



4Q and FY 2020 Financial Results:

Free Cash Flow Increases 1.5x Year-on-Year to a Historical Record RUB 42.5 Billion

Moscow – 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 2020.

4Q and FY 2020 highlights

PhosAgro’s revenue for 4Q 2020 increased by 10.8% year-on-year to RUB 58.9 billion (USD 773 million), driven by changes in the pricing environment and the FX rate.

Revenue for FY 2020 increased by 2.3% year-on-year to RUB 253.9 billion (USD 3.5 billion). Revenue growth was fuelled by increased fertilizer sales volumes throughout the year.

In 4Q 2020, the Company’s EBITDA increased by 64.3% year-on-year to RUB 18.4 billion (USD 241 million) thanks to an increase in fertilizer prices while global prices for raw materials remained low. The EBITDA margin for the quarter increased by 10.2 p.p. to 31.2%.

EBITDA for FY 2020 increased by 11.5% year-on-year to RUB 84.3 billion (USD 1,168 million). The EBITDA margin was 33.2%.

The Company’s free cash flow in 4Q 2020 amounted to RUB 2.9 billion (USD 37 million) thanks to continued strong sales and more efficient management of working capital.

Free cash flow for FY 2020 increased 1.5x year-on-year to a record RUB 42.5 billion (USD 582 million).

Adjusted net income for FY 2020 was RUB 46.8 billion (USD 649 million), an increase of 26.3% year-on-year.

Net debt as of 31 December 2020 was RUB 156.9 billion (USD 2.1 billion), and the net debt/EBITDA ratio as of the end of 4Q 2020 had decreased from the previous quarter to 1.86x.

Financial and operating highlights

Financial highlights						
RUB million	FY 2020	FY 2019	Change, %	4Q 2020	4Q 2019	Change, %
Revenue	253,879	248,125	2.3%	58,891	53,142	10.8%
EBITDA*	84,280	75,582	11.5%	18,383	11,186	64.3%
EBITDA margin	33.2%	30.5%	2.7 p.p.	31.2%	21.0%	10.2 p.p.
Net income	16,921	49,408	-65.8%	12,963	6,701	93.4%
Adj. net income**	46,791	37,062	26.3%	7,480	2,528	195.9%

Free cash flow	42,517	28,272	50.4%	2,852	-4,292	n/a
	31.12.2020	31.12.2019				
Net debt	156,875	131,583				
ND/LTM EBITDA	1.86x	1.74x				
Sales, ths tonnes	FY	FY	Change,	4Q	4Q	Change,
	2020	2019	%	2020	2019	%
Phosphate-based fertilizers	7,669	7,255	5.7%	1,545	1,738	-11.1%
Nitrogen-based fertilizers	2,286	2,197	4.0%	500	537	-7.0%
	9,955	9,452	5.3%	2,045	2,275	-10.1%

The average RUB/USD exchange rate in 4Q 2020 was 76.22, compared with 63.7 in 4Q 2019; the exchange rate was 73.9 as of 31 December 2020, compared with 61.9 as of 31 December 2019.

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

**Net profit as reported minus FX gain or loss and other non-cash items.

Commenting on the Company's performance, Jim Rogers, an Independent Director on PhosAgro's Board of Directors, said:

"I have been a member of PhosAgro's Board of Directors for several years now, and we have interacted closely with the Company's management team this entire time. Therefore, I am especially pleased to see PhosAgro's production and financial performance rising, which is driven largely by implementation of a long-term strategy aimed at sustainable growth, a professional management team and the ability to take advantage of favourable market conditions.

"Separately, I would like to note that the achievements of several Company executives team were recently recognised at the 15th national Director of the Year competition, where the Expert Council recognised five members of the Company's Board of Directors. Xavier Rolet, Chairman of PhosAgro's Board of Directors, was named one of the top 25 Board chairs. Irina Bokova, Chair of PhosAgro's Board of Directors Sustainable Development Committee, Marcus Rhodes and Andrey Sharonov, a member of three PhosAgro Board committees, were included among the top 50 independent directors. Andrey Guryev, PhosAgro's CEO and a member of the Company's Board of Directors, was announced as the winner in the category "Contribution to the Development of ESG Culture".

"Yesterday, after noting the Company's outstanding operating results in 2020, the Board of Directors approved PhosAgro's financial statements for FY 2020. At an upcoming meeting of the Board of Directors, we plan to recommend that the General Meeting of Shareholders approve dividends for 2020. Our decision on dividends will be based on the Company's performance, continued trend of price recovery on the global mineral fertilizers market and prospects for growth in demand from end consumers."

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

"2020 was a record year for PhosAgro in terms of both production volumes and the Company's ability to generate cash flows. Implementation of our long-term development strategy enabled us to exceed, for the first time, 10 million tonnes of commercial production in a year, and fertilizer sales increased by more than 5% year-on-year.

"With a favourable pricing environment in global sales markets, increased fertilizer sales supported a higher EBITDA margin, enabling us to achieve record growth in free cash flow, which exceeded RUB 42 billion, an increase of more than one and a half times year-on-year.

“At the same time, the Company’s net debt/EBITDA ratio remains at 1.86x, and our capital expenditures in 2020 amounted to less than 50% of EBITDA.

“At the moment, we are seeing a considerable increase in demand and prices for all the principal types of mineral fertilizers, which is driven by high prices for the main agricultural crops and the growth in seasonal demand in key sales markets: Europe, the US domestic market and China.

“In addition to these factors, support for fertilizer demand in the near term can be expected from the Indian market, where low carryover stocks may be conducive to an earlier start of major seasonal purchases.”

4Q 2020 market conditions

Throughout the fourth quarter, the global market for phosphate-based fertilizers was characterised by the continuation of high residual demand in key markets in South Asia (India, Pakistan) and Latin America (Brazil), as well as continued limited exports from China.

The fourth quarter has traditionally seen an increase in seasonal demand in the markets of Western Europe.

In the US domestic market, in the absence of supplies from Russia and Morocco due to an investigation into the introduction of countervailing duties on fertilizers from these countries, there was an increased shortage and a decrease in exports from American producers, which pushed prices higher not only in the US domestic market but also in the global market as a whole.

The increase in global prices for the main types of agricultural products ensured that fertilizers remained as affordable as they have been in recent years in nearly every market.

The combination of the above factors offset the traditional low season and contributed to continued growth in demand and higher prices for fertilizers towards the end of the year.

In 4Q 2020, the average price for DAP/MAP (FOB Baltic) was USD 355 per tonne, up USD 36 (11%) from the previous quarter and USD 73 (26%) above the average price in 4Q 2019.

The average price for urea (FOB Baltic) in 4Q 2020 was USD 237 per tonne, up from an average price of USD 233 per tonne in the previous quarter and USD 219 in 4Q 2019. The global urea market was shaped by a series of large tenders in India, which, combined with growth in seasonal demand in Latin America and Southeast Asia, helped stabilise the balance of supply and demand in the market as a whole.

The average price for ammonia (FOB Baltic) in 4Q 2020 was USD 209 per tonne, up from an average price of USD 178 per tonne in 3Q 2020. The increase in ammonia prices was driven by growth in seasonal demand in the markets of Europe, North America and Asia amid maintenance shutdowns and reduced production in the Middle East, Trinidad and Southeast Asia. An additional factor behind the upward trend was the rise in global prices for natural gas.

The average price for sulphur (FOB Baltic) in 4Q 2020 was USD 63 per tonne, up from USD 53 in the previous quarter. The main factors behind the increase in global sulphur prices were the strengthening of global markets for phosphate-based fertilizers, reductions in sulphur exports from Russia and Canada due to seasonal logistics limitations and a significant decrease in China’s sulphur reserves.

Potash prices (FOB Baltic) remained stable in 4Q at USD 192 per tonne, down from USD 197 per tonne in 3Q 2020. The slight price decrease was mainly due to an increase in shipping rates on the main supply routes.

4Q and FY 2020 financial performance

In 4Q 2020, the Company's revenue increased by 10.8% year-on-year to RUB 58.9 billion (USD 773 million). Growth was driven mainly by the recovery of prices for phosphate- and nitrogen-based fertilizers on the back of a weaker rouble.

Revenue for FY 2020 increased by 2.3% year-on-year to RUB 253.9 billion (USD 3.5 billion). The lower average sales prices for phosphate- and nitrogen-based fertilizers in 2020 were completely offset by a 5.3% increase in sales volumes and the 11.4% depreciation of the rouble against the US dollar.

Gross profit in 4Q 2020 increased by 35.9% year-on-year to RUB 29.3 billion (USD 384 million), with a gross profit margin of 49.7%. Gross profit in the phosphate- and nitrogen-based fertilizer segments saw the following changes:

- Gross profit for phosphate-based fertilizers increased by 35.6% to RUB 23.4 billion (USD 324 million). This improvement was driven by the recovery in prices for phosphate-based fertilizers in tandem with low feedstock prices and the depreciation of the rouble;
- Gross profit in the nitrogen-based fertilizer segment increased by 27.9% to RUB 5.6 billion (USD 77 million).

PhosAgro's EBITDA for 4Q 2020 increased by 64.3% year-on-year and amounted to RUB 18.4 billion (USD 241 million). The main growth drivers were the recovery in global fertilizer prices and the completion of equipment upgrades and operational improvements at production facilities. Additional supporting factors were the weakening of the rouble against the US dollar and low prices for primary feedstocks.

Net profit adjusted for non-cash FX gain and other non-cash items for 4Q 2020 increased by almost three times year-on-year to RUB 7.5 billion (USD 98 million).

Free cash flow in 4Q 2020 was RUB 2.9 billion (USD 37 million), compared with a negative cash flow of RUB 4.3 billion (USD 67 million) in 4Q 2019. This considerable increase was possible because of the Company's high EBITDA margin, sales growth and efficient management of working capital.

Capital expenditure in 4Q 2020 amounted to RUB 13.5 billion (USD 177 million). In annual terms, capital expenditure amounted to RUB 40.9 billion (USD 567 million), which corresponds to 49% of EBITDA for the reporting period. The Company invested primarily in the development of its ore base in Kirovsk, upgrades to its fertilizer production assets and railway infrastructure in Cherepovets, the creation of a flexible ammonium sulphate production line in Balakovo and the construction of new capacities at its production site in Volkhov.

As of the end of the year, the net debt/EBITDA ratio was 1.86x. The increase compared to year-end 2019 was driven by the devaluation of the rouble against the US dollar, since a large part of the Company's loan portfolio is denominated in US dollars. Net debt as of 31 December 2020 amounted to RUB 156.9 billion (USD 2.1 billion).

Cost of Sales						
RUB million or %	FY 2020	FY 2019	Change, %	4Q 2020	4Q 2019	Change, %
D&A	23,743	21,368	11.1%	5,022	5,242	-4.2%
Materials and services	40,973	41,221	-0.6%	9,272	9,964	-6.9%
Phosphate rock transport	8,134	8,641	-5.9%	1,452	1,956	-25.8%
Repair expenses	10,134	10,119	0.1%	2,754	2,363	16.5%

<i>Drilling and blasting</i>	3,168	2,323	36.4%	788	678	16.2%
<i>Other materials and services</i>	19,537	20,138	-3.0%	4,278	4,967	-13.9%
Raw materials	35,514	43,155	-17.7%	7,643	9,450	-19.1%
<i>Ammonia</i>	4,802	4,095	17.3%	1,322	1,173	12.7%
<i>Sulphur and sulph. acid</i>	4,360	9,165	-52.4%	901	1,313	-31.4%
<i>Potassium</i>	12,253	13,691	-10.5%	2,442	2,964	-17.6%
<i>Natural gas</i>	12,342	12,627	-2.3%	2,467	2,972	-17.0%
<i>Ammonium sulphate</i>	1,757	3,577	-50.9%	511	1,028	-50.3%
Salaries and social contributions	13,807	12,744	8.3%	2,897	3,170	-8.6%
Electricity	6,311	6,204	1.7%	1,392	1,439	-3.3%
Fuel	3,885	4,849	-19.9%	915	1,119	-18.2%
Products for resale	9,102	6,683	36.2%	2,472	1,216	103.3%
Total	133,335	136,224	-2.1%	29,613	31,600	-6.3%

Cost of sales decreased in 2020 by 2.1% year-on-year to RUB 133.3 billion (USD 1.8 billion). This decrease on the back of higher sales was the result of improved efficiency stemming from upgrades to production assets, increased self-sufficiency in feedstocks and low prices for raw materials.

Cost of sales in 4Q 2020 decreased by 6.3% year-on-year (in connection with a decrease in fertilizer sales and low prices for raw materials) to RUB 29.6 billion (USD 389 million).

- The cost of materials and services decreased by 6.9% year-on-year to RUB 9.3 billion (USD 122 million). This decrease was driven by savings in phosphate rock transport, as the Company used a higher percentage of its own rail cars.
- Raw material costs decreased by 19.1% year-on-year to RUB 7.6 billion (USD 100 million) due to:
 - A 31.4% reduction in sulphur and sulphuric acid costs to RUB 901 million (USD 12 million) due to a decrease in sales of fertilizer brands with high sulphur content, as well as the launch of a new sulphuric acid plant in Cherepovets in 1Q 2020.
 - A 17.6% decrease in potash costs to RUB 2.4 billion (USD 32 million) amid falling global prices.
 - A 17.0% drop in natural gas costs to RUB 2.5 billion (USD 32 million) due to lower sales of fertilizer brands with high nitrogen content (DAP/MAP/urea).
 - A 50.3% reduction in the cost of ammonium sulphate to RUB 0.5 billion (USD 7 million) following the full ramp-up of the Company's own ammonium sulphate plant.
 - Ammonia costs rose by 12.7% to RUB 1.3 billion (USD 17 million) due to higher consumption driven by the launch of the Company's own ammonium sulphate production unit.

Administrative and selling expenses						
RUB million	FY 2020	FY 2019	Change, %	4Q 2020	4Q 2019	Change, %
Administrative expenses	17,828	16,476	8.2%	4,887	4,658	4.9%
<i>Salaries and social contributions</i>	11,249	9,300	21.0%	2,873	2,365	21.5%
<i>Professional services</i>	1,929	1,963	-1.7%	644	696	-7.5%
<i>D&A</i>	1,368	1,378	-0.7%	349	342	2.0%
<i>Other</i>	3,282	3,835	-14.4%	1,021	1,255	-18.6%
Selling and marketing expenses	39,588	38,121	3.8%	10,610	10,324	2.8%
<i>Freight, port and stevedoring expenses</i>	19,208	18,372	4.6%	5,259	5,458	-3.6%
<i>Russian Railways' tariffs and operators' fees</i>	11,466	11,441	0.2%	2,725	2,614	4.2%
<i>Salaries and social contributions</i>	3,484	2,662	30.9%	1,166	708	64.7%

<i>Material and services</i>	2,431	2,563	-5.2%	621	692	-10.3%
<i>Customs duties</i>	1,484	1,898	-21.8%	447	458	-2.4%
<i>D&A</i>	1,515	1,185	27.8%	392	394	-0.5%

Administrative expenses increased by 4.9% year-on-year in 4Q 2020 to RUB 4.9 billion (USD 64 million). The main driver was a 21.5% increase in salaries and social security contributions to RUB 2.9 billion (USD 38 million) due to an increase in the number of employees and incentive payments.

In annual terms, administrative expenses increased by 8.2% year-on-year to RUB 17.8 billion (USD 247 million).

In 4Q 2020, selling expenses increased by 2.8% year-on-year to RUB 10.6 billion (USD 139 million). In annual terms, selling expenses increased by 3.8% year-on-year to RUB 39.6 billion (USD 54 million). The main factor behind this growth was an increase in incentive payments as a result of excellent operating performance.

Market outlook

The start of 2021 has shown a noticeable increase in prices for major agricultural crops, which, combined with the growth in seasonal demand in key sales markets (Europe, the US domestic market and China in particular), contributed to a significant increase in demand and prices for all major types of mineral fertilizers and raw materials for production.

The main benchmarks for phosphate-based fertilizers (DAP/MAP) and urea increased by more than USD 100 per tonne throughout January and in early February and continue to rise. Persistent demand in China's domestic market has limited exports from the region.

The Indian market is characterized by low carryover stocks, especially for phosphate-based fertilizers, implying an earlier start to major seasonal purchases. The US domestic market continues to face a shortage of DAP/MAP due to the lack of traditional imports from Morocco and Russia, which, at the height of the main spring demand, is acting as an additional driver pushing up prices to their highest levels in recent years.

Conference call and webcast:

PhosAgro will hold a conference call and webcast today at 14:00 London time (17:00 in Moscow; 09:00 in New York).

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

Webcast link:

<https://www.webcast-eqs.com/register/phosagro20210219/>

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 9126
United Kingdom Toll-Free	0800 358 6377
United States Toll-Free	+1 313-209-4906
United States Toll	888-254-3590

Conference ID numbers:

English conference ID: 5592368
Russian conference ID: 2118837

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About us

PhosAgro (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%, 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).

PJSC “PhosAgro”
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020

		2020	2019
	Note	RUB Million	RUB Million
Revenues	6	253,879	248,125
Cost of sales	8	(133,335)	(136,224)
Gross profit		120,544	111,901
Administrative expenses	9	(17,828)	(16,476)
Selling expenses	10	(39,588)	(38,121)
Taxes, other than income tax, net	11	(2,962)	(2,384)
Other expenses, net	12	(2,512)	(3,269)
Operating profit		57,654	51,651
Finance income	13	975	1,458
Finance costs	13	(5,455)	(4,271)
Foreign exchange (loss)/gain, net	30(b)	(25,070)	12,346
COVID-19 related expenses		(1,434)	-
Profit before tax		26,670	61,184
Income tax expense	14	(9,749)	(11,776)
Profit for the year		16,921	49,408
Attributable to:			
Non-controlling interests ^		(11)	59
Shareholders of the Parent		16,932	49,349
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss			
Actuarial losses	28	(28)	(133)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		2,345	(1,129)
Other comprehensive income/(loss) for the year		2,317	(1,262)
Total comprehensive income for the year		19,238	48,146
Attributable to:			
Non-controlling interests ^		(11)	59
Shareholders of the Parent		19,249	48,087
Basic and diluted earnings per share (in RUB)	25	131	381

^ non-controlling interests are the minority shareholders of the subsidiaries of PJSC “PhosAgro”

	Note	31 December 2020 RUB million	31 December 2019 RUB million
Assets			
Property, plant and equipment	15	220,031	199,459
Advances issued for property, plant and equipment		7,835	13,006
Right-of-use assets	16	7,335	6,891
Catalysts		2,292	2,376
Intangible assets		1,621	1,567
Investments in associates	17	556	519
Deferred tax assets	18	7,462	8,214
Other non-current assets	19	948	1,636
Non-current assets		248,080	233,668
Other current investments	20	311	251
Inventories	21	32,636	29,405
Trade and other receivables	22	32,887	31,061
Cash and cash equivalents	23	8,460	8,236
Current assets		74,294	68,953
Total assets		322,374	302,621
Equity	24		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		88,887	111,054
Actuarial losses		(717)	(689)
Foreign currency translation reserve		9,581	7,236
Equity attributable to shareholders of the Parent		105,617	125,467
Equity attributable to non-controlling interests		129	170
Total equity		105,746	125,637
Liabilities			
Loans and borrowings	26	103,824	96,736
Lease liabilities	27	4,268	4,701
Defined benefit obligations	28	945	857
Deferred tax liabilities	18	11,196	10,278
Non-current liabilities		120,233	112,572
Loans and borrowings	26	55,316	36,839
Lease liabilities	27	1,927	1,543
Trade and other payables	29	39,152	26,030
Current liabilities		96,395	64,412
Total equity and liabilities		322,374	302,621

	Note	2020 RUB million	2019 RUB million
Cash flows from operating activities			
Operating profit		57,654	51,651
<i>Adjustments for:</i>			
Depreciation and amortisation	8, 9, 10	26,626	23,931
Loss on disposal of property, plant and equipment and intangible assets	12	209	611
Operating profit before changes in working capital and provisions		84,489	76,193
(Increase)/decrease in inventories and catalysts		(1,843)	1,593
(Increase)/decrease in trade and other receivables		(345)	2,764
Increase in trade and other payables		12,020	5,398
Cash flows from operations before income taxes and interest paid		94,321	85,948
Income tax paid		(6,462)	(10,550)
Finance costs paid		(4,121)	(3,842)
Cash flows from operating activities		83,738	71,556
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(40,878)	(42,656)
Loans repaid/(issued), net		147	(84)
Proceeds from disposal of property, plant and equipment		37	86
Payments for settlement of financial instruments		42	-
Finance income received		653	637
Other payments		(1,220)	(1,267)
Cash flows used in investing activities		(41,219)	(43,284)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs ¹	26	63,520	48,725
Repayment of borrowings	26	(66,182)	(42,698)
Early eurobond partial redemption fees	13	(292)	-
Dividends paid to shareholders of the Parent	24	(38,852)	(32,244)
Dividends paid to non-controlling interests		(30)	(84)
Leases paid	27	(1,951)	(1,937)
Other payments		(249)	-
Proceeds from settlement of derivatives, net		-	112
Cash flows used in financing activities		(44,036)	(28,126)
Net (decrease)/ increase in cash and cash equivalents		(1,517)	146
Cash and cash equivalents at 1 January		8,236	9,320
Effect of exchange rates fluctuations		1,741	(1,230)
Cash and cash equivalents at 31 December	23	8,460	8,236