

PhosAgro 1H18 Fertilizer Output Increases 14% y-o-y

Moscow - PhosAgro (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, announces its operational results for the three months (2Q) and first half of the year (1H) ended 30 June 2018. Total fertilizer production for 2Q 2018 grew by more than 9% to 2.2 million tonnes. Production for 1H 2018 increased by nearly 14% year-on-year to more than 4.5 million tonnes.

PhosAgro's production and sales volumes are summarised in the tables below.

Production volumes by type						
('000 mt)	2Q 2018	2Q 2017	Chg y/y	1H 2018	1H 2017	Chg y/y
Phosphate-based & MCP	1,674.9	1,654.0	1.3%	3,432.1	3,227.6	6.3%
Nitrogen-based	552.7	385.0	43.6%	1,113.5	767.6	45.1%
Total fertilizers	2,227.6	2,039.0	9.2%	4,545.6	3,995.2	13.8%
PhosRock & nepheline	2,774.2	2,727.0	1.7%	5,563.9	5,229.3	6.4%
Other products	53.5	28.3	89.0%	96.4	57.1	68.8%

Sales volumes by type						
('000 mt)	2Q 2018	2Q 2017	Chg y/y	1H 2018	1H 2017	Chg y/y
Phosphate-based & MCP	1,646.0	1,636.7	0.6%	3,399.0	3,169.9	7.2%
Nitrogen-based	600.0	435.2	37.9%	1,267.0	895.7	41.5%
Total fertilizers	2,246.0	2,071.9	8.4%	4,666.0	4,065.6	14.8%
PhosRock & nepheline	968.0	921.8	5.0%	1,924.0	1,832.4	5.0%
Other products	69.0	43.2	59.7%	125.0	79.2	57.8%

Commenting on the 2Q 2018 operational results, PhosAgro CEO Andrey Guryev said:

"I am very pleased that PhosAgro has continued growing fertilizer production by nearly 10% year-on-year in the second quarter thanks to solid contributions from the newly launched urea and ammonia lines. With solid operating performance of more than 4.5 million tonnes of fertilizers produced in the first half of the year, we feel comfortable confirming our annual production guidance of nearly 9 million tonnes of finished products. Our long-term production and sales strategy aimed at maximising net-backs encouraged the company to focus in 2Q 2018 on producing DAP and concentrated NPK blends, which were more profitable due to robust import demand in India, the US and Europe. However, this focus on producing higher-margin, phosphorous-rich fertilizers led to a slight decrease in annual rates of production growth.

"In terms of our key products, in 2Q 2018 the Company almost doubled DAP production and increased output of concentrated NPK(S) by almost 10% year-on-year. This was offset by a 36% year-on-year cut in MAP output due to lower consumption in Brazil (where MAP is the key product) as farmers focused on more affordable NPK and NPS. In the mid-stream segment, we increased ammonia output by 60% after the launch of our new ammonia line in July 2017, while sulphuric acid

output was up by 7% thanks to upgrades of existing units.

“The flexibility of our sales policy, which is a cornerstone of our long-term strategy, helped to minimise the impact of lower levels of activity on the Brazilian market (which we believe to be temporary) and trade restrictions in Ukraine. In 1H 2018 we boosted sales to Europe by 60% year-on-year to almost 1.2 million tonnes, which is vindication of our strategy to go deeper into the distribution chain and establish a presence on the ground with new local offices. Sales to North America and Asia increased by almost 50% and 30% year-on-year, respectively. On the Russian market, volumes remained virtually unchanged at 1.2 million tonnes.

“Looking ahead to market conditions in August through October, we remain upbeat on prices. Although we believe that the effect of strong demand in India for DAP imports is probably already priced in, we may see some additional upside to current price levels due to: a) the onset of the main autumn season for markets including Russia, Europe and North America; b) the first signs of seasonal recovery in imports to Brazil – MAP imports collapsed by almost 40% year-on-year in 1H18, meaning additional demand is likely to appear in August-September; and c) the beginning of the high season in China, with local producers focusing on the domestic market. On the other hand, the continued ramp-up of new units in Saudi Arabia and Morocco may put some pressure on prices through November and December, which are the seasonally weak off-season for the market.”

The table below provides a breakdown of production volumes by major product:

Production volumes						
('000 MT)	2Q 2018	2Q 2017	Chg y/y	1H 2018	1H 2017	Chg y/y
Apatit mine and beneficiation plant						
Phosphate rock	2,537.8	2,456.5	3.3%	5,061.7	4,746.9	6.6%
Nepheline concentrate	236.4	270.5	(12.6%)	502.2	482.4	4.1%
Phosphate-based fertilizers						
DAP/MAP	721.7	775.6	(6.9%)	1,519.8	1,527.5	(0.5%)
NPK	687.4	664.8	3.4%	1,334.0	1,197.3	11.4%
NPS	101.0	37.7	167.9%	233.7	153.5	52.2%
APP	58.3	42.0	38.8%	110.0	85.2	29.1%
MCP	92.0	97.2	(5.3%)	180.2	193.6	(6.9%)
PKS	14.5	36.7	(60.5%)	54.4	70.5	(22.8%)
Nitrogen-based fertilizers						
AN	135.7	132.4	2.5%	279.2	262.2	6.5%
Urea	417.0	252.6	65.1%	834.3	505.4	65.1%
Other products						
STPP	26.5	16.1	64.6%	51.3	31.4	63.4%
Other	27.0	12.2	121.3%	45.1	25.7	75.5%
Feed stock						
Ammonia	493.0	308.1	60.0%	989.1	587.4	68.4%
Phosphoric acid	638.5	640.2	(0.3%)	1,294.6	1,236.6	4.7%
Sulphuric acid	1,459.5	1,364.5	7.0%	2,943.4	2,648.8	11.1%

The table below provides a breakdown of sales volumes by major product:

Sales volumes						
('000 mt)	2Q 2018	2Q 2017	Chg y/y	1H 2018	1H 2017	Chg y/y
Apatit mine and beneficiation plant						
Phosphate rock	733.0	657.2	11.5%	1,424.0	1,344.2	5.9%
Nepheline concentrate	235.0	264.6	(11.2%)	500.0	488.2	2.4%
Phosphate-based fertilizers						
DAP/MAP	726.0	765.2	(5.1%)	1,535.0	1,499.1	2.4%
NPK	663.0	667.0	(0.6%)	1,310.0	1,169.1	12.1%
NPS	91.0	38.5	136.4%	227.0	157.4	44.2%
APP	50.0	44.5	12.4%	97.0	101.4	(4.3%)
MCP	92.0	85.9	7.1%	177.0	175.4	0.9%
PKS	24.0	35.6	(32.6%)	53.0	67.5	(21.5%)
Nitrogen-based fertilizers						
AN	124.0	140.7	(11.9%)	373.0	369.0	1.1%
Urea	476.0	294.5	61.6%	894.0	526.7	69.7%
Other products						
STPP	26.0	22.0	18.2%	50.0	38.2	31%
Other	43.0	21.2	102.8%	75.0	41.0	83%

* Excluding intra-group sales

** Excluding feedstock