PhosAgro Fertilizer Production up 9% y-o-y in 1H 2016

Moscow – PhosAgro (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, announces its production results for the six months ended 30 June 2016.

Total fertilizer production and sales increased year-on-year in 1H 2016 by 8.7% and 7.7%, respectively. Production of phosphate-based fertilizers and feed phosphates in the first half of 2016 rose by 8.3% year-on-year to 2.9 million tonnes, while production of nitrogen-based fertilizers grew by 10.1% year-on-year to 0.8 million tonnes.

PhosAgro's production and sales volumes for 1H 2016 are summarized in the tables below.

Production volumes by type			
(kmt)	**1H 2016**	**1H 2015**	**Change y-o-y**
Phosphate-based fertilizers and MCP	2,894.70	2,671.7	8.3%
Nitrogen-based fertilizers	781.40	709.9	10.1%
TOTAL fertilizers	**3,676.10**	**3,381.6**	**8.7%**
Apatit mine and beneficiation plant	4,703.90	4,385.3	7.3%
Other products**	68.80	76.9	(10.5%)

Sales volumes by type			
(kmt)	**1H 2016**	**1H 2015**	**Change y-o-y**
Phosphate-based fertilizers and MCP	2,853.4	2,664.9	7.1%
Nitrogen-based fertilizers	786.7	715.7	9.9%
TOTAL fertilizers	**3,640.1**	**3,380.6**	**7.7%**
Apatit mine and beneficiation plant*	1,706.6	1,428.2	19.5%
Other products**	103.4	115.5	(10.5%)

Commenting on the 1H 2016 production results, PhosAgro CEO Andrey Guryev said:

"I am very pleased to announce another set of excellent operating results, with production and sales volumes increasing by 9% and 8% year-on-year, respectively. This marks the second consecutive year of our modernisation and debottlenecking programmes delivering strong, tangible results. PhosAgro's 1H 2016 performance is particularly impressive given that the market situation remains challenging.

"The industry is going through a very interesting year, yet there are a number of positive signs worth noting. We have seen some recovery in soft commodities, especially soybeans. We also saw positive economic developments in some regions that are major importers of phosphates: in Brazil famers' access to borrowing has significantly improved due to an interest rate subsidy, with further support coming from the recovery in soybean prices; in Argentina most export duties on cereals have been removed; looking at India, the phosphate subsidy was set at a level supportive for the local market, although the recent maximum retail price reduction has put some pressure on local distributors.

"Looking at the spot market overall, we saw a notable increase in P2O5 imports to Brazil of nearly 20% year-on-year in first half of 2016, although as we suggested before most of this growth was in the form of complex fertilizers and NPs. India DAP purchases for the period were down by almost 40% year-on-year, with local production supplying increasing local consumption. While there are no reliable statistics on complex fertilizer imports to India, I would not be surprised if we see a significant increase in complex fertilizer purchases for the full year: complex fertilizers with potash and sulphur accounted for over 60% of our sales to the country in 1H 2016. On the supply side China, which has become a major exporter in the past two-three years, has decreased export sales of phosphate-based fertilizers by almost two million tonnes, demonstrating 26% to 57% year-on-year reductions in various grades. At the same time Morocco has significantly increased its export sales of phosphate-based fertilizers, following the commissioning of almost three million tonnes of new capacities in the past two-three years and increasing capacity utilisation rates.

"With respect to our sales, I am delighted that our major markets continue to show good performance. PhosAgro's domestic market represents almost 30% of our fertilizer sales so far this year, with a 46% year-on-year increase in volumes. In 1H 2016 we have already sold over one million tonnes of fertilizers to Russian farmers. We see strong growth in the local agriculture industry on the back of the import substitution programme and government support.

"Looking at our export sales, each of the target markets where we are concentrating our efforts, Europe and Latin America, represented around 20% of our total fertilizer sales in 1H 2016. We achieved very impressive 23% year-on-year growth in Europe, and I believe there is even more potential demand for our very pure phosphate-based fertilizers as European regulations on heavy metals, especially cadmium, contained in fertilizing products is revised. Latin America has shown weaker results year-on-year, but the major MAP consumption season is still ahead.

"Looking forward to the remainder of 2016, I expect phosphate-based fertilizer consumption for the year to remain relatively stable, with greater demand likely to come from Latin America in connection with the upcoming soybean planting season. I also expect India to increase purchases in the second half of the year, given fertilizer stocks are depleted."

The table below provides a breakdown of production volumes by major product for 1H 2016:

Production volumes			
(kmt)	**1H 2016**	**1H 2015**	**Change y-o-y**
Apatit mine and beneficiation plant			
Phosphate rock	4,226.3	3,940.7	7.2%
Nepheline concentrate	477.6	444.6	7.4%
Phosphate-based fertilizers and MCP			
DAP/MAP	1,406.0	1,382.5	1.7%
NPK	955.1	942.2	1.4%
NPS	229.0	100.0	129.0%
APP	63.4	49.6	27.8%
MCP	175.7	128.1	37.2%
PKS	50.6	51.4	(1.6%)
SOP	14.9	17.9	(16.8%)
Nitrogen-based fertilizers			
AN	243.0	239.2	1.6%
Urea	538.4	470.7	14.4%
Other products			
AlF3	22.9	13.9	64.7%
STPP	45.9	63.0	(27.1%)
Feed stock			
Ammonia	608.1	545.0	11.6%
Phosphoric acid (kt P_2O_5)	1,122.3	1,050.0	6.9%
Sulphuric acid (kt monohydrate)	2,465.1	2,368.0	4.1%

The table below provides a breakdown of sales volumes by major product for 1H 2016:

Sales volumes			
(kmt)	**1H 2016**	**1H 2015**	**Change y-o-y**
Apatite mine and beneficiation plant			
Phosphate rock*	1,226.3	987.5	24.2%
Nepheline concentrate	480.3	440.7	9.0%
Phosphate-based fertilizers and MCP			
DAP/MAP	1,369.0	1,353.5	1.1%
NPK	955.2	953.2	0.2%
NPS	233.5	114.9	103.2%
APP	65.4	48.1	36.0%
MCP	165.5	119.9	38.0%
PKS	53.3	57.3	(7.0%)
SOP	11.5	18.0	(36.1%)
Nitrogen-based fertilizers			
AN	258.7	262.9	(1.6%)
Urea	528.0	452.8	16.6%
Other products			
AlF3	23.1	13.5	71.1%
STPP	54.3	59.9	(9.3%)
Ammonia	2.1	3.1	(32.3%)
Phosphoric acid	8.2	25.1	(67.3%)
Sulphuric acid	15.7	13.9	12.9%

* Excluding intra-group sales

** Excluding feed stock