PhosAgro and Chemoproject Nitrogen sign agreement for design engineering and procurement of equipment for the construction of a new granulated urea unit in the Vologda region

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Vologda - PhosAgro (Moscow Exchange, LSE: PHOR), a leading global vertically integrated phosphate-based fertilizer producer, and Chemoproject Nitrogen a.s., a leading global engineering company, have signed a contract for the design engineering and procurement of equipment for the construction of a 500 ths tonne/year granulated urea production unit at PhosAgro-Cherepovets in the Vologda region.

The agreement was signed by PhosAgro CEO Andrey Guryev and Chairman of the Board of Directors and CEO of Chemoproject Nitrogen a.s. Tomas Plachy, in the presence of the Vologda region's interim governor Oleg Kuvshinnikov.

Urea and granulation technology will be licensed from Stamicarbon from the Netherlands, the licensing and IP Center of Maire Tecnimont, which was the licensor on the construction of the second urea production unit at PhosAgro-Cherepovets, realised and commissioned by Chemoprojekt a.s. in 2012. This will be the first time that Stamicarbon's Urea2000plusTM technology will be used in combination with fluized bed granulation for producing granulated urea in Russia.

The construction of the third urea production unit at PhosAgro-Cherepovets is part of a comprehensive investment project to commission a new energy-efficient 760 ths tonnes/year ammonia plant in 2017 for the production and processing mineral fertilizers. The project is an integral part of PhosAgro's long-term modernisation strategy, which was developed under the leadership of the Gorny National Mineral and Natural Resource University (St. Petersburg) and aims to completely upgrade production capacities using the most advanced technology available.

Commissioning the new urea unit will increase PhosAgro Group's overall urea production capacity by 50%, and could make PhosAgro-Cherepovets the largest single producer of urea in Russia.

Total investments in the construction of the new urea unit and production infrastructure, which the company plans to finance through borrowing, are estimated at RUB 7.8 billion. The project will utilise the most advanced technology and modern equipment available, enabling it to deliver top performance in the areas of energy efficiency, resource conservation, operational efficiency, as well as ecological and industrial safety.

Construction and installation work will be carried out by local contractors as well as contractors from other Russian regions. In total, more than 1,000 workers of various specialisations will be engaged in the project, and the urea production will create approximately 90 new highly-skilled jobs. Employees on the production side will receive training onsite at the existing urea plant using Urea2000plusTM technology.

In addition to increased urea production, for which there is significant market demand, the project is also expected to increase tax payments into the regional budget, while providing a boost to the development of key infrastructure in the region, while also supporting residential property development for employees at PhosAgro's Cherepovets facilities.

The project will also bring significant environmental benefits. Launching new urea production facilities will help to decrease carbon dioxide emissions. Carbon dioxide will be used as a raw material in the production process, which is very important for the industrial city of Cherepovets.

In order to train all staff properly and to equip them to work at the high-tech facility, as well as at other divisions of PhosAgro-Cherepovets, PhosAgro and the local Vologda Government have jointly lead on the opening of a dedicated technical college in Cherepovets, while at the Cherepovets State University a new department has been created focused on the technology of non-organic substances and fertilizers.

PhosAgro CEO Andrey Guryev said: "Realising this complex and high-priority project to build a modern ammonia production facility to produce and further process into mineral fertilizers, including the new urea plant, will help us to strengthen further our position in the global fertilizer market and to expand our product range. The new urea plant will help to create new highly-skilled jobs, while also increasing our operating and financial efficiency. The project will increase our fertilizer production capacity by 25% by 2017."

Vologda Governor Oleg Kuvshinnikov added: "Not only is PhosAgro one of the world's largest fertilizer producers, continually seeking to develop its production capacity, but it is also a very socially responsible company, the largest taxpayer in the Vologda region and a great supporter of strategically important initiatives for the region. It is particularly important for us that the chemical production complex in Cherepovets was selected as the optimum platform for this ambitious project. This project will also support the development of related industries, create new jobs and increase tax contributions to the local budget, which in turn will allow for new important programmes to be introduced in the fields of sport, medicine and healthcare. We are ready to provide all necessary support for this project."

Tomas Plachy, Chemoproject Nitrogen a.s. CEO, remarked: "We are delighted to continue our cooperation with PhosAgro, a company that is always looking to apply best international practice and knowhow in design engineering, and to use the latest technology in the fertilizer production process. Our key competitive advantages include our long-standing cooperation via EPC contracts with Stamicarbon, our substantial experience in successfully completing similar projects, as well as our strong local Russian market knowledge, which we view as a strategically important market."