



PhosAgro 2Q 2019 FCF up 22% to RUB 10.2 bln

Moscow – PhosAgro (“PhosAgro” or “the Company”) (Moscow Exchange, LSE: PHOR), one of the world’s leading vertically integrated phosphate-based fertilizer producers, today announces its interim condensed consolidated IFRS financial results for the three months (2Q) and six months (1H) ended 30 June 2019.

Revenue for 2Q 2019 rose by 3% year-on-year to RUB 58.1 billion (USD 901 million). EBITDA remained almost flat year-on-year at RUB 18.3 billion (USD 284 million) in the period, with 2Q 2019 EBITDA margin at 32%.

2Q 2019 financial and operational highlights

RUB million or %	2Q 2019	2Q 2018	Chng, % YoY	1H 2019	1H 2018	Chng, % YoY
Revenue	58,146	56,626	3%	130,433	111,248	17%
EBITDA**	18,317	18,674	-2%	43,095	32,967	31%
EBITDA margin	32%	33%	-1pp	33%	30%	3pp
Net income	11,785	2,955	299%	32,945	9,833	235%
Net income adj*	9,197	11,687	-21%	22,737	17,989	26%
FCF	10,284	8,369	123%	29,059	9,697	200%
	31.06.2019	31.12.2018				
Net debt	109,686	135,330				
ND/LTM EBITDA	1.3	1.8				
Sales, 000' mt	2Q 2019	2Q 2018	Chng, % YoY	1H 2019	1H 2018	Chng, % YoY
Phosphate-based & MCP	1,628	1,647	-1%	3,557	3,400	5%
Nitrogen-based	531	601	-12%	1,148	1,268	-9%
Phosphate rock & nepheline	1,142	968	18%	2,264	1,924	18%

RUB/USD rates: average 2Q 2019: 64.6; average 2Q 2018: 61.8; as of 30 June 2019: 63.1; as of 31 December 2018: 69.5

** EBITDA is calculated as operating profit adjusted for depreciation and amortisation.

* adjusted for non-cash FX items (Net profit as reported minus FX gain or loss)

Commenting on the 2Q 2019 financial results, PhosAgro CEO Andrey Guryev said:

“While 2019 has seen market turbulence on unfavourable weather conditions in the USA and Europe and high export activity in China and the Middle East, PhosAgro has shown its resilience with an industry-leading EBITDA margin, impressive free cash flow generation and decreasing leverage. This performance is driven by the successful completion of our five-year strategy, which was focused on vertical integration and flexibility in distribution. This has enabled us to maximise

value for a wide range of stakeholders. Consistent strong free cash flow performance and stable dividend distributions over the last four quarters shows we achieved these goals.

“Equally important, by delivering double-digit growth in production over the last 5 years PhosAgro has enhanced its ability to produce and sell products with exceptional environmental characteristics that can set the global standard. As one of the world’s largest fertilizer producers, with products used in 100 countries globally, we are conscious of our role in supporting food security, protecting soil resources and producing clean and healthy agricultural products on a global scale. In the long term, we aim to further leverage the unique apatite-nepheline ore that PhosAgro mines in Khibiny and implement best available technologies to achieve our strategic goals that will strengthen our position as a producer of environmentally safe phosphate-based fertilizers while also further enhancing the Company’s cash cost advantage. The Board of Directors and I have full confidence that this approach will make PhosAgro an even more sustainable producer of mineral fertilizers and unlock additional value for the Company and its products.

“Looking ahead at the short-term outlook, we believe that our 2Q 2019 EBITDA margin will be sustainable through the year end, driven by a recovery in seasonal demand from Europe and Latin America, a correction in feedstock prices, as well as a recovery in the premium NPK market and a stable nitrogen market. Our domestic market, which is a strategic priority for us, is also expected to support sales, driven by high farmer purchasing power. We are therefore comfortable to once again reiterate our full-year production guidance of around 9.4-9.5 million tonnes of fertilizers.”

2Q 2019 market conditions

- Average prices for MAP (FOB Baltics) were down by 12% year-on-year to USD 357 per tonne due to the following factors:
 - Significant declines in consumption in the USA due to poor spring weather conditions;
 - Higher export volumes from China on slow domestic demand;
 - Faster-than-expected ramp up of new capacities at OCP and Ma’aden sites;
 - Lower prices for feedstocks, which pushed down the cash cost curve across the industry.
- Prices for urea (FOB Baltic) increased by 11% year-on-year to USD 247 per tonne, driven by stable import demand from India and Latin America, combined with sanctions-related limitations on Iranian urea, lower domestic production levels in a number of Latin American countries and the absence of significant export volumes from China.
- Ammonia prices (FOB Baltic) declined by 4% year-on-year to average USD 222 per tonne as a result of the ramp up of new capacities at Eurochem and relatively low prices for natural gas.

2Q 2019 Financial performance

In 2Q 2019, PhosAgro’s revenue rose by 3% year-on-year to RUB 58.1 billion (USD 901 million), mainly driven by meaningful growth in domestic sales of 37% year-on-year, to 0.8 million tonnes, due to an early start of the high season. However, this growth was largely offset by a decline in export sales volumes of 18% year-on-year to 1.4 million tonnes.

Revenue by key products

RUB million or %	2Q 2019	2Q 2018	Chng, % YoY	1H 2019	1H 2018	Chng, % YoY
DAP/MAP	16,824	18,884	-11%	42,935	37,514	14%

NPK(S)	17,756	15,041	18%	35,263	28,544	24%
PhosRock	6,448	5,492	17%	13,100	10,354	27%
MCP	2,895	2,662	9%	5,732	4,928	16%
Other phosphate-based products	2,310	2,152	7%	5,307	4,229	25%
Urea/AN	8,731	8,891	-2%	19,796	18,194	9%
Other sales & services	3,184	3,503	-9%	8,300	7,485	11%
Total revenue	58,146	56,626	3%	130,433	111,248	17%

In 2Q 2019, PhosAgro's gross profit was RUB 26.4 billion (USD 411 million) with the gross profit margin at 45%, compared to 47% in 2Q 2018. Gross profit and margin performance for the phosphate and nitrogen segments were as follows:

- Phosphate segment gross profit declined by 3% year-on-year to RUB 21.4 billion (USD 332 million), with a gross margin of 45%, due to a global price correction;
- Gross profit for the nitrogen segment increased by 5% year-on-year to RUB 4.9 billion (USD 76 million), with gross margin expanding to 56% from 52% in 2Q 2018. The main driver of this performance was high prices for nitrogen-based fertilizers.

Consolidated EBITDA decreased by 2% year-on-year to RUB 18.3 billion (USD 284 million), with an EBITDA margin of 32% for 2Q 2019, compared to 33% in 2Q 2018. Net profit adjusted for non-cash FX items was down 21% year-on-year to RUB 9.2 billion (USD 142 million) for 2Q 2019.

In 2Q 2019, the RUB/USD exchange rate increased by 5% year-on-year to average RUB 64.6, from RUB 61.8 in 2Q 2018. This had a net positive impact, as prices for most of the Company's products are denominated in USD, while costs are primarily rouble-based. The appreciation of the rouble as of 30 June 2019 (RUB 63.1 per USD) compared to 31 March 2019 (RUB 64.7 per USD) resulted in an FX gain of RUB 2.6 billion (compared to a RUB 8.7 billion FX loss in 2Q 2018).

Net operating cash flow increased by 20% year-on-year to RUB 19.4 billion (USD 300 million) on working capital release, primarily driven by the launch of a factoring programme and an increased focus on the domestic market. In 2Q 2019, domestic sales of fertilizers accounted for 36% of total fertilizer sales volumes, compared to 27% in 1Q 2019.

PhosAgro's capital expenditure for 2Q 2019 totalled RUB 9.1 billion (USD 141 million), up by 19% year-on-year and representing 50% of the Company's EBITDA for the same period. The main capex items were scheduled maintenance and development of the upstream business, as well as finishing construction of new mid-stream capacities at Cherepovets (nitric acid, sulphuric acid and ammonium sulphate lines).

Net debt/LTM EBITDA as of 30 June 2019 declined to 1.3x from 1.8x as of 31 December 2018, reflecting solid EBITDA performance and the gradual rouble appreciation against the US dollar throughout 1H 2019. Net debt totalled RUB 109.7 billion (USD 1.7 billion) as of 30 June 2019.

Cost of Sales

RUB million or %	2Q 2019	2Q 2018	Chng, % YoY	1H 2019	1H 2018	Chng, % YoY
Materials and services	7,072	7,159	-1%	15,383	14,053	9%
D&A	4,960	4,882	2%	10,669	9,636	11%
Potash	3,806	2,377	60%	6,522	4,649	40%

Salaries and social contributions	3,056	2,948	4%	6,307	6,114	3%
Natural gas	2,927	3,221	-9%	6,576	6,718	-2%
Repair expenses	2,348	2,138	10%	4,747	4,269	11%
Sulphur and sulph. acid	2,289	2,405	-5%	5,635	5,283	7%
Electricity	1,583	1,441	10%	3,270	2,868	14%
Chemical fertilisers and other products for resale	1,253	1,169	7%	3,865	3,031	28%
Fuel	1,162	889	31%	2,654	1,888	41%
Ammonium sulphate	591	500	18%	1,798	1,599	12%
Ammonia	667	715	-7%	2,024	1,806	12%
Total	31,714	29,844	6%	69,450	61,914	12%

Cost of sales increased by 6% year-on-year in 2Q 2019 to RUB 31.7 billion (USD 491 million). The key factors behind this growth were:

- Costs for potash rose by 60% year-on-year to RUB 3.8 billion (USD 59 million), due to a 41% year-on-year increase in purchase prices and a 14% year-on-year increase in sales of NPK grades with greater potash content.
- Costs for natural gas, which is used in ammonia production, were down by 9% year-on-year to RUB 2.9 billion (USD 45 million) on lower sales of DAP (down 20% year-on-year to 306 kt) and urea (down 10% year-on-year to 427 kt), while purchase prices increased slightly by 3% year-on-year.
- Repair expenses were up 10% year-on-year to RUB 2.3 billion (USD 36 million), driven by scheduled maintenance of mid-stream capacities, mainly at Cherepovets and at Apatit's beneficiation plants.
- Costs for sulphur and sulphuric acid, which is used in phosphoric acid production, decreased by 5% year-on-year to RUB 2.3 billion (USD 35 million) driven by a decline in purchase prices for sulphuric acid by 30% year-on-year and a marginal decline in prices for sulphur by 1% year-on-year.
- Electricity costs increased by 10% year-on-year to RUB 1.6 billion (USD 25 million), mainly due to growth in the purchase price by 23% year-on-year after the new DPM programme was approved by the Government in early 2019. This growth was mitigated by lower consumption levels as a result of successful energy saving initiatives at upstream assets.
- Expenses for fuel rose by 31% year-on-year to RUB 1.2 billion (USD 18 million) in response to higher purchase prices (up 18% year-on-year) and higher consumption levels (up 11% year-on-year), due to an increase in sales of phosphate rock.

Administrative expenses for 2Q 2019 rose by 13% year-on-year to RUB 4.1 billion (USD 64 million), primarily due to 14% year-on-year growth in salaries and social contributions.

In 2Q 2019, selling expenses remained flat year-on-year around RUB 8.4 billion (USD 130 million). This performance was primarily due to:

- Freight, port and stevedoring expenses decreased by 21% year-on-year to RUB 3.5 billion (USD 54 million), due to lower export sales and shipping rates. This decline was mitigated by rouble devaluation, as freight and stevedoring tariffs are denominated in US dollars;
- Growth in costs for Russian Railways tariffs and operators' fees by 18% year-on-year to RUB 3.0 billion (USD 47 million) was driven by a change in shipment structures and indexation of railway tariffs;

- Spending on customs duties grew by 74% year-on-year to RUB 312 million (USD 5 million), triggered by changes in delivery terms and rouble depreciation against the US dollar.

Market outlook

Phosphate-based fertilizer prices are expected to stabilise in the medium term, followed by a gradual recovery driven by the following factors:

- Higher prices for agricultural products, particularly corn and soy, which will improve the affordability of fertilizers for farmers;
- Forecasted higher demand in autumn from North America and Europe;
- Indian nutrient subsidies being maintained at last year's level and the high margin for DAP importers will help to support seasonal demand, despite high inventory levels; Indian DAP imports are expected to reach 5.5-6.0 million tonnes;
- The intention of major Chinese producers to decrease DAP production by 0.8-1.0 million tonnes per quarter in the coming periods in order to support prices.

Other factors that are expected to influence the market in 2H 2019 include the launch of new phosphate-based fertilizers production capacities at OCP and Ma'aden.

Conference call and webcast:

PhosAgro will hold a conference call and webcast today at 14:30 London time (16:30 Moscow; 09:30 New York).

The call will be held in English, with simultaneous translation into Russian on a separate line.

Webcast links:

English: <http://event.onlineseminarsolutions.com/wcc/r/2068718-1/D1B34BAEC8FE72AB5FBE81D4207507AF?partnerref=rss-events>

Russian: <http://event.onlineseminarsolutions.com/wcc/r/2068723-1/770F2E4289A6111967147443A49E74C6?partnerref=rss-events>

Participant dial-in numbers:

Russian Federation Toll	+7 495 646 9315
Russian Federation Toll-Free	8 800 500 9863
United Kingdom Toll	+44 207 194 3759
United Kingdom Toll-Free	0800 376 6183
United States Toll-Free	1 844 286 0643
United States Toll	+1 646 722 4916

Conference ID numbers:

English call: 61550404#
Russian call: 50509429#

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About the Company

PhosAgro is one of the world's leading vertically integrated phosphate-based fertilizer producers in terms of production volumes of phosphate-based fertilizers and high-grade phosphate rock with a P₂O₅ content of 39% and higher.

The Company is the largest phosphate-based fertilizer producer in Europe (by total combined capacity for DAP/MAP/NP/NPK/NPS), the largest producer of high-grade phosphate rock with a P₂O₅ content of 39%, a top-three producer of MAP/DAP globally, one of the leading producers of feed phosphates (MCP) in Europe, and the only producer in Russia, and Russia's only producer of nepheline concentrate (according to the RAFP).

PhosAgro's main products include phosphate rock, 39 grades of fertilizers, feed phosphates, ammonia, and sodium tripolyphosphate, which are used by customers in 100 countries spanning all of the world's inhabited continents. The Company's priority markets outside of Russia and the CIS are Latin America, Europe and Asia.

PhosAgro's shares are traded on the Moscow Exchange, and Global Depositary Receipts (GDRs) for shares trade on the London Stock Exchange (under the ticker PHOR). Since 1 June 2016, the Company's GDRs have been included in the MSCI Russia and MSCI Emerging Markets indexes.

More information about PhosAgro can be found on the website: www.phosagro.ru.

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2019 (unaudited)

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	<u>RUB million</u>	<u>RUB million</u>	<u>RUB million</u>	<u>RUB million</u>
Revenues	130,433	111,248	58,146	56,626
Cost of sales	(69,450)	(61,914)	(31,714)	(29,844)
Gross profit	60,983	49,334	26,432	26,782
Administrative expenses	(8,117)	(6,960)	(4,145)	(3,656)
Selling expenses	(18,646)	(16,945)	(8,374)	(8,362)
Taxes, other than income tax, net	(867)	(1,805)	(137)	(918)
Other expenses, net	(2,125)	(1,254)	(1,023)	(562)
Operating profit	31,228	22,370	12,753	13,284
Finance income	1,165	226	284	70
Finance costs	(2,287)	(2,445)	(1,087)	(1,205)
Foreign exchange gain/(loss), net	10,208	(8,156)	2,588	(8,732)
Profit before tax	40,314	11,995	14,538	3,417
Income tax expense	(7,369)	(2,162)	(2,753)	(462)
Profit for the period	32,945	9,833	11,785	2,955
Attributable to:				
Non-controlling interests ^	<u>18</u>	<u>25</u>	<u>10</u>	<u>9</u>
Shareholders of the Parent	<u>32,927</u>	<u>9,808</u>	<u>11,775</u>	<u>2,946</u>
<i>Other comprehensive (loss)/income</i>				
<i>Items that may be reclassified</i>				
<i>subsequently to profit or loss</i>				
Foreign currency translation difference	(970)	1,438	(359)	1,096
Other comprehensive (loss)/income for the period	(970)	1,438	(359)	1,096
Total comprehensive income for the period	31,975	11,271	11,426	4,051
Attributable to:				
Non-controlling interests ^	<u>18</u>	<u>25</u>	<u>10</u>	<u>9</u>
Shareholders of the Parent	<u>31,957</u>	<u>11,246</u>	<u>11,416</u>	<u>4,042</u>
Basic and diluted earnings per share (in RUB)	<u>254</u>	<u>76</u>	<u>91</u>	<u>23</u>

Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2019 (unaudited)

	30 June 2019 RUB million	31 December 2018 RUB million
Assets		
Property, plant and equipment	186,540	186,231
Advances issued for property, plant and equipment	11,285	6,759
Catalysts	2,536	2,574
Right-of-use assets	1,856	-
Intangible assets	1,658	1,786
Investments in associates	526	506
Deferred tax assets	9,007	8,995
Other non-current assets	1,595	1,843
Non-current assets	215,003	208,694
Other current investments	277	313
Inventories	29,189	31,710
Trade and other receivables	26,621	36,186
Cash and cash equivalents	19,848	9,320
Current assets	75,935	77,529
Total assets	290,938	286,223
Equity		
Share capital	372	372
Share premium	7,494	7,494
Retained earnings	101,625	93,951
Foreign currency translation reserve	7,395	8,365
Actuarial losses	(556)	(556)
Equity attributable to shareholders of the Parent	116,330	109,626
Equity attributable to non-controlling interests	177	195
Total equity	116,507	109,821
Liabilities		
Loans and borrowings	109,040	122,877
Lease liabilities	1,288	376
Defined benefit obligations	653	630
Deferred tax liabilities	9,315	9,023
Non-current liabilities	120,296	132,906
Loans and borrowings	18,718	20,679
Lease liabilities	488	718
Trade and other payables	34,929	21,473
Derivative financial liabilities	-	626
Current liabilities	54,135	43,496
Total equity and liabilities	290,938	286,223

Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2019 (unaudited)

	Six months ended 30 June	
	2019	2018
	RUB million	RUB million
<i>Cash flows from operating activities</i>		
Operating profit	31,228	22,370
<i>Adjustments for:</i>		
Depreciation and amortisation	11,867	10,597
Loss on disposal of property, plant and equipment and intangible assets	748	281
Operating profit before changes in working capital and provisions	43,843	33,248
Decrease in inventories&catalysts	1,446	290
Decrease/(increase) in trade and other receivables	7,125	(1,859)
Increase/(decrease) in trade and other payables	2,726	(434)
Cash flows from operations before income taxes and interest paid	55,140	31,245
Income tax paid	(6,254)	(1,959)
Finance costs paid	(2,000)	(2,757)
Cash flows from operating activities	46,886	26,529
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment and intangible assets	(17,727)	(16,596)
Loans (issued)/repaid, net	(16)	90
Proceeds from disposal of property, plant and equipment	47	13
Finance income received	299	79
Other payments	(530)	(418)
Cash flows used in investing activities	(17,927)	(16,832)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	17,195	61,618
Repayment of borrowings	(19,696)	(67,163)
Dividends paid to shareholders of the Parent	(13,463)	(3,836)
Dividends paid to non-controlling interests	(36)	-
Leases paid	(1,249)	(496)
Proceeds from settlement of derivatives, net	112	-
Cash flows used in financing activities	(17,137)	(9,877)
Net increase/(decrease) in cash and cash equivalents	11,822	(180)
Cash and cash equivalents at 1 January	9,320	2,691
Effect of exchange rates fluctuations	(1,294)	949
Cash and cash equivalents at 30 June	19,848	3,460