



**4Q and FY 2019 Financial Results: Free Cash Flow for 2019 Increases by 38% to RUB 28.3 billion; Revenue Grows by 6.3% to RUB 248.1 billion**

**Moscow, 21 February 2020.** PhosAgro (“the Company”) (Moscow Exchange and LSE: PHOR), one of the world’s leading vertically integrated phosphate-based fertilizer producers, today announces its consolidated IFRS financial results for 4Q and FY 2019.

PhosAgro’s revenue for FY 2019 increased by 6.3% year-on-year to RUB 248.1 billion (USD 3.8 billion), driven by higher sales volumes of end products. Revenue in 4Q 2019 decreased by 10.8% year-on-year to RUB 53.1 billion (USD 0.8 billion).

EBITDA for FY 2019 increased by 0.9% to RUB 75.6 billion (USD 1.2 billion), while the EBITDA margin remained at a robust 30.5%. EBITDA for 4Q 2019 decreased by 39.7% year-on-year to RUB 11.2 billion (USD 176 million).

Free cash flow for FY 2019 increased by 37.8% year-on-year to RUB 28.3 billion (USD 437 million), driven by a 7.0% year-on-year increase in sales volumes and more efficient management of working capital. Free cash flow in 4Q 2019 was negative, in line with the seasonal nature of the business.

The net debt/EBITDA ratio improved to 1.7x as of year end (compared with 1.8x as of 31 December 2018), reflecting EBITDA performance and the appreciation of the rouble against the US dollar during the year. Net debt as of 31 December 2019 stood at RUB 131.6 billion (USD 2.1 billion).

**Financial and operational highlights:**

FINANCIAL HIGHLIGHTS						
RUB million	4Q 2019	4Q 2018	Chng %	FY 2019	FY 2018	Chng %
Revenue	53,142	59,551	-10.8%	248,125	233,312	6.3%
EBITDA*	11,186	18,556	-39.7%	75,582	74,908	0.9%
EBITDA margin	21.0%	31.2%		30.5%	32.1%	
Net income	6,701	4,504	48.8%	49,408	22,135	123.2%
Net income adj**	2,528	10,904	-76.8%	37,062	41,748	-11.2%
FCF	-4,292	-1,551	-	28,272	20,510	37.8%
	<b>31.12.2019</b>	<b>31.12.2018</b>				
Net debt	131,583	135,330				
ND/LTM EBITDA	1.7x	1.8x				
Sales, ths tonnes	4Q 2019	4Q 2018	Chng %	FY 2019	FY 2018	Chng %
Phosphate-based fertilizers	1,738	1,492	16.6%	7,255	6,635	9.4%
Nitrogen fertilizers	537	469	14.5%	2,197	2,196	0.1%
<b>Total sales</b>	<b>2,276</b>	<b>1,961</b>	<b>16.1%</b>	<b>9,452</b>	<b>8,830</b>	<b>7.0%</b>

*The average RUB/USD exchange rate in 4Q 2019 was 63.7 compared with 66.5 in 4Q 2018; the exchange rate was 61.9 as of 31 December 2019 compared with 69.5 as of 31 December 2018.*

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

*\*\*Net profit as reported minus FX gain or loss.*

Commenting on the Company's financial results, PhosAgro CEO Andrey Guryev said:

"2019 was a challenging year for the fertilizer market. Prices for our products came under pressure throughout the year due to adverse weather conditions in key sales markets, as well as increased global supply amid stable demand. As a result, prices for phosphate-based fertilizers reached near-record lows at the end of the year.

"Despite the unfavourable pricing environment, 2019 became a record year for us. PhosAgro, as one of the most efficient producers of phosphate-based fertilizers in the world, was able to increase sales volumes to 9.5 mln tonnes or by 7.0% year-on-year. As a result revenue grew by 6.3% year-on-year. Our strong revenue growth was the result of a balanced approach to investment and maintenance, high levels of self-sufficiency in key inputs, a flexible sales policy and the exceptional quality of our raw materials.

"As a result, the Company's EBITDA over the past year exceeded RUB 75 billion, with an EBITDA margin of 30.5%. Free cash flow increased by almost 40% from last year to more than RUB 28 billion.

"Our improved financial performance meant we were able not only to fully self-finance our annual capex programme but also to improve debt ratios. As of the end of the year, the net debt/EBITDA ratio improved to 1.7x (compared with 1.8x at the end of 2018).

"Our excellent financial performance and comfortable debt level enabled us to pay out respectable dividends. Based on 2019 results, we expect to pay out dividends of RUB 24.9 billion, which corresponds to 88% of the Company's free cash flow for the year.

"Looking ahead to the rest of 2020, since the beginning of the year we have seen a considerable recovery in prices for phosphate-based fertilizers as a result of the approaching spring season, production cutbacks announced by a number of major players and the relative accessibility of fertilizers. There is also a risk of reduced fertilizer supply from China.

"The recovery in prices, combined with an expected increase in demand in markets where the Company has strong positions – our home market of Russia, as well as Eastern Europe and Latin America – position us well to expect increased sales volumes while maintaining high levels of profitability."

#### **4Q 2019 market conditions**

In 4Q 2019, the average price for DAP (FOB Tampa) reached USD 284 per tonne, down 34% year-on-year. The main factor negatively impacting the market for phosphate-based fertilizers was the addition of new capacities in Morocco and Saudi Arabia.

The average price for urea (FOB Baltic) in 4Q 2019 was USD 219 per tonne, down from USD 291 per tonne in 4Q 2018. The main reasons for this drop in price were the increase in urea exports from China and adverse weather conditions in the US, which had a negative impact on domestic demand.

The average price of ammonia (FOB Yuzhny) in 4Q 2019 was USD 226 per tonne, down from USD 330 per tonne in 4Q 2018. Ammonia prices decreased during the year following an increase in supply due to the launch and ramp-up to nameplate capacity of new plants in Russia and the US, as well as a reduction in production costs for marginal producers thanks to low global prices for natural gas. A slight price increase in 4Q 2019 compared to the previous quarter was due to the shutdown

of a number of production capacities for maintenance purposes, which helped improve market balance.

The average price of sulphur (FOB Black Sea) in 4Q 2019 was USD 38 per tonne, down from USD 122 per tonne in 4Q 2018. The decrease in global sulphur prices in 2019 was the result of considerable stockpiles in China and the weak global market for phosphate-based fertilizers.

The average price for potash (FOB Baltic) in 4Q 2019 was USD 239 per tonne, down from USD 256 per tonne in 4Q 2018. The price correction in global potash markets was due to considerable stockpiles and a delay to the conclusion of a long-term contract in China, increased competition between suppliers in North and South America, as well as the expectation of additional new capacities in the coming years.

#### **4Q and FY 2019 financial performance**

In 2019, PhosAgro's revenue increased by 6.3% year-on-year to RUB 248.1 billion, mainly driven by a 7.0% increase in fertilizer sales compared to the previous year. However, revenue growth was slowed by a price correction for phosphate-based fertilizers that continued throughout the year.

This correction had its biggest impact in 4Q 2019, when prices for phosphate-based and nitrogen fertilizers decreased by 25% and 20% year-on-year, respectively. As a result, PhosAgro's revenue for this period decreased by 10.8% year-on-year to RUB 53.1 billion.

During the year, fertilizers were mainly exported to regions with the best pricing environment relative to the North American market, where prolonged adverse weather conditions led to an increase in fertilizer stockpiles. As of the end of 2019, PhosAgro had increased deliveries to the Russian and CIS markets (up 11% year-on-year), as well as the European market (up 28% year-on-year). This growth was made possible on the back of a well-developed distribution system and a favourable pricing balance between agricultural products and fertilizers.

Gross profit in 2019 increased by 2.4% year-on-year to RUB 111.9 billion (USD 1.7 billion), with a gross profit margin of 45%, down from 47% in 2018. Gross profit and the gross profit margin in the phosphate-based and nitrogen fertilizer segments changed as follows:

- Gross profit for phosphate-based fertilizers increased by 2.4% to RUB 90.2 billion (USD 1.4 billion), while the gross profit margin decreased to 45% (from 47% in 2018) as global prices reached minimum levels in 4Q 2019.
- Gross profit for the nitrogen segment increased by 3.4% to RUB 21.3 billion (USD 329 million), with a gross profit margin of 56%, unchanged year-on-year.

EBITDA for FY 2019 increased by 0.9% year-on-year to RUB 75.6 billion (USD 1.2 billion). EBITDA growth for the year was weaker due to record low prices in the fourth quarter, resulting in a 39.7% year-on-year decrease in EBITDA in 4Q 2019 to RUB 11.2 billion (USD 176 million). Despite this, the EBITDA margin for FY 2019 remained a robust 30.5%.

Net profit adjusted for non-cash FX items for 2019 decreased by 11.2% year-on-year to RUB 37.1 billion (USD 573 million).

In 2019, net operating cash flow increased by 19.9% to RUB 71.6 billion (USD 1.1 billion), partly due to more efficient management of working capital.

Capital expenditure in 2019 amounted to RUB 36.0 billion (USD 555 million), excluding capital repairs, corresponding to 48% of EBITDA for the reporting period.

The net debt/EBITDA ratio improved to 1.7x as of 31 December 2019, reflecting EBITDA performance and the appreciation of the rouble against the US dollar during 2019. Net debt as of 31 December 2019 amounted to RUB 131.6 billion (USD 2.1 billion).

COST OF SALES						
RUB million	4Q 2019	4Q 2018	Chng %	FY 2019	FY 2018	Chng %
D&A	5,242	3,946	32.8%	21,368	18,936	12.8%
Material and services	9,964	8,978	11.0%	41,221	37,306	10.5%
<i>PhosRock transport</i>	1,956	1,752	11.6%	8,641	7,671	12.6%
<i>Repair expenses</i>	2,363	2,372	-0.4%	10,119	9,485	6.7%
<i>Drilling and blasting</i>	678	300	126.0%	2,323	1,662	39.8%
<i>Other materials and services</i>	4,967	4,504	10.3%	20,138	18,488	8.9%
Raw materials	9,450	10,148	-6.9%	43,155	40,226	7.3%
<i>Ammonia</i>	1,173	1,475	-20.5%	4,095	4,195	-2.4%
<i>Sulphur and sulph. acid</i>	1,313	2,667	-50.8%	9,165	10,682	-14.2%
<i>Potassium chloride</i>	2,964	2,403	23.3%	13,691	10,238	33.7%
<i>Natural gas</i>	2,972	2,693	10.4%	12,627	12,096	4.4%
<i>Ammonium sulphate</i>	1,028	910	13.0%	3,577	3,015	18.6%
Salaries and social contributions	3,170	2,682	18.2%	12,744	11,760	8.4%
Electricity	1,439	1,279	12.5%	6,204	5,474	13.3%
Fuel	1,119	1,121	-0.2%	4,849	4,019	20.7%
Products for resale	1,216	1,615	-24.7%	6,683	6,287	6.3%
<b>Total</b>	<b>31,600</b>	<b>29,769</b>	<b>6.2%</b>	<b>136,224</b>	<b>124,008</b>	<b>9.9%</b>

Cost of sales increased in 2019 by 9.9% year-on-year to RUB 136.2 billion (USD 2.1 billion), mainly due to rising potash prices, as well as an accelerated increase in phosphate rock and fertilizer production.

- Costs for materials and services in 2019 increased by 10.5% year-on-year to RUB 41.2 billion (USD 637 million) as a result of:
  - A 12.6% increase in the cost of transporting phosphate rock to RUB 8.6 billion (USD 133 million) as a result of increased production and a 4% increase in railway tariffs;
  - A 6.7% year-on-year increase in repair expenses to RUB 10.1 billion (USD 156 million), which was driven by cost inflation during the year and an increase in production capacities following the completion of the Company's long-term investment programme at the end of 2018;
  - A 39.8% year-on-year increase in drilling and blasting expenses to RUB 2.3 billion (USD 36 million) due to accelerated mine development.
- Costs for raw materials in 2019 increased by 7.3% year-on-year to RUB 43.2 billion (USD 667 million) as a result of:
  - A 33.7% year-on-year increase in potash costs to RUB 13.7 billion (USD 211 million) mainly due to higher purchase prices for potassium compared to the previous year;
  - A 4.4% year-on-year increase in natural gas expenses to RUB 12.6 billion (USD 195 million) as a result of 3.7% year-on-year growth in ammonia production and higher sales of nitrogen fertilizers;
  - An 18.6% year-on-year increase in costs for ammonium sulphate to RUB 3.6 billion (USD 55 million), mainly due to an increase in the production of fertilizer grades containing sulphate;
  - A reduction in costs for sulphur and sulphuric acid limited the increase in raw materials expenses. These costs decreased by 14.2% year-on-year to RUB 9.2 billion (USD 142 million) mainly due to lower prices for sulphur and sulphuric acid.

- Electricity costs increased by 13.3% year-on-year to RUB 6.2 billion (USD 196 million) mainly due to a nationwide programme to modernise the electricity industry (CDA 2), which led to a 15.0% year-on-year increase in the purchase price.

Administrative and selling expenses						
RUB million	4Q 2019	4Q 2018	Chng %	FY 2019	FY 2018	Chng %
Administrative expenses	4,658	3,914	19.0%	16,476	14,271	15.5%
<i>Salaries and social contributions</i>	2,365	2,121	11.5%	9,300	7,907	17.6%
<i>Professional services</i>	696	346	101.2%	1,963	1,677	17.1%
<i>D&amp;A</i>	342	341	0.3%	1,378	1,242	11.0%
<i>Other</i>	1,255	1,106	13.5%	3,835	3,445	11.3%
Selling expenses	10,324	10,050	2.7%	38,121	34,888	9.3%
<i>Railways services and operators' fees</i>	2,614	2,651	-1.4%	11,441	10,363	10.4%
<i>Freight, port and stevedoring expenses</i>	5,530	5,707	-3.1%	18,340	17,829	2.9%
<i>Salaries and social contributions</i>	709	648	9.4%	2,662	2,257	17.9%
<i>Material and services</i>	619	246	151.6%	2,595	2,315	12.1%
<i>Customs duties</i>	458	582	-21.3%	1,898	1,391	36.4%
<i>D&amp;A</i>	394	216	82.4%	1,185	733	61.7%

Administrative expenses in 2019 increased by 15.5% year-on-year to RUB 16.5 billion (USD 255 million), driven mainly by a 17.6% increase in expenses for salaries and social contributions to RUB 9.3 billion (USD 144 million) due to payment of a one-time bonus for the company's anniversary.

In 2019, selling expenses increased by 9.3% year-on-year to RUB 38.1 billion (USD 589 million). The main factors behind the increase were:

- A 10.4% year-on-year increase in costs for Russian Railways services and operators' fees to RUB 11.4 billion (USD 177 million) due to an overall increase in sales and an increase in railway tariffs;
- A 2.9% year-on-year increase in freight, port and stevedoring expenses to RUB 18.3 billion (USD 283 million), mainly due to higher freight tariffs;
- A 36.4% year-on-year increase in spending on customs duties to RUB 1.9 billion (USD 29 million) due to changes in the delivery terms to the European market.

### Market outlook

At the end of December 2019, leading global producers in Morocco, the US and China announced plans to cut back production. Combined with increased seasonal demand in Western markets (Europe, North America and Latin America), this helped rebalance the market and supported price growth in January 2020 of USD 20-50 per tonne, depending on the market.

Demand for phosphate-based fertilizers in the Russian market is expected to remain high in 2020 largely due to a national programme to increase agricultural exports, combined with high prices for these products. Demand growth in the Russian market this year could reach 5-10%, ahead of the expected average global growth rate of 1-2%.

In addition, seasonal demand in European and North American markets is expected to increase in 1Q 2020, while favourable weather conditions in India will help reduce inventories and thus lead to earlier resumption of import demand.

In turn, reduced production and potentially reduced exports from China could also lead to higher prices in some areas.

The affordability of fertilizers relative to prices for agricultural products will remain the main driver behind the recovery in global prices for phosphate-based fertilizers in the short term.

**Conference call and webcast:**

PhosAgro will hold a conference call and webcast today at 13:00 London time (16:00 Moscow; 08:00 New York).

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

**Webcast links:**

*English:* <https://webcasts.eqs.com/phosagro20200221/en>

*Russian:* <https://webcasts.eqs.com/phosagro20200221/ru>

**Participant dial-in numbers:**

Russian Federation Toll	+7 495 213 1767
Russian Federation Toll-Free	8 800 500 9283
United Kingdom Toll	+44 (0)330 336 9128
United Kingdom Toll-Free	0800 358 6377
United States Toll-Free	+1 929-477-0402
United States Toll	888-224-1005

**Conference ID numbers:**

English conference ID: 5903277

Russian conference ID: 9069707

**For further information please contact:**

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## **About PhosAgro**

*PhosAgro ([www.phosagro.ru](http://www.phosagro.ru)) 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  $P_2O_5$  content of 39% and higher. PhosAgro's environmentally friendly fertilizers stand out for their high efficiency, and they do not lead to the contamination of soils with heavy metals.*

*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  $P_2O_5$  content of 39% and one of the leading producers 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](http://www.phosagro.ru).*

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019

	2019	2018
	RUB Million	RUB Million
Revenues	248,125	233,312
Cost of sales	(136,224)	(124,008)
<b>Gross profit</b>	<b>111,901</b>	<b>109,304</b>
Administrative expenses	(16,476)	(14,271)
Selling expenses	(38,121)	(34,888)
Taxes, other than income tax, net	(2,384)	(3,469)
Other expenses, net	(3,269)	(2,679)
<b>Operating profit</b>	<b>51,651</b>	<b>53,997</b>
Finance income	1,458	447
Finance costs	(4,271)	(6,721)
Foreign exchange gain/(loss), net	12,346	(19,613)
<b>Profit before tax</b>	<b>61,184</b>	<b>28,110</b>
Income tax expense	(11,776)	(5,975)
<b>Profit for the year</b>	<b>49,408</b>	<b>22,135</b>
Attributable to:		
Non-controlling interests ^	59	66
Shareholders of the Parent	49,349	22,069
<b>Other comprehensive (loss)/income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Actuarial losses and gains	(133)	170
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation difference	(1,129)	2,872
<b>Other comprehensive (loss)/income for the year</b>	<b>(1,262)</b>	<b>3,042</b>
<b>Total comprehensive income for the year</b>	<b>48,146</b>	<b>25,177</b>
Attributable to:		
Non-controlling interests ^	59	66
Shareholders of the Parent	48,087	25,111
Basic and diluted earnings per share (in RUB)	381	170



*Consolidated Statement of Financial Position as at 31 December 2019*

	31 December 2019 RUB million	31 December 2018 RUB million
<b>Assets</b>		
Property, plant and equipment	199,459	186,231
Advances issued for property, plant and equipment	13,006	6,759
Right-of-use assets	6,891	-
Catalysts	2,376	2,574
Intangible assets	1,567	1,786
Investments in associates	519	506
Deferred tax assets	8,214	8,995
Other non-current assets	1,636	1,843
<b>Non-current assets</b>	<b>233,668</b>	<b>208,694</b>
Other current investments	251	313
Inventories	29,405	31,710
Trade and other receivables	31,061	36,186
Cash and cash equivalents	8,236	9,320
<b>Current assets</b>	<b>68,953</b>	<b>77,529</b>
<b>Total assets</b>	<b>302,621</b>	<b>286,223</b>
<b>Equity</b>		
Share capital	372	372
Share premium	7,494	7,494
Retained earnings	111,054	93,951
Actuarial losses	(689)	(556)
Foreign currency translation reserve	7,236	8,365
Equity attributable to shareholders of the Parent	125,467	109,626
Equity attributable to non-controlling interests	170	195
<b>Total equity</b>	<b>125,637</b>	<b>109,821</b>
<b>Liabilities</b>		
Loans and borrowings	96,736	122,877
Lease liabilities	4,701	376
Defined benefit obligations	857	630
Deferred tax liabilities	10,278	9,023
<b>Non-current liabilities</b>	<b>112,572</b>	<b>132,906</b>
Loans and borrowings	36,839	20,679
Lease liabilities	1,543	718
Trade and other payables	26,030	21,473
Derivative financial liabilities	-	626
<b>Current liabilities</b>	<b>64,412</b>	<b>43,496</b>
<b>Total equity and liabilities</b>	<b>302,621</b>	<b>286,223</b>

Consolidated Statement of Cash Flows for 2019

	2019	2018
	RUB million	RUB million
<b><i>Cash flows from operating activities</i></b>		
Operating profit	51,651	53,997
<i>Adjustments for:</i>		
Depreciation and amortisation	23,931	20,911
Loss on disposal of property, plant and equipment and intangible assets	611	586
Operating profit before changes in working capital and provisions	76,193	75,494
Decrease/(increase) in inventories and catalyts	1,593	(5,438)
Decrease in trade and other receivables	2,764	324
Increase in trade and other payables	5,398	655
Cash flows from operations before income taxes and interest paid	85,948	71,035
Income tax paid	(10,550)	(6,146)
Finance costs paid	(3,842)	(5,210)
<b>Cash flows from operating activities</b>	<b>71,556</b>	<b>59,679</b>
<b><i>Cash flows from investing activities</i></b>		
Acquisition of property, plant and equipment and intangible assets	(42,656)	(38,416)
Loans issued, net	(84)	(257)
Proceeds from disposal of property, plant and equipment	86	19
Finance income received	637	307
Acquisition of investments, net	-	(8)
Other payments	(1,267)	(814)
<b>Cash flows used in investing activities</b>	<b>(43,284)</b>	<b>(39,169)</b>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from borrowings	48,725	83,874
Repayment of borrowings	(42,698)	(83,572)
Dividends paid to shareholders of the Parent	(32,244)	(13,598)
Dividends paid to non-controlling interests	(84)	-
Leases paid	(1,937)	(1,285)
Proceeds/(payments) from settlement of derivatives, net	112	(22)
<b>Cash flows used in financing activities</b>	<b>(28,126)</b>	<b>(14,603)</b>
<b>Net increase in cash and cash equivalents</b>	<b>146</b>	<b>5,907</b>
Cash and cash equivalents at 1 January	9,320	2,691
Effect of exchange rates fluctuations	(1,230)	722
<b>Cash and cash equivalents at 31 December</b>	<b>8,236</b>	<b>9,320</b>