

PhosAgro Fertilizer Production up 2.4% YoY in 1Q17

Moscow - PhosAgro (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, announces its operational results for 1Q 2017.

Downstream production of fertilizers grew by 2.4% year-on-year to 1.96 million tonnes in 1Q 2017, supported by a healthy 3.8% year-on-year increase in output of phosphate-based products to 1.58 million tonnes. The production of nitrogen-based fertilizers decreased slightly by 3.0% year-on-year.

Sales in 1Q 2017 reached almost 2 million tonnes (up by 8.7% year-on-year), while the sale of phosphate-based products grew by 9.2% year-on-year to more than 1.5 million tonnes. The sale of nitrogen-based products increased by 7.1% year-on-year to 0.46 million tonnes.

PhosAgro's production and sales volumes for 1Q 2017 and 1Q 2016 are summarised in the tables below.

Production Volumes by type			
(kmt)	1Q 2017	1Q 2016	Chng, y/y
Phosphate-based fertilizers and MCP	1,576.3	1,519.2	3.8%
Nitrogen-based fertilizers	382.6	394.4	(3.0%)
TOTAL FERTILIZERS	1,958.9	1,913.6	2.4%
Apatit mine and beneficiation plant	2,502.3	2,356.8	6.2%
Other products **	26.1	32.2	(18.9%)

Sales Volumes by type			
(kmt)	1Q 2017	1Q 2016	Chng, y/y
Phosphate-based fertilizers	1,536.0	1,406.9	9.2%
Nitrogen-based fertilizers	460.5	429.8	7.1%
TOTAL FERTILIZERS	1,996.5	1,836.7	8.7%
Apatit mine and beneficiation plant *	910.6	843.7	7.9%
Other products	33.2	45.8	(27.5%)

Commenting on the 1Q 2017 operational results, PhosAgro CEO Andrey Guryev said:

"I am very pleased that PhosAgro has delivered another set of strong operational results, which again proves that our strategy of organic growth of flexible production capacity is producing the desired results. PhosAgro's performance in phosphate-based fertilizer and phosphate rock production is exactly in line with the long-term development programme to 2020 reviewed by the Board of Directors at the end of 2016 and recently presented at our Capital Markets Day in March 2017.

"In terms of product mix, we saw much better demand for complex NPK(S) crop nutrients, as opposed to concentrated DAP/MAP fertilizers, in the first three months of the year. In 1Q 2017, sales of NPK/NPS grew by almost 15% year-on-year to more than 0.6 million tonnes, compared to a just

1% year-on-year increase for DAP/MAP fertilizers. PhosAgro's continued growth in production capacity thanks to ongoing debottlenecking, which remains one of the cheapest expansion options for us, and almost 9% year-on-year growth in sales have helped to partially offset the negative impact on margins from the rouble's appreciation against other currencies year-on-year in 1Q 2017.

"PhosAgro's domestic sales (Russia remains a priority market for the Company) in the first quarter of 2017 increased by nearly 30% year-on-year and exceeded 0.6 million tonnes. According to preliminary numbers from the Russian Association of Fertilizer Producers, demand for nitrogen fertilizers (AN + Urea) in Russia was slightly weaker year-on-year, but this was almost fully compensated for by the growth in consumption of phosphate-based fertilizers (MAP+NPKs).

"Looking at global seaborne markets in 1Q 2017, we saw further expansion of export-oriented capacities in the MENA region (predominantly from OCP as a result of new capacities commissioned in 2H 2016 and 1Q 2017) and some recovery in export volumes from China driven by favourable pricing in February and March combined with the low base of 2016. Exports of phosphates (DAP+MAP+NP) from China in 1Q 2017 rose by 290k tonnes, or 30% year-on-year. This was significantly outpaced, however, by growing demand, especially from Brazil: in 1Q 2017 Brazilian imports of phosphate-based fertilizers doubled year-on-year in P2O5 content, while the import of MAP almost tripled year-on-year.

"Looking ahead to the rest of 2017, we see that pricing is fully in line with normal market price seasonality. February and March saw a sharp recovery in prices (DAP FOB Tampa reached USD 375 per tonne from USD 315 per tonne in mid-December) triggered by the fast development of the purchasing season, growth in feedstock prices and very tight product availability. However, we currently see some seasonal softening after the end of the spring season in Europe and North America, and higher export potential from China, where the domestic high season ends in April. The revival of demand from southern Asia that typically occurs in May-June will be the next seasonal milestone. In India, the subsidy scheme remains favourable for imported phosphates, while the recent Rupee appreciation implies higher price affordability. Finally, the increased NPS subsidy may boost demand for sulphur-containing fertilizers like those in PhosAgro's production portfolio.

"In closing, I would once again confirm that our key investment projects, the construction of new ammonia and urea units, are both on schedule and due to be fully operational in August and September of this year."

The table below provides a breakdown of production volumes by major product for 1Q 2017 and 1Q 2016:

Production Volumes			
(kmt)	1Q 2017	1Q 2016	Change y-o-y
<i>Apatit mine and beneficiation plant</i>			
Phosphate rock	2,290.4	2,136.5	7.2%
Nepheline concentrate	211.9	220.3	(3.8%)
<i>Phosphate-based fertilizers</i>			
DAP/MAP	751.9	746.1	0.8%
NPK	532.5	474.9	12.1%
NPS	115.8	146.6	(21.0%)
APP	43.2	35.2	22.7%
MCP	96.4	84.4	14.2%

PKS	33.8	24.6	37.4%
SOP	2.7	7.4	(63.5%)
<i>Nitrogen-based fertilizers</i>			
AN	129.8	129.9	(0.1%)
Urea	252.8	264.5	(4.4%)
<i>Other products</i>			
AIF3	10.8	11.3	(4.4%)
STPP	15.3	20.9	(26.8%)
<i>Feedstock</i>			
Ammonia	279.3	297.9	(6.2%)
Phosphoric acid	596.4	587.7	1.5%
Sulphuric acid	1,284.3	1,285.4	(0.1%)

The table below provides a breakdown of sales volumes by major product for 1Q 2017 and 1Q 2016:

Sales Volumes			
(kmt)	1Q 2017	1Q 2016	Change y-o-y
<i>Apatit mine and beneficiation plant</i>			
Phosphate rock	687.0	632.2	8.7%
Nepheline concentrate	223.6	211.5	5.7%
<i>Phosphate-based fertilizers</i>			
DAP/MAP	733.9	726.5	1.0%
NPK	502.1	437.8	14.7%
NPS	118.9	105.2	13.0%
APP	56.9	36.2	57.2%
MCP	89.5	73.3	22.1%
PKS	31.9	21.6	47.7%
SOP	2.8	6.3	(55.6%)
<i>Nitrogen-based fertilizers</i>			
AN	228.3	189.0	20.8%
Urea	232.2	240.8	(3.6%)
<i>Other products</i>			
AIF3	11.0	11.6	(5.2%)
STPP	16.2	24.7	(34.4%)
Ammonia	1.4	1.1	27.3%
Phosphoric acid	2.6	5.8	(55.2%)
Sulphuric acid	2.0	2.6	(23.1%)

* Excluding intra-group sales

** Excluding feedstock