

PhosAgro 1Q 2015 EBITDA up 186% to RUB 24.6 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 three months ended 31 March 2015. PhosAgro's revenue for the period increased by 71% to RUB 50.2 billion (USD 808 million), while EBITDA grew by 186% to RUB 24.6 billion (USD 395 million), compared to RUB 8.6 billion (USD 246 million) in 1Q 2014.

1Q 2015 financial and operational highlights:

Result	1Q 2015		1Q 2014		year-on-year change (RUB vs. RUB), %
	RUB	USD	RUB	USD	
	million		million		
Revenue	50,224	808	29,416	841	71%
EBITDA*	24,590	395	8,587	246	186%
EBITDA margin	49%		29%		20 p.p.
Net profit	14,164	228	1,909	55	642%
	RUB	USD	RUB	USD	
Earnings per share - RUB / USD	109	1.75	14	0.40	679%
Sales volumes					
Phosphate-based products	1,304.8		1,252.4		4%
Nitrogen-based fertilizers	412.5		426.7		(3%)
Apatit mine and beneficiation plant	724.3		873		(17%)
Other products	32.3		57.6		(44%)

RUB/USD rates: average 1Q 2015: 62.1919; average 1Q 2014: 34.9591

as of 31 March 2015: 58.4643; 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 28 May 2015, PhosAgro's Board of Directors recommended that shareholders approve a dividend of RUB 6,216 million, which represents RUB 48 per share (RUB 16 per Global Depositary Receipt). Shareholders will vote on the dividend recommendation at an Extraordinary General Meeting of Shareholders scheduled for 14 July 2015.

Production, sales and logistics flexibility:

- As a result of ongoing activities to improve production efficiency, the Company increased its production and sales during 1Q 2015. Total fertilizer production and sales volumes for the period grew year-on-year by 8% and 3%, respectively. Revenue in 1Q 2015 was 71% higher year-on-year, supported by year-on-year increases in average realised prices denominated in roubles for DAP/MAP and NPK exports of over 96% and 81%, 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. This is currently the largest ammonia storage facility in Russia, and has a 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-sulfur 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 investments into the project, which PhosAgro financed from its own cash flows, amounted to over RUB 500 million.
- PhosAgro continued its restructuring process in 1Q 2015, with the launch of a 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.

An improved pricing environment, combined with significant rouble depreciation, supported revenue growth of 71% year-on-year in 1Q 2015, to RUB 50.2 billion (USD 808 million), compared to RUB 29.4 billion (USD 841 million) for 1Q 2014. Operating profit for the period was RUB 22.5 billion (USD 361 million), up 240% from RUB 6.6 billion (USD 189 million) in 1Q 2014. EBITDA was RUB 24.6 billion (USD 395 million) in 1Q 2015, 186% higher year-on-year. PhosAgro's EBITDA margin increased to 49% for 1Q 2015, compared to 29% in 1Q 2014.

Net profit for 1Q 2015 amounted to RUB 14.2 billion (USD 228 million), compared to a net profit of RUB 1.9 billion (USD 55 million) in 1Q 2014. Basic and diluted earnings per share came to RUB 109 (USD 1.75) for 1Q 2015, compared to earnings of RUB 14 (USD 0.40) in 1Q 2014.

The Company significantly improved its financial position compared to year-end 2014, when the dramatic rouble depreciation resulted in a net loss from revaluation of USD- and EUR-denominated loans and operations with derivatives. The significant rouble depreciation in 1Q 2015 in comparison with 1Q 2014 (average USD fx rates for 1Q 2015 and 1Q 2014 were RUB 62.19 and RUB 34.96, respectively) had a positive impact on all of PhosAgro's operating results in the first quarter of this year. A slight depreciation of the RUB vs USD as of 31 March 2015 (RUB 58.46 per USD) compared to 31 December 2014 (RUB 56.26) resulted in a foreign exchange loss of RUB 3,777 million in 1Q 2015, similar to 1Q 2014.

Cash flow from operating activities increased by 153% year-on-year to RUB 16.3 billion (USD 262 million) in 1Q 2015, compared to RUB 6.4 billion (USD 104 million) in 1Q 2014, driven by improved operating performance.

Gross debt at 31 March 2015 amounted to RUB 128.0 billion (USD 2,189 million), compared to RUB 123.8 billion (USD 2,201 million) at 31 December 2014. Net debt at 31 March 2015 stood at RUB 89.2 billion (USD 1,526 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 0.91 as of 31 March 2015, from 2.48 as of 31 December 2014.

Commenting on 1Q 2015 results, PhosAgro Management Board Chairman and CEO Andrey Guryev said:

"I am delighted to report the best quarterly results PhosAgro has achieved since my appointment as CEO. Supported by a strong phosphate pricing environment and our substantially increased cost advantage, we generated an EBITDA margin of nearly 50%.

"It is important to note that part of this improvement relates to the significant rouble depreciation, meaning that as and when the rouble recovers, our margins will normalise. However, we also continue to implement cost-cutting initiatives aimed at optimising our mining and logistics operations, and I am confident that our performance will remain among the best in the industry.

"Russia's macroeconomic situation has also improved compared to the end of 2014. The rouble's performance since January has had a positive impact on PhosAgro's balance sheet. As of 31 March 2015, our net debt to EBITDA ratio came down to our target level of around 1x.

"Taken together, these factors enable us to increase our dividend payout ratio, providing additional benefits to investors and other stakeholders.

"Looking ahead, I believe supply-demand fundamentals will be supportive of DAP prices. We are seeing substantial improvements in India, one of the most important buyers on the spot market. Combined with our continuous cost optimisation efforts, I expect PhosAgro to show strong performance for the rest of 2015."

1Q 2015 Market Conditions

- Average DAP prices in 1Q 2015 were USD 483 per tonne FOB Tampa, which is 5% higher than in 4Q 2014 (USD 459), and 2% higher than in 1Q 2014 (USD 472);
- The spring application season in the USA and Europe pushed prices up to a maximum of USD 487 per tonne FOB Tampa;
- Despite the decline in export duties, Chinese producers of phosphate fertilizers focused on demand for seasonal supplies to the domestic market;
- India increased its P&K budget subsidy by 8%, which combined with low stocks has resulted in higher DAP import activity already in 1Q 2015;
- A new phosphoric acid supply contract for the first half of 2015 was signed at USD 805 per tonne of P₂O₅ CFR India, which is USD 40 above the price for 4Q 2014;
- On the nitrogen fertilizer market (urea, ammonium nitrate), prices were under downward pressure due to high carryover stocks in major markets and increased Chinese exports in late

2014-early 2015 as result of lower duties;

- Urea prices averaged USD 289 per tonne FOB Baltics in 1Q 2015, which is 7% lower than in 4Q 2014 (USD 310) and 12% lower than in 1Q 2014 (USD 329).

Phosphate-Based Products Segment

Result	1Q 2015 RUB mln	1Q 2014 RUB mln	year-on-year change, %
Revenue	42,860	24,687	74%
Cost of goods sold	(16,712)	(14,579)	15%
Gross profit	26,148	10,108	159%

Phosphate-based products segment revenue grew by 74% year-on-year and totalled RUB 42,860 million (USD 689 million) in 1Q 2015. PhosAgro increased production of phosphate-based fertilizers and MCP by 9.2% year-on-year in 1Q 2015, while sales volumes were up by 5.0% year-on-year. Production volumes for phosphate rock and nepheline concentrate decreased in 1Q 2015 by 2.5% compared to 1Q 2014, and sales volumes decreased by 17%.

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, India, Latin America and Asia.

- MAP/DAP fertilizers: MAP export revenue increased by 62% year-on-year, with revenue per tonne up in RUB terms by 97%, while volumes decreased by 18%. DAP export revenue increased by 443% year-on-year, with revenue per tonne in RUB terms growing by 97%, and volumes up by 176%. Domestic MAP sales decreased by 20% year-on-year. Revenue from DAP/MAP sales was 139% higher year-on-year, up from RUB 8,831 million (USD 253 million) in 1Q 2014 to RUB 21,113 million (USD 339 million) in 1Q 2015, reflecting the overall 23% year-on-year growth in sales volumes and 95% rise in DAP/MAP average revenue per tonne denominated in RUB.
- NPK fertilizers: revenue from NPK export sales increased by 111% year-on-year, from RUB 3,325 million (USD 95 million) in 1Q 2014 to RUB 7,012 million (USD 113 million) in 1Q 2015, as a result of 17% year-on-year growth in NPK export sales volumes combined with an 81% increase in revenue per tonne denominated in RUB. Domestic NPK sales volumes decreased by 45% year-on-year. As a result, revenue from domestic NPK sales decreased by 21% year-on-year, from RUB 2,406 million (USD 69 million) in 1Q 2014 to RUB 1,898 million (USD 31 million) in 1Q 2015.
- Phosphate rock: revenue from phosphate rock sales increased by 22% year-on-year to RUB 5,071 million (USD 82 million) in 1Q 2015. Revenue per tonne in roubles increased by 68%. Sales volumes decreased by 27%, due to higher internal consumption of phosphate rock by PhosAgro production sites.

The phosphate-based products segment's gross profit for 1Q 2015 increased by 159% year-on-year to RUB 26,148 million (USD 420 million), resulting in a gross profit margin of 61%, compared to 41% margin in 1Q 2014, which was the result of higher sales in rouble terms.

Revenue per tonne for the principal phosphate-based products

Product	1Q 2015 RUB	1Q 2014 RUB	year-on-year change, %
Domestic:			
MAP	24,405	15,457	58%
DAP	26,935	15,190	77%
NPK	18,052	12,549	44%
NPS	16,395	10,592	55%
MCP	23,541	18,963	24%
PKS	12,972	-	-
SOP	36,389	23,110	57%
STPP	48,062	30,396	58%
Export:			
MAP	30,964	15,713	97%
DAP	30,518	15,507	97%
NPK	21,614	11,965	81%
NPS	27,592	9,666	185%
MCP	32,506	19,738	65%
PKS	17,785	-	-
SOP	39,441	23,409	68%
STPP	57,181	34,449	66%

Nitrogen Segment

Result	1Q 2015 RUB mln	1Q 2014 RUB mln	year-on-year change, %
Revenue	7,028	4,570	54%
Inter-segment transfers	-	8	(100%)
Cost of goods sold	(2,730)	(2,394)	14%
Gross profit	4,298	2,184	97%

Nitrogen segment revenue increased by 54% year-on-year to RUB 7,028 million (USD 113 million) in 1Q 2015, from RUB 4,570 million (USD 131 million) in 1Q 2014. Production volumes of nitrogen-based fertilizers grew by 5%, while sales volumes decreased by 3% year-on-year in 1Q 2015.

Export revenue from urea was 39% higher year-on-year, up from RUB 3,168 million (USD 91 million) in 1Q 2014 to RUB 4,416 million (USD 71 million) in 1Q 2015, due to a 71% increase in revenue per tonne, compensated by a decrease in sales volumes by 19%. Total revenue from ammonium nitrate (AN) rose by 88%, from RUB 1,335 million (USD 38 million) in 1Q 2014, to RUB 2,507 million (USD 40 million) in 1Q 2015, due to 49% growth in revenue per tonne and a 26% increase in sales volumes.

Nitrogen segment gross profit during 1Q 2015 increased by 97% year-on-year to RUB 4,298 million (USD 69 million), mainly as a result of significant revenue growth caused by the devaluation of the rouble against the US dollar, resulting in a gross profit margin of 61%, compared to 48% in 1Q 2014.

Revenue per tonne for the principal nitrogen-based fertilizers

Product	1Q 2015 RUB	1Q 2014 RUB	year-on-year change, %
Domestic:			
Ammonium nitrate	12,881	9,392	37%
Urea	15,616	11,846	32%
Export:			
Ammonium nitrate	17,433	-	-
Urea	19,373	11,308	71%

Cost of Sales

Item	1Q 2015			1Q 2014			Change y-on-y	
	RUB mln	USD mln	% of cost sales	RUB mln	USD mln	% of cost sales	RUB mln	%
Materials and services	5,061	82	26%	4,685	134	27%	376	8%
Salaries and social contributions	2,303	37	12%	2,634	75	15%	(331)	(13%)
Sulphur and sulphuric acid	2,231	36	11%	736	21	4%	1,495	203%
Ammonia	2,136	34	11%	823	24	5%	1,313	160%
Natural gas	1,977	32	10%	1,963	56	12%	14	1%
Depreciation	1,884	30	9%	1,779	51	11%	105	6%
Potash	1,519	24	8%	979	28	6%	540	55%
Electricity	977	16	5%	895	26	5%	82	9%
Ammonium sulphate	821	13	4%	237	7	1%	584	246%
Fuel	641	10	3%	818	23	5%	(177)	(22%)
Heating energy	241	4	1%	507	14	3%	(266)	(52%)
Other items	3	-	-	10	-	-	(7)	(70%)
Change in stock of WIP and finished goods	(50)	(1)	-	1,042	30	6%	(1,092)	(105%)
Total	19,744	317	100%	17,108	489	100%	2,636	15%

PhosAgro's cost of sales increased by 15% year-on-year in 1Q 2015, to RUB 19,744 million (USD 317 million), while overall fertilizers sales volumes increased by 3%. This cost of sales performance was primarily due to the following factors:

- An increase of RUB 376 million (USD 6 million), or 8%, year-on-year in the cost of materials and services due to price inflation of 9.8% (PPI 1Q 2015 vs 1Q 2014), together with 8.3% growth in fertilizer production volumes.
 - A year-on-year decrease in personnel costs by RUB 331 million (USD 5 million), or 13%, as a result of the headcount optimisation programme.
- A year-on-year increase in expenditure on purchased ammonia of RUB 1,313 million (USD 21 million), or 160%, from RUB 823 million (USD 24 million) in 1Q 2014 to RUB 2,136 million (USD 34 million).

million) in 1Q 2015. This was due to 48% higher purchase volumes and 76% price growth, year-on-year. Growth in ammonia purchase volumes was due to increases in production volumes of urea by 6%, ammonium nitrate by 3% and DAP by 220%.

· A year-on-year increase in expenditure on natural gas of RUB 14 million, or 1%, to RUB 1,977 million (USD 32 million) in 1Q 2015. This was due to growth in consumption of gas by 1%. Natural gas is required primarily for the production of ammonia. The 1% growth in volumes of gas consumed was due to 4% year-on-year growth in ammonia production.

- A year-on-year increase in expenditure on potash of 55%, or RUB 540 million (USD 9 million), to RUB 1,519 million (USD 24 million) in 1Q 2015. This was mainly due to a 72% rise in potash purchase prices, which was balanced by a 10% decrease in potash purchase volumes as a result of an 11% year-on-year decline in NPK production.

· A year-on-year decrease in expenditure on fuel of RUB 177 million (USD 3 million), or 22%, from RUB 818 million (USD 23 million) in 1Q 2014 to RUB 641 million (USD 10 million) in 1Q 2015. This was in line with the 14% decrease in fuel consumption as a result of reduced open-pit mining at Apatit and a 9% 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 1Q 2015.

· A year-on-year increase in expenditure on ammonium sulphate of RUB 584 million (USD 9 million), or 246%. Purchase prices rose by 121%. Higher production of NPK with high nitrogen content led to growth in consumption levels of ammonium sulphate by 56%.

· A year-on-year decrease in heating energy expenses by RUB 266 million (USD 4 million) or by 52%, from RUB 507 million (USD 14 million) in 1Q 2014 to RUB 241 million (USD 4 million) in 1Q 2015. Purchased volumes of heating energy declined by 46% together with a decrease in purchase prices by 12%. Purchased 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 1,495 million (USD 24 million), or 203%, year-on-year from RUB 736 million (USD 21 million) in 1Q 2014 to RUB 2,231 million (USD 36 million) in 1Q 2015. This was driven by a 9% increase in volumes consumed due to higher production of phosphate-based fertilizers, mainly MAP/DAP, and by 178% growth in purchase prices.

Administrative expenses rose by 19% year-on-year to RUB 2,403 million (USD 39 million) in 1Q 2015, primarily due to:

- An increase in professional services of 121%, or RUB 188 million (USD 3 million), year-on-year.
- An increase in repair expenses due to office repair in Cherepovets and other administrative expenses as result of restructuring of the Group's administrative personnel and their relocation to Cherepovets.

Selling expenses rose by 61% year-on-year, from RUB 3,054 million (USD 87 million) in 1Q 2014 to RUB 4,920 million (USD 79 million) in 1Q 2015. This was primarily due to the following changes:

- A 132% increase in freight, port and stevedoring expenses from RUB 1,019 million (USD 29 million) to RUB 2,364 million (USD 38 million), mainly due to growth in port tariffs and increased shipments through ports of 33% due to changes in shipment basis and a higher share of CFR shipment volumes.
- A 16% rise in the Russian Railways infrastructure tariff and operators' fees from RUB 1,318 million (USD 38 million) to RUB 1,530 million (USD 25 million). This was mainly due to an increase in railway tariffs in 1Q 2015 by 10% on internal transportation for the domestic market, and by 23% for exports.

PhosAgro's foreign exchange loss was nearly the same year-on-year: RUB 3,772 million (USD 108 million) in 1Q 2014 to RUB 3,777 million (USD 61 million) in 1Q 2015. The loss from operations with derivative financial instruments was RUB 147 million (USD 2 million) in 1Q 2015, compared to RUB 169 million (USD 5 million) a year earlier. This was the result of the rouble's 4% depreciation against the US dollar during 1Q 2015 (from RUB 56.2584 at 31/12/2014 to RUB 58.4643 at 31/03/2015), compared to a decrease of 9% during 1Q 2014 (from RUB 32.7292 at 31/12/2013 to RUB 35.6871 at 31/03/2014).

Cash spent on capex in 1Q 2015 amounted to RUB 6,477 million (USD 104 million), an increase of 70% in comparison with RUB 3,810 million (USD 109 million) in 1Q 2014. PhosAgro's capital expenditure, which consists of additions to property, plant and equipment, amounted to RUB 5,054 million (USD 81 million) for 1Q 2015, compared to RUB 3,245 million (USD 93 million) in 1Q 2014. Capital expenditure focused on ore extraction capacity development in Apatit, the new 760 ths tonnes/year ammonia plant at PhosAgro-Cherepovets, as well as the construction of new storage facilities for liquid ammonia at Balakovo.

Outlook

Market:

- The upcoming summer season is normally characterised by significant buying activity from major agricultural regions like India and Latin America, especially Brazil. PhosAgro has seen significantly higher activity from the Brazilian market from the end of April 2015.
- Indian DAP imports have improved dramatically already in 1H 2015 compared to 1H 2014, and current market expectations are that the country will take another 3 million tonnes by the end of the year. This would bring India's 2015 imports to between 5.5 million and 6 million tonnes, compared to very weak purchases in 2014 of just around 3.5 million tonnes, subject to the development of El Nino.
- The Chinese Government aims to implement new fertilizer use and production policies, aimed at increasing efficiency of fertilizer production and use, while reducing pollution. This may result in continued declines in P₂O₅ exports from China as a result of the closure of old and inefficient production units, as well as higher domestic use of better-quality fertilizers.
- Following the Russian Government's announcement of a farmer support programme in late February and the rouble's recent significant appreciation, the Company has seen an uptick in domestic market activity. The combination of these factors may lead to real development of domestic agricultural markets, and as such solid fertilizer consumption

- According to IFA, global fertilizer demand in 2015/16 is forecast to expand by 1.4% year-on-year to 187 million tonnes of nutrients, with faster growth of phosphate fertilizers demand of 1.7% year-on-year to 42 million tonnes of P₂O₅
- In the medium term, world fertilizer demand is expected to rise on average by 1.7% p.a. Aggregate global demand is projected to reach 200 million tonnes of nutrient by 2019/20. Phosphate demand is forecast to grow by 1.8 % p.a. to 45.8 million tonnes of P₂O₅. The highest growth rates are expected in South Asia (3.0% p.a.), Latin America (3.0 % p.a.) and Africa (4.3% p.a).
- 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:

- Following the RUB depreciation at the end of 2014, PhosAgro reviewed its capital expenditure plans. As a result, the company has been able to reduce its expected capex for 2015-2016 by more than RUB 4.5 billion while achieving almost the same results in terms of capacity and efficiency increases.
- On 29 May 2015, the Company announced the signing of a memorandum of understanding with Indian Potash Ltd for the supply of 1.35 million tonnes of NPK, NPS and DAP fertilizers to India between 2015 and 2018.
- Plans to open sales offices in Sao Paulo, Brazil and Geneva, Switzerland in 2015 are on track, and the Company has additionally decided to open a sales office in Warsaw, Poland to focus on fertilizer sales in Northern and Eastern Europe.
- As result of the marketing efforts at the new trade 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.