

# PhosAgro Fertilizer Production up 10% y-o-y in Q1 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 three months ended 31 March 2016.

Total fertilizer production and sales increased year-on-year in Q1 2016 by 10.2% and 8.2%, respectively. Production of phosphate-based fertilizers and feed phosphates for first quarter increased by 13.1% to 1.5 million tonnes, production of nitrogen-based fertilizers was stable at 0.4 million tonnes.

PhosAgro's production and sales volumes for Q1 2016 are summarized in the tables below.

<b>Production volumes by type</b>			
<i>(kmt)</i>	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Change y-o-y</b>
Phosphate-based fertilizers and MCP	1,519.2	1,342.7	13.1%
Nitrogen-based fertilizers	394.4	394.0	0.1%
<b>TOTAL fertilizers</b>	<b>1,913.6</b>	<b>1,736.7</b>	<b>10.2%</b>
Apatit mine and beneficiation plant	2,356.8	2,224.6	5.9%
Other products**	32.2	38.6	(16.6%)

<b>Sales volumes by type</b>			
<i>(kmt)</i>	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Change y-o-y</b>
Phosphate-based fertilizers and MCP	1,406.9	1,285.4	9.5%
Nitrogen-based fertilizers	429.8	412.5	4.2%
<b>TOTAL fertilizers</b>	<b>1,836.7</b>	<b>1,697.9</b>	<b>8.2%</b>
Apatit mine and beneficiation plant*	843.7	724.3	16.5%
Other products**	45.8	51.7	(11.4%)

Commenting on the Q1 2016 operational 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 10% and 8% year-on-year, respectively. We are benefitting from the results of the modernisation and debottlenecking projects implemented in 2015, and continued business process optimisation this year has brought phosphate-based fertilizer production up by an impressive 13% year-on-year. This is particularly impressive given the market situation during Q1 2016.

“The first three months of 2016 were very difficult across all commodity markets, with oil declining to USD 25/barrel. We believe that this was the main reason for DAP prices declining to USD 360/tonne FOB Tampa equivalent. As a result, many phosphate-based fertilizer producers decided once again to curtail production in the first quarter, which is unusual, given that in normal market conditions during the first quarter we would see the season developing in mature markets like the United States and Europe. Over the past 2-3 years, we saw importers trying to build up fertilizer stocks while prices were low, but this has not happened yet in 2016. At the same time, demand will inevitably appear, I believe that as soon as later this month, and we will see much stronger volumes throughout summer.

“Our domestic market performance was strong last year, and this year it is exceeding all our expectations: in Q1 2016 we significantly increased sales to half a million tonnes of fertilizers. Measures taken by the Russian Government have helped to increase the efficiency of agricultural production in Russia, which gives us reason to expect further production growth – and this will lead to higher domestic fertilizer consumption.

“Looking at our sales on export markets, most of our traditional markets were relatively stable year-on-year.

“Average DAP prices during the period declined to USD 370/tonne FOB Tampa. PhosAgro, unlike many other producers, compensated for this with a significant increase in sales volumes; at the same time, the average RUB/USD exchange rate during the period declined by 20% year-on-year to 74.64, compared to 62.19 in Q1 2015. These two factors will significantly compensate for the price weakness, and I look forward to reporting another strong set of financial results for the first quarter, with solid free cash flow generation providing a basis for the Board of Directors to potentially recommend a dividend payment for the first quarter after it reviews the financial results for the period.

“Looking forward to the remainder of 2016, we expect phosphate-based fertilizer consumption for the year to remain relatively stable, with more upside risk coming from Latin America – and not just from Brazil, where interest rates for farmers are now subsidised, thus removing the main issue that affected demand in 2015 – but Argentina as well, where the recent changes have farmers looking to significantly expand production. India was very early to market this year as the subsidy was decreased by just 15%, while DAP prices decreased vs. March 2015 by more than 25%. We believe that overall there is more upside risk in terms of P<sub>2</sub>O<sub>5</sub> consumption, especially in complex fertilizers. At the same time, we have already seen a dramatic reduction in MAP/DAP exports from China of around 50% since the beginning of the year. All of these factors will be very supportive for prices going forward.”

The table below provides a breakdown of production volumes by major product for Q1 2016:

<b>Production volumes</b>			
<b>(kmt)</b>	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Change y-o-y</b>
<i>Apatit mine and beneficiation plant</i>			
Phosphate rock	2,136.5	2,020.7	5.7%
Nepheline concentrate	220.3	203.9	8.0%
<i>Phosphate-based fertilizers and MCP</i>			
DAP/MAP	746.1	703.1	6.1%
NPK	474.9	442.3	7.4%

NPS	146.6	65.2	124.8%
APP	35.2	33.4	5.4%
MCP	84.4	61.8	36.6%
PKS	24.6	26.3	(6.5%)
SOP	7.4	10.6	(30.2%)
<i>Nitrogen-based fertilizers</i>			
AN	129.9	126.5	2.7%
Urea	264.5	267.5	(1.1%)
<i>Other products</i>			
AlF3	11.3	7.4	52.7%
STPP	20.9	31.2	(33.0%)
<i>Feed stock</i>			
Ammonia	297.9	307.7	(3.2%)
Phosphoric acid (kt P <sub>2</sub> O <sub>5</sub> )	587.7	525.5	11.8%
Sulphuric acid (kt monohydrate)	1,285.4	1,181.9	8.8%

The table below provides a breakdown of sales volumes by major product for Q1 2016:

<b>Sales volumes</b>			
<b>(kmt)</b>	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Change y-o-y</b>
<i>Apatite mine and beneficiation plant</i>			
Phosphate rock*	632.2	518.0	22.0%
Nepheline concentrate	211.5	206.3	2.5%
<i>Phosphate-based fertilizers and MCP</i>			
DAP/MAP	726.5	697.2	4.2%
NPK	437.8	429.6	1.9%
NPS	105.2	41.8	151.7%
APP	36.2	25.4	42.5%
MCP	73.3	55.6	31.8%
PKS	21.6	25.9	(16.6%)
SOP	6.3	9.9	(36.4%)
<i>Nitrogen-based fertilizers</i>			
AN	189.0	179.6	5.2%
Urea	240.8	232.9	3.4%
<i>Other products</i>			
AlF3	11.6	7.3	58.9%
STPP	24.7	19.4	27.3%
Ammonia	1.1	1.5	(26.7%)
Phosphoric acid	5.8	12.6	(54.0%)
Sulphuric acid	2.6	10.9	(76.1%)

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\* Excluding intra-group sales

\*\* Excluding feed stock