



### PhosAgro 4Q18 EBITDA grows 51% YoY to RUB 18.6 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 consolidated IFRS financial results for the three months (4Q) and 12 months (FY) ended 31 December 2018.

Revenue in 4Q 2018 rose by 30% year-on-year to RUB 59.4 billion (USD 893 million), while EBITDA grew by 51% year-on-year to RUB 18.6 billion (USD 279 million). PhosAgro’s EBITDA margin increased to 31% in 4Q 2018 from 27% in 4Q 2017. Net income (adjusted for non-cash FX items) almost tripled year-on-year to RUB 10.9 billion (USD 164 million) in 4Q 2018, bringing PhosAgro’s FY 2018 adjusted net income to RUB 41.7 billion (USD 666 million).

#### 4Q 2018 financial and operational highlights

RUB million or %	4Q 2018	4Q 2017	Chng, % YoY	FY 2018	FY 2017	Chng, % YoY
Revenue	59,404	45,778	30%	233,430	181,351	29%
EBITDA**	18,556	12,285	51%	74,908	50,796	47%
EBITDA margin	31%	27%	4pp	32%	28%	4pp
Net income	4,504	4,256	6%	22,135	25,331	-13%
Net income adj*	10,899	3,700	195%	41,748	21,190	97%
	<b>31.12.2018</b>	<b>31.12.2017</b>				
Net debt	135,330	119,985				
ND/LTM EBITDA	1.8	2.4				
Sales, 000' mt	4Q 2018	4Q 2017	Chng, % YoY	FY 2018	FY 2017	Chng, % YoY
Phosphate-based & MCP	1,492	1,599	-7%	6,635	6,485	2%
Nitrogen-based	470	411	15%	2,196	1,616	36%
Phosphate rock & nepheline	1,102	1,000	10%	3,947	3,734	6%

RUB/USD rates: average 4Q 2018: 66.5; average 4Q 2017: 58.4; as of 31 December 2018: 69.5; as of 31 December 2017: 57.6

\*\* 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 results for 2018, PhosAgro CEO Andrey Guryev said:

“Despite disruption in various markets, PhosAgro finished 2018 in good shape, achieving the ambitious milestones set out in our growth strategy for the period through 2020. Thanks to the professionalism of our team, the Company was able to respond quickly to new opportunities as well as to challenges arising in key agricultural markets. PhosAgro’s sales geography has partially modified as a result of political turmoil in some countries of the CIS, weather conditions affecting agricultural producers in Europe and strong competition in Latin America. Despite these challenges, we were able to increase EBITDA by more than 47% in 2018 while net profit almost doubled year-on-year, pushing down the overall company’s leverage.

“Our strategy of moving closer to our end customers has proved to be timely and effective. We were swift in shipping products to our priority markets and spot markets in North America and Asia. Even as the industry stockpiled fertilizers in Europe at the end of 4Q 2018 as a result of the ongoing anomalous weather conditions, we were redirecting our products to Russia, the USA and Latin America in order to achieve the best netback prices.

“This would not have been possible without timely upgrades to our mid-stream capacity. The modernisation of beneficiation plant #3 helped us achieve an unprecedented 92% phosphorous recovery rate from our apatite-nepheline ore, while the new ammonia plant enabled us to boost the self-sufficiency in the crucial feedstock to 90%. As a result, in FY 2018 we increased production of our fertilizers, which are naturally low in potentially harmful impurities, by 8% year-on-year to 9.0 million tonnes. We expect to see further growth of up to 5% year-on-year in 2019.

“PhosAgro’s industry-leading EBITDA margin of 32% for FY 2018 and record high free cash flow of RUB 21 billion are additional milestones. All investment projects remain on track, which meant that we kept our capex to EBITDA ratio for FY 2018 at close to 50%, in line with our guidance. All of this meant that in 2018 PhosAgro was able to cut its net debt to LTM EBITDA ratio to a comfortable level of 1.8x and deliver an attractive 50%+ dividend payout ratio.

“In terms of the market environment, DAP prices peaked for a second straight year in September at USD 439 per tonne (FOB Tampa), growing by 39% from the beginning of 2017 and average at USD 419 per tonne as a result of tighter than expected supply. In the medium term, we expect the market to balance at around USD 390-400 per tonne, as new capacity from North Africa and the Middle East ramps up. The closure of inefficient Chinese production lines, which are on the upper end of the cash cost curve, should counterbalance this supply growth.

“Looking ahead, we have approved a new strategy for the period to 2025. Our main focus during the years ahead will be strengthening our commitment to best ESG practices. We also plan to further strengthen our presence in key markets and solidify our cash cost advantage. All of these initiatives will further improve PhosAgro’s financial and operational results and generate optimal returns for all of our shareholders.”

#### **4Q 2018 market conditions**

- The average price of DAP (FOB Tampa) in 4Q 2018 was USD 407 per tonne, up by 17% year-on-year (or USD 61), driven by:
  - The idling of Plant City by Mosaic, resulting in a deficit on the North American market and higher import volumes;
  - Slower than expected ramp-up of new units in Saudi Arabia and Morocco;
  - Healthy import demand in India due to loss-making domestic production of DAP, albeit partially offset by continuing Rupee depreciation;
  - Solid growth of DAP imports in 2018 to Pakistan by 27% year-on-year to 1.27 mln tonnes, according to NFDC.
- In 4Q 2018 urea (FOB Baltic) averaged USD 289 per tonne vs. USD 241 per tonne in 4Q 2017. The price increase was driven by:
  - Further cuts in urea exports from China, due to environmental reforms, and from Iran due to recent USA sanctions;
  - Start of seasonal demand from India and Brazil driven by low urea stock levels.

## Financial performance

In 4Q 2018, revenue rose by 30% year-on-year to RUB 59.4 billion (USD 893 million) mainly driven by 18% growth year-on-year in the average realised price (in USD terms) for phosphate-based and nitrogen-based products and by 14% year-on-year RUB depreciation against USD. However, a 2% decrease in fertilizer sales to 1,962 kt partially offset this growth. The decrease was due primarily to persistent anomalous weather conditions in Europe, which hurt farmers and water levels in river systems, leading to stockpiling of fertilizers at European ports and holding back seaborne shipments to Europe.

## Revenue by key products

RUB million or %	4Q 2018	4Q 2017	Chng, % YoY	FY 2018	FY 2017	Chng, % YoY
DAP/MAP	19,335	14,955	29%	77,895	62,188	25%
NPK(S)	15,067	12,190	24%	60,865	47,119	29%
PhosRock	6,309	5,357	18%	22,098	21,158	4%
Nitrogen-based products	9,594	6,846	40%	37,011	22,495	65%

In 4Q 2018, gross profit was RUB 29.9 billion (USD 450 million). The gross profit margin expanded to 50% from 45% in 4Q 2017. Gross profit and margin performance for the phosphate and nitrogen segments were as follows:

- The phosphate segment saw a 28% year-on-year increase in gross profit to RUB 23.7 billion (USD 357 million), with a gross margin of 50%, compared to 49% in 4Q 2017.
- Gross profit for the nitrogen segment more than doubled year-on-year to RUB 5.9 billion (USD 89 million). Gross margin for the segment jumped to 61% from 36% in 4Q 2017.

EBITDA in 4Q 2018 amounted to RUB 18.6 billion (USD 279 million), up by 51% year-on-year, while the EBITDA margin expanded by 4 p.p. year-on-year to 31%. Net profit adjusted for non-cash FX items amounted to RUB 10.9 billion (USD 164 million) in 4Q 2018, tripling year-on-year.

The RUB depreciated by 14% year-on-year against the USD during the quarter (the average RUB/USD exchange rates for 4Q 2018 and 4Q 2017 were RUB 66.5 and RUB 58.4, respectively), which had a net positive impact, as prices for most of the Company's products are denominated in USD, while costs are primarily RUB-based. The depreciation of the RUB as of 31 December 2018 (RUB 69.5 per USD) compared to 30 September 2018 (RUB 65.6 per USD) resulted in an FX loss of RUB 6.4 billion (compared to a RUB 0.6 billion gain in 4Q 2017).

Net operating cash flow in 4Q 2018 almost tripled year-on-year to RUB 10.2 billion (USD 154 million) driven by improved profitability, but restrained by a build-up of working capital. PhosAgro had to postpone export shipments in November-December due to unfavourable weather conditions in Europe. The Company also decided to accumulate stocks for the next application season in priority markets.

4Q 2018 capex totalled around RUB 11.8 billion (USD 178 million), down by 6% compared to 4Q 2017. Full year capex represented almost 51% of EBITDA for 2018, in line with our guidance. The main capex item was scheduled maintenance and development of the upstream business, as well as construction of new sulphuric and nitric acid plants.

As of the end of December 2018, net debt totalled RUB 135.3 billion (USD 2.0 billion), representing a net debt/LTM EBITDA ratio of 1.8x against 2.4x as of end of 2017, thanks to positive dynamics in EBITDA.

## Cost of Sales

RUB million or %	4Q 2018	4Q 2017	Chng, % YoY	FY 2018	FY 2017	Chng, % YoY
Materials and services	8,225	7,280	13%	36,493	30,869	18%
D&A	3,946	3,696	7%	18,936	13,242	43%
Natural gas	2,693	2,730	-1%	12,096	9,154	32%
Salaries and social contributions	2,669	3,015	-11%	12,209	11,265	8%
Sulphur and sulph. acid	2,947	1,729	70%	10,682	6,120	75%
Potash	2,520	1,765	43%	10,238	8,279	24%
Chemical fertilisers and other products for resale	1,615	840	92%	6,287	4,932	27%
Electricity	1,279	1,339	-4%	5,474	5,451	0%
Ammonium sulphate	910	959	-5%	3,015	2,287	32%
Ammonia	1,475	650	127%	4,195	6,287	-33%
Fuel	1,011	770	31%	3,775	3,264	16%
Heating energy	162	183	-11%	564	667	-15%
<b>Total</b>	<b>29,452</b>	<b>24,956</b>	<b>18%</b>	<b>123,964</b>	<b>101,817</b>	<b>22%</b>

Cost of sales increased by 18% year-on-year in 4Q 2018 to RUB 29.5 billion (USD 443 million). The key factors behind the growth were:

- Materials and services rose by 13% year-on-year to RUB 8.2 billion (USD 124 million). This was driven primarily by growth in expenses for materials of RUB 868 million (USD 13 million) and for transportation of RUB 242 million (USD 4 million) due to high levels of operational activity.
- Depreciation rose by 7% year-on-year to RUB 3.9 billion (USD 59 million) as a result of higher capitalisation of repairs, triggered by robust production dynamics in FY 2018 and launched new facilities.
- Sulphur and sulphuric acid costs increased by 70% year-on-year to RUB 2.9 billion (USD 44 million) driven by an increase in the average purchase price for sulphur (up 52% year-on-year) and higher overall production;
- Costs for potash rose by 43% year-on-year to RUB 2.5 billion (USD 38 million), due to an increase in purchasing prices for potash (up 31% year-on-year) and higher production of NPK grades with greater potash content;
- Costs for ammonia surged by 127% year-on-year to RUB 1.5 billion (USD 22 million) due to an increase in the average purchase price for ammonia (up 56% year-on-year) and growth in consumption due to higher MAP production in Balakovo;
- Fuel costs increased by 31% year-on-year to RUB 1.0 billion (USD 15 million) due to growth in fuel purchase prices. However, this was partially offset by more effective fuel consumption.

Administrative expenses for 4Q 2018 rose by 13% year-on-year to RUB 3.9 billion (USD 59 million) due to:

- Salaries and social contributions increased by 31% year-on-year to RUB 2.0 billion (USD 31 million) due to an increase in payroll
- Professional services decreased by 36% to RUB 461 million (USD 7 million)

In 4Q 2018, selling expenses increased by 25% year-on-year to RUB 10.0 billion (USD 153 million). The main factors behind this increase were:

- Freight, port and stevedoring expenses rose by 32% year-on-year to RUB 5.2 billion (USD 79 million), driven by additional expenses on keeping finished goods in transportation hubs as a result of unfavourable weather conditions in Europe. This was combined with RUB devaluation, as the majority of freight and stevedoring tariffs are still denominated in USD;
- Growth of costs for Russia Railways tariffs and operators' fees by 12% year-on-year to RUB 2.7 billion (USD 40 million) was driven by a change in shipment structures and indexation of railway tariffs;
- Salaries and social contributions were up 31% to RUB 735 million (USD 11 million) mainly due to payroll indexation
- Spending on custom duties grew by 77% year-on-year to RUB 582 million (USD 9 million), triggered by increased deliveries under DDU terms.

### **Market Outlook**

In the first two months of 2019, DAP prices (FOB Tampa) decreased to USD 405 per tonne from USD 427 per tonne in 4Q 2018 (down by 5% quarter-on-quarter), but remained flat year-on-year. Prices for phosphate-based fertilizers are expected to remain under pressure throughout 1Q 2019, due to the slow recovery of seasonal demand in the USA. However, prices in March should be supported by usual levels of activity in Europe and the start of DAP/MAP imports to Latin America.

We expect to see a recovery in prices for phosphate-based fertilizers in 2Q 2019, driven by the beginning of the application season in major agricultural regions (i.e., Latin America, North America and India). However, growth is likely to be limited at up to USD 390-400 per tonne of DAP FOB Tampa, mitigated by the gradual introduction of new capacities from Morocco and Saudi Arabia.

### **Conference call and webcast**

PhosAgro will hold a conference call and webcast today at 13:30 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/1960056-1/B9BEB325817AB397A8A1B9B257A4663F?partnerref=rss-events>

Russian: <http://event.onlineseminarsolutions.com/wcc/r/1960124-1/026D299E4E72A614E68D231B7D67B641?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: 63777144#

Russian call: 74957756#

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**Notes to Editors**

PhosAgro is one of the leading global vertically integrated phosphate-based fertilizer producers. The Company focuses on the production of phosphate-based fertilizers, feed phosphate and high-grade phosphate rock (P<sub>2</sub>O<sub>5</sub> content of not less than 39%).

The Company is the largest phosphate-based fertilizer producer in Europe, the largest producer of high-grade phosphate rock worldwide and the third largest MAP/DAP producer in the world (excluding China), according to Fertecon. PhosAgro is also one of the leading producers of feed phosphates (MCP) in Europe, and the only producer in Russia. It is Russia's only producer of nepheline concentrate.

PhosAgro's main products include phosphate rock, 33 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.

**PJSC "PhosAgro"**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2018*

	2018	2017
	RUB Million	RUB Million
Revenues	233,430	181,351
Cost of sales	(123,964)	(101,817)
<b>Gross profit</b>	<b>109,466</b>	<b>79,534</b>
Administrative expenses	(14,864)	(14,018)
Selling expenses	(34,410)	(25,201)
Taxes, other than income tax	(3,469)	(2,679)
Other expenses, net	(2,726)	(1,647)
<b>Operating profit</b>	<b>53,997</b>	<b>35,989</b>
Finance income	447	615
Finance costs	(6,098)	(6,990)
Foreign exchange (loss)/gain, net	(19,613)	4,141
Share of (loss)/profit of associates, net of provision	(623)	287
<b>Profit before tax</b>	<b>28,110</b>	<b>34,042</b>
Income tax expense	(5,975)	(8,711)
<b>Profit for the year</b>	<b>22,135</b>	<b>25,331</b>
Attributable to:		
Non-controlling interests ^	66	(2)
Shareholders of the Parent	22,069	25,333
<b>Other comprehensive income/(loss)</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Actuarial gains and losses	170	(342)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation difference	2,872	(377)
<b>Other comprehensive income/(loss) for the year</b>	<b>3,042</b>	<b>(719)</b>
<b>Total comprehensive income for the year</b>	<b>25,177</b>	<b>24,612</b>
Attributable to:		
Non-controlling interests ^	66	(2)
Shareholders of the Parent	25,111	24,614
Basic and diluted earnings per share (in RUB)	170	196

**PJSC "PhosAgro"**  
*Consolidated Statement of Financial Position as at 31 December 2018*

	31 December 2018 RUB million	31 December 2017 RUB million
<b>Assets</b>		
Property, plant and equipment	186,231	175,113
Catalysts	2,414	1,900
Advances issued for property, plant and equipment	6,759	2,334
Intangible assets	1,786	1,773
Investments in associates	506	969
Deferred tax assets	8,995	5,371
Other non-current assets	1,843	1,955
<b>Non-current assets</b>	<b>208,534</b>	<b>189,415</b>
Other current investments	313	352
Inventories	31,870	25,445
Trade and other receivables	36,186	33,727
Cash and cash equivalents	9,320	2,691
<b>Current assets</b>	<b>77,689</b>	<b>62,215</b>
<b>Total assets</b>	<b>286,223</b>	<b>251,630</b>
<b>Equity</b>		
Share capital	372	372
Share premium	7,494	7,494
Retained earnings	93,951	85,480
Other reserves	7,809	4,767
Equity attributable to shareholders of the Parent	109,626	98,113
Equity attributable to non-controlling interests	195	129
<b>Total equity</b>	<b>109,821</b>	<b>98,242</b>
<b>Liabilities</b>		
Loans and borrowings	122,877	76,530
Finance lease liabilities	376	1,004
Defined benefit obligations	630	950
Deferred tax liabilities	9,023	7,914
<b>Non-current liabilities</b>	<b>132,906</b>	<b>86,398</b>
Loans and borrowings	20,679	44,025
Finance lease liabilities	718	1,117
Trade and other payables	21,473	21,848
Derivative financial liabilities	626	-
<b>Current liabilities</b>	<b>43,496</b>	<b>66,990</b>
<b>Total equity and liabilities</b>	<b>286,223</b>	<b>251,630</b>



**PJSC "PhosAgro"**  
Consolidated Statement of Cash Flows for 2018

	2018	2017
	RUB million	RUB million
<b>Cash flows from operating activities</b>		
Profit before tax	28,110	34,042
<i>Adjustments for:</i>		
Depreciation and amortisation	20,911	14,807
Loss on disposal of property, plant and equipment and intangible assets	586	614
Finance income	(447)	(615)
Finance costs	6,098	6,980
Share of profit of associates, net of provision	623	(287)
Foreign exchange loss/(gain), net	19,613	(4,371)
Operating profit before changes in working capital and provisions	75,494	51,170
Increase in inventories	(5,438)	(6,917)
Decrease/(increase) in trade and other receivables	324	(1,240)
Increase/(decrease) in trade and other payables	655	(134)
Cash flows from operations before income taxes and interest paid	71,035	42,879
Income tax paid	(6,146)	(8,326)
Finance costs paid	(5,210)	(4,558)
<b>Cash flows from operating activities</b>	<b>59,679</b>	<b>29,995</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(38,416)	(35,918)
(Issue)/repayment of loans issued, net	(257)	475
Proceeds from disposal of property, plant and equipment	19	365
Finance income received	307	371
(Acquisition)/disposal of investments, net	(8)	359
Other payments	(814)	-
<b>Cash flows used in investing activities</b>	<b>(39,169)</b>	<b>(34,348)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	83,874	90,094
Repayment of borrowings	(83,572)	(74,245)
Dividends paid to shareholders of the Parent	(13,598)	(14,763)
Dividends paid to non-controlling interests	-	(5)
Finance leases paid	(1,285)	(1,365)
Payments for settlement of derivatives	(22)	-
Other payments	-	(22)
<b>Cash flows used in financing activities</b>	<b>(14,603)</b>	<b>(306)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,907</b>	<b>(4,659)</b>
Cash and cash equivalents at 1 January	2,691	7,261
Effect of exchange rates fluctuations	722	89
<b>Cash and cash equivalents at 31 December</b>	<b>9,320</b>	<b>2,691</b>