

PhosAgro Fertilizer Production up 9.4% YoY in 2016

Moscow - PhosAgro (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, announces its operational results for 4Q 2016 and full year 2016.

In FY 2016 overall fertilizer production reached 7.4 million tonnes (a 9.4% year-on-year increase), while production of phosphate-based products grew by 10.8% year-on-year to 5.9 million tonnes. The full year results were supported by strong performance in 4Q 2016, during which the Company achieved a 13.4% year-on-year increase in total production (2.0 million tonnes), and a 16.9% year-on-year rise in production of phosphate-based goods. Production of nitrogen fertilizers grew by 4.3% year-on-year in 2016, reaching 1.5 million tonnes.

Sales in FY 2016 reached 7.2 million tonnes (an 8.8% year-on-year increase), while the sale of phosphate-based products grew by 10.6% year-on-year to 5.8 million tonnes. Total fertilizer sales in 4Q 2016 advanced by 12.7% year-on-year to 1.7 million tonnes, driven by an 18.5% year-on-year increase in the sale of phosphate-based fertilizers to 1.4 million tonnes.

PhosAgro's production and sales volumes for 4Q and FY 2016 are summarised in the tables below.

Production Volumes by type						
(kmt)	4Q 2016	4Q 2015	Chng, y/y	2016	2015	Chng, y/y
Phosphate-based fertilizers and MCP	1,582.1	1,353.0	16.9%	5,929.9	5,353.0	10.8%
Nitrogen-based fertilizers	406.1	399.8	1.6%	1,495.0	1,433.4	4.3%
TOTAL FERTILIZERS	1,988.2	1,752.8	13.4%	7,424.9	6,786.4	9.4%
Apatit mine and beneficiation plant*	2,456.6	2,392.2	2.7%	9,488.3	8,805.2	7.8%
Other products **	36.2	44.3	(18.3%)	138.9	159.6	(13.0%)

Sales Volumes by type						
(kmt)	4Q 2016	4Q 2015	Chng, y/y	2016	2015	Chng, y/y
Phosphate-based fertilizers	1,418.1	1,196.3	18.5%	5,829.2	5,270.8	10.6%
Nitrogen-based fertilizers	327.3	352.4	(7.1%)	1,394.0	1,365.4	2.1%
TOTAL FERTILIZERS	1,745.4	1,548.7	12.7%	7,223.2	6,636.2	8.8%
Apatit mine and beneficiation plant *	838.4	864.0	(3.0%)	3,418.0	2,917.0	17.2%
Other products**	38.3	51.2	(25.2%)	190.2	215.7	(11.8%)

Commenting on the 4Q and FY 2016 operational results, PhosAgro CEO Andrey Guryev said:

"I am very pleased that PhosAgro has delivered another set of strong operational results, which proves our strategy of organic growth in flexible production capacity is achieving the desired goals. PhosAgro's phosphate-based production output grew by 11% year-on-year in 2016, to almost six million tonnes, supported by an impressive 17% year-on-year increase in the fourth quarter. The

growth in production capacity, coupled with cost-cutting measures, should help to keep cash costs under control, and sustain good margins even as the rouble appreciates against other currencies.

“According to preliminary numbers from IFA, global demand for phosphates was healthy in 2016, advancing more than 3% vs. 2015. This is a much faster rate of growth than what was seen for either nitrogen or potash fertilizers. Demand growth was supported by a recovery in consumption in Latin America, and stable performance in South Asia. On the supply side, lower production and exports from China due to rising cash costs were offset by higher volumes from other major players that have undertaken large-scale development programmes, as well as increased production from non-integrated players due to low feedstock prices.

“PhosAgro’s domestic sales increased by an impressive 30% year-on-year in 2016 and reached nearly 2.1 million tonnes. The Russian market remained one of the fastest-growing globally last year, up 16% year-on-year according to preliminary data from the Russian Association of Fertilizer Producers, driven by strong development of the domestic agriculture industry.

“Looking at export markets, the key destinations for PhosAgro in 2016 were Europe, Latin America and Asia. In Europe, total sales grew by more than 20% year-on-year and exceeded 1.5 million tonnes, helped by our successful strategy of opening trade offices in key export markets. Sales to Latin America decreased by just 10% year-on-year to 1.3 million tonnes. Our Asian sales grew by almost 20% year-on-year, reaching over 1.1 million tonnes, with the majority going to South-East Asia as opposed to India.

“In terms of product mix, we saw better demand for complex NPK crop nutrients, as opposed to concentrated DAP/MAP fertilizers. For FY 2016, overall sales of NPK/NPS grew by almost 20% year-on-year, compared to just a 2% year-on-year increase for DAP/MAP fertilizers.

“Looking ahead to 2017, we have started the year at prices that represent historical lows for the past 10 years, and I expect the price seasonality to be in line with what the market normally sees. The fundamentals driving demand for phosphate-based products remain strong, which, coupled with the recovery in ammonia prices from below USD 170/tonne FOB Black Sea in October 2016 to almost USD 300/tonne currently increasing the cost for the majority of market suppliers, greater rationalisation by high-cost, non-integrated Chinese producers, and very tight product availability, will push prices up with as the high season unfolds. Moreover, we already see the first signs of a recovery in phosphate prices: in the last week, DAP FOB Tampa reached USD 335/tonne, which is USD 20 above the lows seen in December last year.

“Finally, I would once again confirm that our key investment projects, the construction of new ammonia and urea units, are both on schedule and expected to be fully operational in the second half of this year. Cost savings from using ammonia we produce, instead of purchasing externally, combined with higher products sales volumes, should have a positive impact on free cash flow and potentially dividend payments.”

The table below provides a breakdown of production volumes by major product for 4Q and FY 2016:

Production Volumes						
(kmt)	4Q 2016	4Q 2015	Chng, y/y	2016	2015	Chng, y/y
Apatit mine and beneficiation plant						
Phosphate rock	2,239.3	2,122.1	5.5%	8,530.2	7,853.3	8.6%
Nepheline concentrate	217.3	270.1	(19.5%)	958.1	951.9	0.7%
Phosphate-based fertilizers						

DAP/MAP	746.9	648.7	15.1%	2,768.9	2,643.2	4.8%
NPK	588.0	413.6	42.2%	2,060.0	1,922.6	7.1%
NPS	104.8	150.4	(30.3%)	512.4	272.8	87.8%
APP	40.0	31.4	27.4%	138.8	109.6	26.6%
MCP	83.8	79.6	5.3%	338.6	272.2	24.4%
PKS	13.3	20.2	(34.2%)	85.1	95.9	(11.3%)
SOP	5.3	9.1	(41.8%)	26.1	36.7	(28.9%)
Nitrogen-based fertilizers						
AN	137.5	125.7	9.4%	458.9	455.3	0.8%
Urea	268.6	274.1	(2.0%)	1 036.1	978.1	5.9%
Other products						
AIF3	11.6	11.2	3.6%	46.0	36.1	27.4%
STPP	24.6	33.1	(25.7%)	92.9	123.5	(24.8%)
Feed stock						
Ammonia	314.1	314.3	(0.1%)	1,198.6	1,111.6	7.8%
Phosphoric acid	591.0	539.6	9.5%	2,261.5	2,114.2	7.0%
Sulphuric acid	1,275.3	1,183.7	7.7%	4,926.1	4,711.2	4.6%

The table below provides a breakdown of sales volumes by major product for 4Q and FY 2016:

Sales Volumes						
(kmt)	4Q 2016	4Q 2015	Chng, y/y	2016	2015	Chng, y/y
Apatit mine and beneficiation plant						
Phosphate rock	608.5	593.7	2.5%	2,448.3	1,962.4	24.8%
Nepheline concentrate	229.9	270.3	(14.9%)	969.7	954.6	1.6%
Phosphate-based fertilizers						
DAP/MAP	637.6	626.8	1.7%	2,696.4	2,639.2	2.2%
NPK	502.9	318.8	57.7%	2,043.5	1,878.5	8.8%
NPS	151.8	122.5	23.9%	517.3	265.3	95.0%
APP	19.9	40.2	(50.5%)	115.4	104.5	10.4%
MCP	92.7	72.7	27.5%	338.5	257.7	31.4%
PKS	7.8	5.7	36.8%	90.1	89.8	0.3%
SOP	5.4	9.6	(43.8%)	28.0	35.8	(21.8%)
Nitrogen-based fertilizers						
AN	65.9	80.7	(18.3%)	375.5	416.0	(9.7%)
Urea	261.4	271.7	(3.8%)	1 018.5	949.4	7.3%
Other products						
AIF3	12.2	11.0	10.9%	46.0	35.8	28.5%
STPP	19.8	26.9	(26.4%)	96.1	113.1	(15.0%)
Ammonia	1.2	1.5	(20.0%)	4.6	6.1	(24.6%)
Phosphoric acid	2.8	9.3	(69.9%)	13.6	41.1	(66.9%)
Sulphuric acid	2.3	2.5	(8.0%)	29.9	19.6	52.6%

* Excluding intra-group sales

** Excluding feed stock