

# PhosAgro Fertilizer Output up 19% y-o-y in 3Q 2017

**Moscow - PhosAgro** (Moscow Exchange, LSE: PHOR), one of the world's leading vertically integrated phosphate-based fertilizer producers, announces its operational results for the three months (3Q) and nine months (9M) ended 30 September 2017. Overall fertilizer production for 3Q and 9M 2017 grew by almost 19% and 12% year-on-year to nearly 2.1 and 6.1 million tonnes, respectively.

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

<b>Production volumes by type</b>						
<b>('000 mt)</b>	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>Chg y/y</b>	<b>9M 2017</b>	<b>9M 2016</b>	<b>Chg y/y</b>
Phosphate-based & MCP	1,683.6	1,453.1	15.9%	4,913.9	4,347.8	13.0%
Nitrogen-based	405.5	307.5	31.9%	1,173.1	1,088.9	7.7%
<b>Total fertilizers</b>	<b>2,089.1</b>	<b>1,760.6</b>	<b>18.7%</b>	<b>6,087.0</b>	<b>5,436.7</b>	<b>12.0%</b>
PhosRock & nepheline	2,668.1	2,327.8	14.6%	7,897.4	7,031.7	12.3%
Other products	35.1	33.9	3.5%	89.5	102.7	(12.9%)

<b>Sales volumes by type</b>						
<b>('000 mt)</b>	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>Chg y/y</b>	<b>9M 2017</b>	<b>9M 2016</b>	<b>Chg y/y</b>
Phosphate-based & MCP	1,715.8	1,557.7	10.1%	4,889.8	4,411.1	10.9%
Nitrogen-based	309.4	280.0	10.5%	1,205.1	1,066.7	13.0%
<b>Total fertilizers</b>	<b>2,025.2</b>	<b>1,837.7</b>	<b>10.2%</b>	<b>6,094.9</b>	<b>5,477.8</b>	<b>11.3%</b>
PhosRock & nepheline	901.4	873.0	3.3%	2,733.8	2,579.6	6.0%
Other products	56.0	36.6	53.0%	131.1	140.0	(6.4%)

Commenting on the 3Q 2017 operational results, PhosAgro CEO Andrey Guryev said:

"PhosAgro's position as one of the world's leading phosphate-based producers in terms of cash costs has been further strengthened by our continuous focus on vertical integration and efficiency, as well as the ramp-up of the new ammonia unit. This has enabled us to deliver sustainable, record high operating results in both our upstream and downstream divisions, and to offset the negative effects of currency fluctuations and market prices, meaning we continue to create value for PhosAgro's shareholders and investors.

"In 3Q 2017, downstream production of fertilizers grew by almost 19% year-on-year to nearly 2.1 million tonnes, supported by a healthy 16% year-on-year increase in the output of phosphate-based products to 1.7 million tonnes, while the production of nitrogen-based fertilizers grew by 32% year-on-year and exceeded 0.4 million tonnes.

"With our major investment projects completed, PhosAgro's strategy will continue to focus on organic growth, which we believe is the most effective way to navigate the current market environment while remaining fully ready to shift into high gear as soon as the market cycle turns

upward, with no significant burden on the Company's balance sheet.

"Our sales strategy, which is based on the principle of 'moving closer to our end customers' is also a cornerstone of our long-term strategy, and is the best way for PhosAgro to capture value as we grow production volumes and maintain the flexibility to adjust to agricultural producers' changing fertilizer usage trends. We believe that our expanded portfolio of fertilizer grades, coupled with growing volumes and exceptionally high quality fertilizers that are virtually free from potentially harmful heavy metals and other impurities, make PhosAgro crop nutrients the 'natural' choice for farmers and food consumers around the world in light of growing concerns about the quality of fertilizers and potential impact on human health."

#### Sales overview

- In 3Q17 Sales of both complex NPK/NPS/PKS crop nutrients and concentrated DAP/MAP saw similar 12% year-on-year growth. Demand for DAP/MAP was supported by more than 25% year-on-year growth in MAP sales, primarily to the Russian and CIS markets.
- Russia remains a priority market for the Company; PhosAgro's domestic sales in 9M 2017 increased by almost 20% year-on-year and have already exceeded 2.1 million tonnes. Overall, our domestic market accounted for almost 35% of total sales in the first nine months of 2017. According to the Russian Association of Fertilizer Producers, total fertilizer sales in Russia grew by only 5% year-on-year.
- Sales to CIS countries other than Russia grew by more than 60% year-on-year, while volumes to North America more than doubled. Sales of phosphate-based fertilizers to Europe grew by 17% year-on-year during 9M 2017. Russia and Europe remain two of the key priority markers for the Company.

#### Market overview

- In 3Q17 export-oriented capacities expanded with the ramp-up of Ma'aden's new capacity coupled with further growth in exports from China. However, the export of phosphates (DAP/MAP/NP/TSP) from China grew by 20% year-on-year in 3Q 2017, which represents a slowdown from the 30% year-on-year increase seen in 6M 2017.
- On the demand side, Brazilian imports of phosphates were resilient in 3Q 2017, growing by 80% year-on-year (in P<sub>2</sub>O<sub>5</sub> content), while MAP and NP imports increased by 60% and 80% year-on-year, respectively. According to preliminary data, DAP imports into India for 9M 2017 were down by 20% year-on-year and amounted to 3.1 mln tonnes.

#### Outlook

- Looking ahead to the rest of 2017 and the beginning of 2018, significant inflation in main feedstock prices (ammonia and sulphur), growth in coal prices in China (the main feedstock for ammonia production), and tighter environmental regulation in China should protect market prices against additional supply coming from new units at OCP and Ma'aden, while a decrease in inventories in India this year should result in demand emerged earlier than usual in 2018.

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

<b>Production volumes</b>						
<b>('000 MT)</b>	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>Chg y/y</b>	<b>9M 2017</b>	<b>9M 2016</b>	<b>Chg y/y</b>
<b>Apatit mine and beneficiation plant</b>						
Phosphate rock	2,414.2	2,064.6	16.9%	7,161.1	6,290.9	13.8%
Nepheline concentrate	253.9	263.2	(3.5%)	736.3	740.8	(0.6%)
<b>Phosphate-based fertilizers</b>						
DAP/MAP	746.8	616.0	21.2%	2,274.3	2,022.0	12.5%
NPK	676.3	516.9	30.8%	1,873.6	1,472.0	27.3%
NPS	135.0	178.6	(24.4%)	288.5	407.6	(29.2%)
APP	30.2	35.4	(14.7%)	115.4	98.8	16.8%
MCP	82.5	79.1	4.3%	276.1	254.8	8.4%
PKS	12.8	21.2	(39.6%)	83.3	71.8	16.0%
SOP	0.0	5.9	(100.0%)	2.7	20.8	(87.0%)
<b>Nitrogen-based fertilizers</b>						
AN	93.4	78.4	19.1%	355.6	321.4	10.6%
Urea	312.1	229.1	36.2%	817.5	767.5	6.5%
<b>Other products</b>						
AlF3	11.9	11.5	3.5%	34.9	34.4	1.5%
STPP	23.2	22.4	3.6%	54.6	68.3	(20.1%)
<b>Feed stock</b>						
Ammonia	364.1	276.4	31.7%	951.5	884.5	7.6%
Phosphoric acid	641.0	548.2	16.9%	1,877.6	1,670.5	12.4%
Sulphuric acid	1,398.6	1,185.7	18.0%	4,047.4	3,650.8	10.9%

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

<b>Sales volumes</b>						
<b>('000 mt)</b>	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>Chg y/y</b>	<b>9M 2017</b>	<b>9M 2016</b>	<b>Chg y/y</b>
<b>Apatit mine and beneficiation plant</b>						
Phosphate rock	653.9	613.5	6.6%	1,998.1	1,839.8	8.6%
Nepheline concentrate	247.5	259.5	(4.6%)	735.7	739.8	(0.6%)
<b>Phosphate-based fertilizers</b>						
DAP/MAP	769.0	689.8	11.5%	2,268.1	2,058.8	10.2%
NPK	749.2	585.4	28.0%	1,918.3	1,540.6	24.5%
NPS	52.5	132.0	(60.2%)	209.9	365.5	(42.6%)
APP	34.1	30.1	13.3%	135.5	95.5	41.9%
MCP	85.0	80.3	5.9%	260.4	245.8	5.9%
PKS	25.9	29.0	(10.7%)	93.4	82.3	13.5%
SOP	0.1	11.1	(99.1%)	4.2	22.6	(81.4%)
<b>Nitrogen-based fertilizers</b>						
AN	30.3	50.9	(40.5%)	399.3	309.6	29.0%
Urea	279.1	229.1	21.8%	805.8	757.1	6.4%
<b>Other products</b>						

AIF3	13.0	10.7	21.5%	36.3	33.8	7.4%
STPP	22.0	22.0	0.0%	60.2	76.3	(21.1%)

\* Excluding intra-group sales

\*\* Excluding feedstock