

PhosAgro Reports 6M 2012 IFRS Net Profit of RUB 10.8bn

Moscow - PhosAgro ("PhosAgro" or "the Company") (MICEX-RTS, LSE: PHOR), a leading global vertically integrated phosphate-based fertiliser producer, today announces its reviewed consolidated interim condensed IFRS financial statements for the six months ended 30 June 2012. PhosAgro earned a profit of RUB 10.8 billion (USD 353 million) in H1 2012, compared to RUB 12.3 billion (USD 429 million) in H1 2011. Basic and diluted earnings per share came to RUB 68 (USD 2) for H1 2012.

6M 2012 Financial and Operational Highlights:

Result	H1 2012		H1 2011		y-o-y change (RUB vs. RUB), %
	USD	RUB	USD	RUB	
Revenue	1,644 m	50,359m	1,704m	48,764m	3%
EBITDA*	559 m	17,137 m	620 m	17,752 m	(3%)
EBITDA margin	34%	34%	36%	36%	(2%)
Net Income	353m	10,802m	429m	12,291m	(12%)
Earnings per share	2	68	3	86	(21%)
Sales volumes	kmt		kmt		
Phosphate-based fertilisers (MAP/DAP/NPK/NPS)	2,123.2		1,992.4		7%
Nitrogen-based fertilisers	479.6		491.3		(2%)
Apatit mine and beneficiation plant	2,187.7		2,074.3		5%
Other products	166.9		203.0		(18%)

RUB/USD Rates: average H1 2012: 30.6390; average H1 2011: 28.6242

As of 30 June 2012: 32.8169; as of 31 December 2011: 32.1961

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

Other H1 2012 Highlights

- PhosAgro revenue and sales volumes benefited from the Company's strategy of enhancing production flexibility, with substantial growth in NPK production, up 52% year-on-year from 563.6 kmt in H1 2011 to 856.8 kmt in H1 2012;
- The Board of Directors has recommended an interim dividend of RUB 4.7 billion (RUB 38 per share) for the first six months of 2012;
- While an official announcement on the launch of new urea capacity has yet to be made, the facility is currently running at more than 90% capacity utilization in trial production mode;
 - PhosAgro and Acron settled all disputes with regards to the supply of phosphate rock on terms that were satisfactory to both parties.

PhosAgro today reports its H1 2012 net profit of RUB 10.8 billion (USD 353 million), a decrease of 12% y-o-y from RUB 12.3 billion (USD 429 million) in H1 2011. Revenue for the period was up 3% y-o-y at RUB 50.4 billion (USD 1.6 billion) compared to RUB 48.8 billion (USD 1.7 billion) for H1 2011.

Operating profit for H1 2012 was RUB 13.9 billion (USD 455 million), a 6% decrease from H1 2011. EBITDA margin remained at a comfortable 34%, slightly decreasing from 36% for the first six months of 2011.

Cash flow from operating activities amounted to RUB 13.2 billion (USD 430 million) in H1 2012, compared to RUB 17.9 billion (USD 627 million) in H1 2011. The company's capital expenditure (capex) in cash terms during the six months ended 30 June 2012 was RUB 6.7 billion (USD 218 million), compared to RUB 5.5 billion (USD 191 million) in H1 2011.

Net debt at 30 June 2012 stood at RUB 14.8 billion (USD 450 million), down from RUB 15.2 billion (USD 472 million) on 31 December 2011. This puts PhosAgro's net debt to EBITDA at a very comfortable level of 0.43x.

Commenting on the H1 2012 IFRS results PhosAgro CEO Maxim Volkov said: "We were able to sustain a solid EBITDA and decent profit position despite the lower global phosphate pricing environment due to our flexible production and sales models, with almost 100% capacity utilisation during the period and continued increases in our production capacity. We are committed to continue returning profits to our shareholders in the form of dividends when we do not have any significant development cash requirements, and to that end the Board has recommended an interim dividend of RUB 4.7 billion or RUB 38/share, which is 56% of the net profit attributable to the shareholders of PhosAgro for the first half of 2012.

Looking forward we plan to continue taking steps towards investing in greater production flexibility and additional capacity to further improve our results and shareholder returns."

H1/Q2 2012 Market Conditions

- India, the largest consumer of phosphate fertilisers globally, resumed imports in Q2 2012, which helped support demand toward the end of the period;
- In all other geographies phosphate fertilizer stocks were generally at very low levels; while demand remained strong in H1 2012, farmers primarily in the US and Europe delayed purchases until the actual application season started;
- Soft commodities prices have risen to near historic highs, however, while this has in the past been supportive of fertiliser demand, farmers remain cautious about the sustainability of prices;
- China continued to implement restrictive export tariffs on phosphate fertilisers: from January 2012 the Chinese government has imposed an 82% export duty on NP/TSP;
- DAP prices rose from their lowest levels in 2012 of around USD 500 per ton (FOB US Gulf) at the end of Q1 2012 to USD 560-575 per ton at the end of the second quarter

Phosphate segment

Result	H1 2012 RUB mln	H1 2011 RUB mln	y-o-y change, %
Revenue	44,024	42,508	4%
Cost of goods sold	(26,827)	(24,086)	11%
Gross profit	17,197	18,422	(7%)

Phosphate segment revenue increased by 4% y-o-y and totalled RUB 44,024 million (USD 1,437 million) in H1 2012. The Company increased production of phosphate-based fertilisers and MCP by 6% year-on-year, while sales volumes were up 7% year-on-year. Production and sales volumes for phosphate rock and nepheline concentrate increased in H1 2012 compared to H1 2011 by 1% and 5%, respectively.

Revenue from NPK fertiliser export sales increased 120% y-o-y in H1 2012 from RUB 4,114 million (USD 144 million) to RUB 9,041 million (USD 295 million) as a result of a 7% increase in revenue per tonne from export sales of NPK and a 105% increase in NPK export sales volumes. The record levels of NPK production and sales contributed to a 23% decline in export sales revenue for DAP/MAP, from RUB 19,486 million (USD 681 million) for H1 2011 to RUB 14,939 million (USD 488 million) in the six months ended 30 June 2012. Domestic sales revenue from phosphate rock increased 17% y-o-y in the first half of 2012, reaching RUB 5,197 million (USD 170 million) on higher revenue per tonne (up 14% y-o-y) and higher sales volumes (up 2% y-o-y). Revenue from export sales of MCP increased 16% to RUB 1,290 million (USD 42 million) in H1 2012.

The phosphate segment's gross profit for H1 2012 decreased 7% y-o-y to RUB 17,197 million (USD 561 million), resulting in a gross profit margin of 39%, compared to 43% in H1 2011. This was primarily a result of higher potash purchases in connection with the increase in NPK production, which drove cost of sales up 11% y-o-y, from RUB 24,086 million (USD 841 million) to RUB 26,827 million (USD 876 million) in the first six months of 2011 and 2012, respectively.

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 94% y-o-y in the first half of 2012, reaching RUB 2,531 million (USD 83 million), due to a 54% y-o-y increase in volumes of potash purchased and a 40% increase in cost per tonne. This was partially compensated by a 9% y-o-y decline in expenditures on sulphur and sulphuric acid, used primarily in the production of phosphate fertilisers, to RUB 1,834 million (USD 60 million) in H1 2012 from RUB 2,007 million (USD 70 million) in the first half of 2011, primarily due to a y-o-y decline in sulphur purchase prices by 8%, while volumes purchased decreased slightly (less than 1% y-o-y) in 1H 2012.

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

Product	H1 2012 RUB	H1 2011 RUB	y-o-y change, %	Q2 2012 RUB	Q2 2011 RUB	y-o-y change, %
Domestic:						
MAP	18,066	16,752	8%	18,065	17,161	5%
DAP	17,763	17,288	3%	17,557	17,422	1%
NPK	14,677	15,145	(3%)	15,004	16,033	(6%)
MCP	19,342	18,658	4%	19,330	18,632	4%
Export:						
MAP	15,936	16,039	(1%)	16,237	16,279	-
DAP	16,485	15,842	4%	16,533	15,775	5%
NPK	13,809	12,875	7%	13,575	12,925	5%
MCP	16,864	16,399	3%	16,984	16,905	-

Nitrogen segment

Result	H1 2012 RUB mln	H1 2011 RUB mln	y-o-y change, %
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Revenue	5,829	5,874	(1%)
Inter-segment revenues	2,826	1,873	51%
Cost of goods sold	(4,091)	(3,830)	7%
Gross profit	4,564	3,917	17%

Revenue in the nitrogen segment was RUB 5,829 million (USD 190 million) in H1 2012, a decrease of 1% year-on-year, compared to RUB 5,874 million (USD 205 million) the first half of 2011. Production of nitrogen-based fertilisers declined 5% year-on-year, while sales volumes were 2% lower y-o-y in H1 2012, mainly as a result of planned maintenance shutdowns at Cherepovetsky nitrogen complex in the beginning of the year.

The 2% decline in nitrogen-based fertiliser sales volumes was balanced by a 30% rise in revenue per tonne from AN export sales, with total AN export sales reaching RUB 869 million (USD 28 million) in the first half of 2012, up 9%. Urea export sales revenue increased RUB 335 million, or 13% y-o-y from RUB 2,635 million (USD 92 million) in H1 2011 to RUB 2,970 million (USD 97 million) in H1 2012. Urea export revenue was higher as a result of a 13% increase in revenue per tonne.

Inter-segment sales increased 51% y-o-y in the first half of 2012 to RUB 2,826 million (USD 92 million) as the Company used larger volumes of its own ammonia in the production of complex NPK fertilisers in the phosphate-based fertilisers segment.

As a result, nitrogen segment gross profit increased by 17% y-o-y to RUB 4,564 million (USD 149 million) in H1 2012, with a gross profit margin of 53%.

Revenue per tonne for the principal nitrogen-based fertilisers

Product	H1 2012 RUB	H1 2011 RUB	y-o-y change, %	Q2 2012 RUB	Q2 2011 RUB	y-o-y change, %
Domestic:						
Ammonium nitrate	8,383	7,517	12%	8,243	7,395	11%
Urea	12,515	10,100	24%	12,574	10,100	24%
Export:						
Ammonium nitrate	10,333	7,927	30%	10,444	6,981	50%
Urea	11,032	9,794	13%	12,582	9,315	35%

Cost of sales

PhosAgro's cost of sales increased by 6% y-o-y in H1 2012 to RUB 28,425 million (USD 928 million). This was in line with the 5% increase in overall fertiliser sales volumes and Russian PPI of 0.3% in H1 2012. The increase in cost of sales was primarily due to the following changes from H1 2011 to H1 2012:

- A 5% increase in salaries and social contributions to RUB 5,738 million (USD 187 million) due to higher labour rates;
- A 94% increase in expenditure on potash due to substantially higher NPK production and sales (up 52% and 58% y-o-y, respectively) as well as a 40% increase in potash prices, from RUB 6,318/tonne in H1 2011 to RUB 8,816/tonne in H1 2012.
 - A 7% decrease in expenditure on natural gas, to RUB 2,537 million from RUB 2,735 million. This was primarily due to a 7% decrease in consumption of natural gas from 905,531 thousand cubic meters in the six months ended 30 June 2011 to 842,380 thousand cubic meters in the six months ended 30 June 2012. The decrease in consumption was due to a 9% reduction in production volumes of ammonia due to

modernization of ammonia production lines at Cherepovetsky nitrogen complex finalised in February 2012 which also contributed to lower per-unit gas consumption.

Item	H1 2012			H1 2011			Change y-o-y	
	RUB mln	USD mln	% of cost of sales	RUB mln	USD mln	% of cost of sales	RUB mln	%
Materials and services	9,590	313	34%	9,385	328	35%	205	2%
Salaries and social contributions	5,738	187	20%	5,445	190	20%	293	5%
Potash	2,531	83	9%	1,304	46	5%	1,227	94%
Natural gas	2,537	83	9%	2,735	96	10%	(198)	(7%)
Depreciation and amortisation	2,966	97	10%	2,713	95	10%	253	9%
Fuel	2,430	79	9%	2,270	79	8%	160	7%
Sulphur and sulphuric acid	1,834	60	6%	2,007	70	7%	(173)	(9%)
Electricity	1,638	53	6%	1,697	59	6%	(59)	(3%)
Other items	15	0	0%	24	1	0%	(9)	(38%)
Change in stock of WIP and finished goods	(854)	(28)	(3%)	(646)	(23)	(2%)	(208)	32%
Total	28,425	928	100%	26,934	941	100%	1,491	6%

Administrative expenses rose by 13% y-o-y to RUB 2,933 million (USD 96 million) in the first half of 2012, mainly due to an increase in salaries and social contributions of RUB 105 million, or 7%, primarily as a result of a lump sum severance payout associated with staff redundancy in Q1 2012.

Selling expenses rose by 18% y-o-y, from RUB 3,331 million (USD 116 million) in H1 2011 to RUB 3,947 million (USD 129 million) in H1 2012. This was primarily due to increased sales volumes as well as increases in port and stevedoring expenses and Russian Railway infrastructure tariff and operators` fees by RUB 509 million and RUB 241 million y-o-y, respectively.

PhosAgro`s capital expenditure, which consists of all additions to property, plant and equipment, amounted to RUB 6,759 million (USD 221 million) for H1 2012, compared to RUB 5,857 million (USD 205 million) in H1 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 the construction of new 500 kmt p.a. urea capacity and a 32 MW gas-powered electricity generation facility at PhosAgro`s Cherepovets site.

Total debt at 30 June 2012 amounted to RUB 37,541 million (USD 1,144 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; at the same time corn and soybean prices have surpassed their previous historical peaks of

2008;

- While farmers appear to remain cautious in the current environment given continued expectations of a debt crises in Europe as well as different perceptions of the consequences of the drought in the US, if the historically high soft commodities prices remain in place for some time farmers are more likely to start investing into maximising output, including through fertiliser purchases;
- Phosphate fertiliser stocks are at very low levels globally;
- The majority of farmers in most regions of the world are not currently experiencing any liquidity constraints, unlike the situation in 2008;
- 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 grades it produces;
- 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 been determined yet.

Company:

- PhosAgro has currently taken the steps necessary to participate in the Apatit privatisation planned for 4 September 2012;
- The Company expects to increase urea production and sales volumes following the launch of its brand new 500 k tonnes production line in Cherepovets;
- PhosAgro has chosen the two final licensers for the construction of a new ammonia plant with 760 k tonnes capacity, and expects to finalize the tender by the end of 2012.

Conference Call and Webcast

On 30 August 2012 at 14:30 London time (17:30 Moscow; 09:30 New York), PhosAgro will host a conference call and webcast to discuss its reviewed consolidated interim condensed IFRS financial results for H1 2012.

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

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/4688576v/lan/en>

Russian: <http://www.media-server.com/m/p/4688576v/lan/ru>

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