



PhosAgro Reports Operating and Financial Results for 1H 2023

Moscow – PhosAgro Group (“PhosAgro” or “the Company”) (Moscow Exchange, LSE: PHOR), one of the world’s leading vertically integrated phosphate-based fertilizer producers, today announces its consolidated interim condensed financial results for the six months ended 30 June 2023.

1H 2023 highlights

In 1H 2023, production of mineral fertilizers and other chemicals increased by 4.3% year-on-year to over 5.6 million tonnes. This growth was driven primarily by an increase in DAP/MAP production during the ramp-up to design capacity at the production complex in Volkhov, which was built as part of the Company’s comprehensive long-term development programme.

Total fertilizer sales in 1H 2023 decreased by 4.3% year-on-year to about 5.5 million tonnes, mainly due to the stockpiling of mineral fertilizers for seasonal deliveries to markets in Latin America and Asia after meeting the needs of the Russian market. At the same time, DAP/MAP sales rose by 5.8% over the same period, driving high margins in the current price environment.

Revenue for 1H 2023 amounted to RUB 212.8 billion (USD 2.8 billion), down 36.8% year-on-year. The decrease in revenue was due to a drop in global fertilizer prices from their peak in early 2022, when a high level of uncertainty and sanctions pressure on Russian producers (the largest players in the global fertilizer market) drove up prices for all types of fertilizers amid disruptions in global supply chains.

In 1H 2023, the Company’s EBITDA amounted to RUB 96.5 billion (USD 1.26 billion), down 28.8% year-on-year. Effective cost management and increased sales of high-margin products drove an EBITDA margin of 45.4%, a 5.1 p.p. increase from 1H 2022.

In 1H 2023, the Company’s free cash flow amounted to RUB 60.1 billion (USD 0.8 billion), up 47.1% year-on-year.

Net debt as of 30 June 2023 amounted to RUB 200.2 billion (USD 2.30 billion), and the ratio of net debt to adjusted EBITDA at the end of the quarter was 1.09x.

Financial and operating highlights

Financial highlights			
RUB mln	1H 2023	1H 2022	Change, %
Revenue	212,752	336,509	-36.8%
EBITDA*	96,518	135,548	-28.8%
<i>EBITDA margin</i>	45.4%	40.3%	
Adj. EBITDA**	82,816	165,322	-49.9%
Net profit	41,497	129,048	-67.8%
Adj. net profit***	55,772	108,553	-48.6%
Free cash flow	60,116	40,870	47.1%
	30 June 2023	31 December 2022	
Net debt	200,179	180,338	
ND/adj. LTM EBITDA	1.09x	0.68x	

Operating highlights			
Production volumes by category			
kt	1H 2023	1H 2022	Change, %
Phosphate-based fertilizers and feed phosphates	4,226.9	4,054.0	4.3%
Nitrogen-based fertilizers	1,318.9	1,265.6	4.2%
Other products	138.8	130.7	6.2%
TOTAL fertilizers	5,684.6	5,450.3	4.3%
Sales volumes by category			
kt	1H 2023	1H 2022	Change, %
Phosphate-based fertilizers and feed phosphates	4,117.9	4,335.3	-5.0%
Nitrogen-based fertilizers	1,316.2	1,346.4	-2.2%
Other products	82.9	82.0	1.1%
TOTAL fertilizers	5,517.0	5,763.7	-4.3%

RUB/USD exchange rate: average 1H 2023 rate: 76.8996; average 1H 2022 rate: 76.2975; as of 30 June 2023: 87.0341; as of 31 December 2022: 70.3375.

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

** Adj. EBITDA is EBITDA as reported minus FX differences from operating activities.

*** Adj. net profit is net profit as reported minus FX gain or loss.

The high EBITDA margin (accounting for FX differences) in 1H 2023 was driven by, among other factors, a decrease in the cost of key feedstocks and the flexibility of the Company's production chains, which made it possible to switch to the production of the highest-margin products in the current environment.

Sales volumes and regional product distribution in 2Q 2023 were in line with seasonal changes in demand, with increased sales to markets in Russia, North America and Europe (nitrogen-based fertilizers). Overall, the Company increased fertilizer sales to North America, Latin America and the CIS countries in 1H 2023.

Excess fertilizer production compared with sales in 2Q 2023 enabled the Company to stockpile a sufficient amount of product to satisfy the expected seasonal increase in demand in 3Q from key markets in India, Brazil and other regional markets in Asia and Latin America.

Thanks to its efficient operations, the Company was able to generate a high amount of free cash flow in 1H 2023 despite a correction in global fertilizer prices.

As of the end of the first half of the year, the Company's debt load remained at a comfortable level. As of 30 June 2023, the Company's net debt amounted to RUB 200.2 billion, and its net debt/adjusted EBITDA ratio was 1.09x. The increase from the beginning of the year was mainly due to the depreciation of the rouble against the US dollar and the revaluation of the USD-denominated portion of the Company's debt at the new exchange rate.

At the same time, it should be noted that the percentage of USD-denominated in debt in the Company's loan portfolio is decreasing, thanks in part to the replacement of the redeemed PHOR-23 Eurobond issue with issues of Russian RUB- and RMB-denominated exchange-traded bonds.

Other factors that had an impact on the Company's loan portfolio included the issuance of replacement bonds for two remaining Eurobond issues: PHOR-25 and PHOR-28. Despite the stable mechanism for separate payments on Eurobonds, the Company was one of the first Russian issuers to issue replacement bonds. Thus, the Company was able to meet the requirements of Decree of the President of Russia No. 364 of 22 May 2023, and noteholders in the Russian Federation were able to

receive a high-quality liquid investment instrument. As a result of this process, more than 74% of two Eurobond issues worth USD 740.4 million were replaced.

According to the Russian Fertilizer Producers Association, PhosAgro remains the leader in terms of supplies of agrochemical products to the priority Russian market.

Market situation in 2Q 2023

According to the Russian Fertilizer Producers Association, as of mid-August domestic producers had already fulfilled more than 80% of the annual plan for all of 2023 for the supply of agrochemical products to the priority domestic market, where the Company is the largest supplier of its own agrochemicals (with a 21% share).

The mineral fertilizer market in the first half of 2Q saw the end of seasonal demand in key markets in the Northern Hemisphere (Europe, North America, the Russian domestic market, China) and the development of a downward price trend. The market situation stabilised in the second half of the quarter, and prices gradually began to rise.

Phosphate-based fertilizer markets at the beginning of 2Q were supported by strong demand from India for DAP/NPK, while seasonal demand for MAP from Brazil, the main international market, intensified in May–June. The average price for MAP in 2Q 2023 was USD 477 per tonne (FOB Baltic).

The situation in markets for nitrogen-based fertilizers stabilised in the middle of 2Q, partly in response to reduced exports, for technical reasons, on the part of a number of major producers and in connection with the ramp-up of seasonal demand in Asian and Latin American markets. The average price of prilled urea in 2Q 2023 was USD 256 per tonne (FOB Baltic), and the average price of ammonium nitrate was USD 150 per tonne (FOB Baltic).

The prices of key commodities also stabilised in the middle of the quarter, following a prolonged downward trend in prices starting in 2H 2022, due in part to improved conditions in fertilizer markets. The average price of sulphur in 2Q 2023 was USD 68 per tonne (FOB Baltic), and the average price of standard potassium chloride was USD 389 per tonne (FOB Baltic). Prices for phosphate feedstocks remained stable at USD 285 per tonne (FOB Morocco) as of the end of 2Q 2023 (for feedstocks with P₂O₅ content of 31%–33%).

Market outlook

The third quarter has historically been marked by increased seasonal demand from key markets for nitrogen- and phosphate-based fertilizers in India, Brazil and other regional locations in Asia and Latin America. The low levels of carry-over stocks in North American and European markets will drive an earlier resumption of seasonal demand. As a result, prices have shown a strong increase since the start of the third quarter and may stabilise above 2Q 2023 prices.

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About the Company

PhosAgro (www.phosagro.ru) is a vertically integrated Russian company and one of the world's leading producers of mineral phosphorous fertilizers and of high-grade apatite concentrate grading 39% P₂O₅ and higher. PhosAgro's fertilizers are highly effective, ensuring the improved quality of agricultural produce.

PhosAgro Group is the largest manufacturer of phosphate-based fertilisers in Europe (by total capacity of DAP/MAP/NP/NPK/NPS production), the largest producer of phosphite grading 39% P₂O₅ in the world and one of the leading global producers of ammonium and diammonium phosphate, one of Europe's leading and the only producer in Russia of monocalcium phosphate feed (MCP), and the only producer in Russia of nepheline concentrate.

The company's main products, including phosphite, 57 grades of fertilizer, phosphate feed, ammonium, and sodium tripolyphosphate, are used in around 100 countries on all inhabited continents. Our priority markets, besides Russia and the CIS, are Latin America, Europe, and Asia.

The company's shares are listed on the Moscow Exchange and its Global Depositary Receipts (GDRs) are listed on the London Stock Exchange (MOEX and LSE ticker: PHOR).

More information about PhosAgro PJSC can be found on our site: www.phosagro.ru

PJSC “PhosAgro”

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and the six months ended 30 June 2023

<i>RUB million</i>	Six months ended		Three months ended	
	2023	2022	2023	2022
Revenues	212,752	336,509	96,574	155,831
Cost of Group products sold	(111,814)	(143,739)	(55,136)	(72,722)
Cost of products for resale	(10,608)	(7,394)	(2,965)	(2,354)
Gross profit	90,330	185,376	38,473	80,755
Administrative and selling overhead expenses	(15,152)	(28,430)	(8,220)	(6,857)
Taxes, other than income tax, net	(6,010)	(5,236)	(2,946)	(2,552)
Other expenses, net	(2,070)	(1,762)	(1,361)	(999)
Foreign exchange gain/(loss) from operating activities, net	13,702	(29,774)	7,285	(30,454)
Operating profit	80,800	120,174	33,231	39,893
Finance income	1,255	1,909	687	1,558
Finance costs	(3,586)	(9,510)	(1,916)	(1,095)
Foreign exchange (loss)/gain from financing activities, net	(27,977)	50,269	(15,722)	66,740
Profit before tax	50,492	162,842	16,280	107,096
Income tax expense	(8,995)	(33,794)	(2,842)	(21,510)
Profit for the period	41,497	129,048	13,438	85,586
Attributable to:				
Non-controlling interests*	3	4	(1)	8
Shareholders of the Company	41,494	129,044	13,439	85,578
Basic and diluted earnings per share (in RUB)	320	996	104	661
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation difference	-	(2,929)	-	-
Foreign currency translation difference reclassified to profit or loss upon loss of control over subsidiaries	-	(6,302)	-	-
Actuarial losses reclassified to profit or loss upon loss of control over subsidiaries	-	61	-	-
Other comprehensive loss for the period	-	(9,170)	-	-
Total comprehensive income for the period	41,497	119,878	13,438	85,586
Attributable to:				
Non-controlling interests*	3	4	(1)	8
Shareholders of the Parent	41,494	119,874	13,439	85,578

*Non-controlling interests are the minority shareholders of the subsidiaries of PJSC “PhosAgro”

PJSC “PhosAgro”**Consolidated Interim Condensed Statement of Financial Position as at 30 June 2023**

<i>RUB million</i>	30 June 2023	31 December 2022
Assets		
Property, plant and equipment	285,270	274,522
Other non-current assets	11,001	8,546
Deferred tax assets	9,493	7,903
Advances issued for property, plant and equipment	9,330	9,270
Non-current spare parts	7,093	5,125
Right-of-use assets	6,123	4,277
Catalysts	2,192	1,965
Intangible assets	2,147	2,099
Investments in associates	647	592
Non-current assets	333,296	314,299
Trade and other receivables	53,494	75,741
Inventories	41,584	39,349
Cash and cash equivalents	31,673	13,356
VAT and other taxes receivable	11,313	12,565
Income tax receivable	3,996	93
Other financial assets	263	210
Current assets	142,323	141,314
Total assets	475,619	455,613
Equity		
Share capital	372	372
Share premium	7,494	7,494
Retained earnings	137,754	190,664
Actuarial losses	(968)	(968)
Equity attributable to shareholders of the Parent	144,652	197,562
Equity attributable to non-controlling interests	30	158
Total equity	144,682	197,720
Liabilities		
Loans and borrowings	179,205	109,784
Deferred tax liabilities	11,720	17,820
Lease liabilities	2,376	1,660
Defined benefit obligations	1,066	1,050
Non-current liabilities	194,367	130,314
Loans and borrowings	48,949	80,974
Dividends payable	44,329	82
Trade and other payables	36,662	39,412
VAT and other taxes payable	5,206	5,632
Lease liabilities	1,322	1,276
Income tax payable	102	203
Current liabilities	136,570	127,579
Total equity and liabilities	475,619	455,613

PJSC “PhosAgro”**Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2023**

<i>RUB million</i>	Six months ended 30 June	
	2023	2022
Cash flows from operating activities		
Operating profit	80,800	120,174
<i>Adjustments for:</i>		
Depreciation and amortisation	15,718	15,374
Loss on disposal of property, plant and equipment and intangible assets	165	221
Operating profit before changes in working capital and provisions	96,683	135,769
Decrease in trade and other receivables ¹	21,174	19,663
Decrease in trade and other payables ¹	(4,166)	(14,116)
Increase in inventories, catalysts and non-current spare parts	(3,839)	(7,162)
Cash flows from operations before income taxes and interest paid	109,852	134,154
Income tax paid	(20,691)	(24,599)
Finance costs paid	(3,230)	(2,987)
Cash flows from operating activities	85,931	106,568
Cash flows from investing activities		
Interest income	737	1,611
Acquisition of property, plant and equipment and intangible assets	(25,976)	(28,423)
Borrowing cost capitalised paid	(555)	(465)
Advances issued for right-of-use assets	(94)	(419)
Cash and cash equivalents disposed as a result of loss of control over subsidiaries	-	(36,729)
Loans issued	-	(3,130)
Proceeds from disposal of financial assets measured at fair value through profit or loss	-	1,778
Other	73	79
Cash flows used in investing activities	(25,815)	(65,698)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	79,562	29,462
Refund of dividends paid ²	10,141	-
Repayment of borrowings	(75,854)	(13,798)
Dividends paid to shareholders of the Parent	(60,299)	-
Lease payments	(692)	(854)
Dividends paid to non-controlling interests	(131)	-
Cash flows (used in)/ from financing activities	(47,273)	14,810
Net increase in cash and cash equivalents	12,843	55,680
Cash and cash equivalents at 1 January	13,356	21,710
Effect of exchange rates fluctuations	5,474	(5,463)
Cash and cash equivalents at 30 June	31,673	71,927

¹ Changes in trade and other receivables and changes in trade and other payables include effect of foreign exchange differences from operating activities.

² The Group received cash refund from depositories paid as dividends to parties who were entitled to receive them, but didn't receive dividends due to reasons beyond the depositories' control.