase in salaries and social contributions of RUB 380 million (USD 12 million), or 15%, primarily as a result of increases in salaries in line with CPI, continued pay-outs related to employee redundancy and accrual of 2012 semi-annual bonuses.

Selling expenses rose by 16% y-o-y to RUB 5,695 million (USD 183 million) in 9M 2012 from RUB 4,882 million (USD 170 million) in 9M 2011. The Russian Railways infrastructure tariff and operators' fees increased by 9% y-o-y to RUB 2,936 million (USD 94 million) from RUB 2,685 million (USD 93 million) as a result of a 6% increase in the Russian Railways tariff and increased

transportation volumes. Port and stevedoring expenses rose by 40% to RUB 1,684 million (USD 54 million) from RUB 1,204 million (USD 42 million) y-o-y primarily due to a 9% increase in export sales volumes of PhosAgro's end products and a substantial increase of CFR deliveries as a result of the introduction of container sales from the beginning of 2012.

Rouble exchange rates have experienced significant volatility in 2011 and 2012. The average RUB/USD rate for 9M 2012 was 31.0984, an increase of 8% from the average for 9M 2011 of 28.7664. PhosAgro uses foreign currency-denominated loans as a natural hedge against export sales that account for approximately 70% revenue. While the weaker rouble increases export sales in rouble terms, the Company accounts for the foreign exchange rate gain or loss at the end of the period on foreign currency denominated loans. From 31 December 2011 the rouble appreciated against the USD from 32.1961 to 30.9169 as of 30 September 2012, resulting in an exchange rate gain of RUB 1,074 million compared with a loss of 2,807 million in the 9M 2011.

PhosAgro's capital expenditure, which consists of all additions to property, plant and equipment, amounted to RUB 10,707 million (USD 344 million) for 9M 2012, compared to RUB 11,298 million (USD 393 million) in 9M 2011. Capital expenditure focused on the construction of the main ore shaft № 2 at the Kirovsky underground mine (expected to enable the mine to increase production up to 14 mtpa in 2-3 years), as well as the construction of the new 500 kt p.a. urea production line and a 32 MW electricity generation unit at PhosAgro's Cherepovets site, which were officially launched on 26 October 2012.

Total debt at 30 September 2012 amounted to RUB 35,741 million (USD 1,156 million), versus RUB 32,153 million (USD 999 million) at the end of 2011. The increase in total debt was due to new short-term debt facilities obtained during the period, denominated in USD, EUR and RUB.

Outlook

Market:

- Soft commodities stocks-to-use ratios remain at very low levels compared to historic averages, while at the same time corn and soybean prices have surpassed their previous historical peaks in 2008;
- Despite global economic concerns, farmers are not experiencing liquidity constraints, and therefore remain able to invest in increasing crop output;
- Phosphate fertiliser stocks remain at very low levels globally, with no significant capacity additions expected to come online in the near term;
- Supply of phosphate-based fertilisers from China decreased by 40% y-o-y in 9M 2012 as a result of a restrictive export tariff policy by the Chinese Government.

Company:

- While DAP demand has recovered in 3Q 2012, PhosAgro sees very high global demand for complex fertilisers, and the Company intends to further invest into both increasing capacity as well as expanding the number of NPK and other complex fertiliser grades it produces;
- PhosAgro has launched the mandatory tender offer for the acquisition of Apatit shares from minority shareholders following its purchase of the Russian Government's 20% stake in Apatit in October 2012. and the Company will continue to focus on consolidating up to 100% of Apatit shares (currently PhosAgro and affiliated companies own around 85% of Apatit);
- PhosAgro and Prayon plan to develop and install technology for the extraction of rare earth elements from phosphogypsum during 2013, further enhancing PhosAgro's ability to extract maximum value from its apatite ore;

- The Company plans to finalise the tender for a new, modern 760 kt per annum ammonia plant by the end of 2012.
- In the longer term, the liberalisation of the phosphate rock market announced by Russia`s FAS is expected to start having a positive effect for producers starting in 2013, although the final rules have not yet been determined;

Conference Call and Webcast

On 14 November 2012 at 12:30 London time (16:30 Moscow; 07:30 New York), PhosAgro will host a conference call and webcast to discuss its reviewed interim consolidated condensed IFRS financial results for 9M 2012.

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 which language to connect to when dialling in.**

Webcast links:

English: <http://www.media-server.com/m/p/a9r24mf2/lan/en>

Russian: <http://www.media-server.com/m/p/a9r24mf2/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 490 2004 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.