

PhosAgro Fertilizer Production up Nearly 9% YoY in 1H 2017

Moscow - PhosAgro (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, announces its operational results for 1H 2017. Overall fertilizer production grew by 8.8% year-on-year to almost 4 million tonnes, while sales increased by 11.8% year-on-year to 4.1 million tonnes.

In the second quarter of 2017, downstream production of fertilizers grew by 15.7% year-on-year, or 4.1% quarter-on-quarter, to 2.04 million tonnes, supported by a healthy increase of more than 20% year-on-year, or 4.9% quarter-on-quarter, in output of phosphate-based products to 1.65 million tonnes. Production of nitrogen-based fertilizers in 2Q 2017 was virtually unchanged year-on-year and quarter-on-quarter, and stood at 0.4 million tonnes.

Total fertilizer sales reached almost 2.1 million tonnes in 2Q 2017, up by 15% year-on-year and by 3.8% quarter-on-quarter, while the sale of phosphate-based products grew by 13.2% year-on-year to more than 1.6 million tonnes. The sale of nitrogen-based products expanded by 21.9% year-on-year to 0.43 million tonnes.

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

Production Volumes by type						
('000 mt)	2Q 2017	2Q 2016	Chng y/y	1H 2017	1H 2016	Chng y/y
Phosphate-based & MCP	1,654.0	1,375.5	20.2%	3,230.3	2,894.7	11.6%
Nitrogen-based	385.0	387.0	(0.5%)	767.6	781.4	(1.8%)
Total Fertilizers	2,039.0	1,762.5	15.7%	3,997.9	3,676.1	8.8%
PhosRock & Nepheline	2,727.0	2,347.1	16.2%	5,229.3	4,703.9	11.2%
Other products	28.3	36.6	(22.7%)	54.4	68.8	(20.9%)

Sales Volumes by type						
('000 mt)	2Q 2017	2Q 2016	Chng y/y	1H 2017	1H 2016	Chng y/y
Phosphate-based & MCP	1,638.0	1,446.5	13.2%	3,174.0	2,853.4	11.2%
Nitrogen-based	435.2	356.9	21.9%	895.7	786.7	13.9%
Total Fertilizers	2,073.2	1,803.4	15.0%	4,069.7	3,640.1	11.8%
PhosRock & Nepheline	921.8	862.9	6.8%	1,832.4	1,706.6	7.4%
Other products	41.9	57.6	(27.3%)	75.1	103.4	(27.4%)

Commenting on the 2Q 2017 operational results, PhosAgro CEO Andrey Guryev said:

"Our long-term strategy continues to prove its ability to secure PhosAgro's solid operational performance through market cycles, thanks to a focus on production and sales flexibility, as well as organic growth through debottlenecking and modernisation. We have achieved good results both in upstream and downstream, and we confirm our guidance regarding the production targets disclosed at PhosAgro's Capital Markets Day in March 2017.

“In terms of product mix, we saw comparable 9-12% year-on-year growth in sales of both NPK/NPS/PKS crop nutrients and concentrated DAP/MAP fertilizers. The increase in concentrated fertilizer sales was supported by a more-than 25% year-on-year growth in MAP sales, driven by demand from the Russian and Brazilian markets.

“Russia remains a priority market for the Company, and PhosAgro’s domestic sales in the first half of 2017 increased by more than 20% year-on-year, supported by improved sales of MAP, NPK and ammonium nitrate. This impressive growth in sales, despite overall consumption for the Russian market remaining nearly flat, serves as confirmation of the success of our approach of being closer to end customers with a strong domestic distribution network. Overall, our domestic market accounted for more than 30% of total sales.

“Looking at priority export markets, we were very pleased to achieve more than 60% year-on-year growth in shipments to Brazil, as well as nearly doubling volumes to CIS countries other than Russia. Sales of phosphate-based fertilizers to Europe grew by 14% year-on-year in 1H 2017.

“Looking at global seaborne markets in the first half of 2017, we saw further expansion of export-oriented capacities in the MENA region with the continued ramp-up of new units in Morocco, as well as growth in export volumes from China. In 1H 2017 the export of phosphates from China grew by almost 25% year-on-year. On the demand side, Brazilian imports of phosphates grew by nearly 40% year-on-year (in P2O5 content), which was partially offset by some delay in the high buying season in India due to uncertainties related to changes in the tax system that were only resolved at the end of June.

“Looking ahead to the rest of 2017, the start of the high season in India, pre-winter buying activity in the Northern hemisphere and risks of further potential production cuts in China may provide extra protection to market prices against additional supply coming from new units at OCP and Ma’aden, as well as weakening feedstock prices (primarily ammonia).

“In closing I want to underscore that our key investment projects, the construction of new ammonia and granulated urea units, are on schedule. The ammonia unit is already running in trial mode and is expected to be fully operational in September/October. The ramp-up of the granulated urea unit is expected in September/October as well.”

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

Production Volumes						
('000 mt)	2Q 2017	2Q 2016	Chng y/y	1H 2017	1H 2016	Chng y/y
Apatit mine and beneficiation plant						
Phosphate rock	2,456.5	2,089.8	17.5%	4,746.9	4,226.3	12.3%
Nepheline concentrate	270.5	257.3	5.1%	482.4	477.6	1.0%
Phosphate-based fertilizers						
DAP/MAP	775.6	659.9	17.5%	1,527.5	1,406.0	8.6%
NPK	664.8	480.2	38.4%	1,197.3	955.1	25.4%
NPS	37.7	82.4	(54.2%)	153.5	229.0	(33.0%)
APP	42.0	28.2	48.9%	85.2	63.4	34.4%
MCP	97.2	91.3	6.5%	193.6	175.7	10.2%
PKS	36.7	26.0	41.2%	70.5	50.6	39.3%
SOP	0.0	7.5	(100.0%)	2.7	14.9	(81.9%)

Nitrogen-based fertilizers						
AN	132.4	113.1	17.1%	262.2	243.0	7.9%
Urea	252.6	273.9	(7.8%)	505.4	538.4	(6.1%)
Other products						
AIF3	12.2	11.6	5.2%	23.0	22.9	0.4%
STPP	16.1	25.0	(35.6%)	31.4	45.9	(31.6%)
Feed stock						
Ammonia	308.1	310.2	(0.7%)	587.4	608.1	(3.4%)
Phosphoric acid	640.2	534.6	19.8%	1,236.6	1,122.3	10.2%
Sulphuric acid	1,364.5	1,179.7	15.7%	2,648.8	2,465.1	7.5%

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

Sales Volumes						
('000 mt)	2Q 2017	2Q 2016	Chng y/y	1H 2017	1H 2016	Chng y/y
Apatit mine and beneficiation plant						
Phosphate rock	657.2	594.1	10.6%	1,344.2	1,226.3	9.6%
Nepheline concentrate	264.6	268.8	(1.6%)	488.2	480.3	1.6%
Phosphate-based fertilizers						
DAP/MAP	765.2	642.5	19.1%	1,499.1	1,369.0	9.5%
NPK	667.0	517.4	28.9%	1,169.1	955.2	22.4%
NPS	38.5	128.3	(70.0%)	157.4	233.5	(32.6%)
APP	44.5	29.2	52.4%	101.4	65.4	55.0%
MCP	85.9	92.2	(6.8%)	175.4	165.5	6.0%
PKS	35.6	31.7	12.3%	67.5	53.3	26.6%
SOP	1.3	5.2	(75.0%)	4.1	11.5	(64.3%)
Nitrogen-based fertilizers						
AN	140.7	69.7	101.9%	369.0	258.7	42.6%
Urea	294.5	287.2	2.5%	526.7	528.0	(0.2%)
Other products						
AIF3	12.3	11.5	7.0%	23.3	23.1	0.9%
STPP	22.0	29.6	(25.7%)	38.2	54.3	(29.7%)

* Excluding intra-group sales

** Excluding feedstock