



PhosAgro Publishes 2Q and 1H 2021 Financial Results

Moscow – PhosAgro (“the Company”) (Moscow Exchange, LSE: PHOR), one of the world’s leading vertically integrated phosphate-based fertilizer producers, today announced its consolidated IFRS financial results for the second quarter (2Q) and first half (1H) of 2021.

2Q and 1H 2021 highlights

Revenue for 2Q 2021 increased by 48.0% year-on-year to RUB 88.7 billion (USD 1.2 billion).

Revenue for 1H 2021 increased by 42.2% year-on-year to RUB 176.3 billion (USD 2.4 billion). The growth was largely a result of implementation of the Company’s long-term development strategy, which has enabled the launch of new production capacities and improved the efficiency of existing facilities. The rise in revenue was also driven by an improvement in the Company’s sales structure in favour of high-margin fertilizers at a time of higher average sales prices in global markets.

In 2Q 2021, EBITDA more than doubled year-on-year to RUB 38.8 billion (USD 523 million). Upgrades to production assets, improved efficiency of the main production lines and an increase self-sufficiency of key feedstocks enabled the Company to achieve an EBITDA margin for the quarter of 43.7%.

In 1H 2021, EBITDA increased by 83.4% year-on-year to RUB 73.1 billion (USD 984 million). EBITDA margin for the period rose to 41.5%.

In 2Q 2021, free cash flow amounted to RUB 19.0 billion (USD 256 million), a more than nine times higher year-on-year, driven by working capital optimisation.

In 1H 2021, free cash flow amounted to RUB 34.2 billion (USD 461 million), up 68.8% year-on-year.

In 2Q and 1H 2021, adjusted net profit amounted to RUB 24.1 billion (USD 325 million) and RUB 45.3 billion (USD 610 million), respectively. These results for 2Q and 1H 2021 are four times and two times higher year-on-year, respectively.

As of 30 June 2021, net debt had decreased by RUB 30.5 billion since the end of 2020, amounting to RUB 126.3 billion (USD 1.7 billion). The net debt/EBITDA ratio had dropped to 1.07x as of the end of 2Q 2021.

Financial and operational highlights

Financial highlights						
RUB mln	2Q 2021	2Q 2020	Chng %	1H 2021	1H 2020	Chng %
Revenue	88,682	59,938	48.0%	176,261	123,996	42.2%

EBITDA*	38,785	19,126	102.8%	73,094	39,864	83.4%
EBITDA margin	43.7%	31.9%	11.8 pp	41.5%	32.1%	9.3 pp
Net profit	30,308	20,879	45.2%	48,652	5,291	819.5%
Adj. net profit**	24,099	5,646	326.8%	45,328	22,237	103.8%
Free cash flow	19,002	2,021	840.2%	34,217	20,274	68.8%
	30.06.2021	31.12.2021				
Net debt	126,343	156,875				
ND/LTM EBITDA	1.07x	1.86x				

RUB/USD rates: average 2Q 2021 rate: 74.2; average 2Q 2020 rate: 72.4; as of 30 June 2021: 72.4; as of 31 December 2020: 73.9.

* 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:

"The second quarter of 2021 was one of the most successful in the Company's history. Thanks to the modernisation of production units, we were able to increase production of phosphoric acid despite bringing forward a portion of our planned maintenance from the third quarter. This growth enabled us to maintain a high level of production of phosphate-based fertilizers, thus satisfying demand in key markets.

"In the context of a favourable global market environment for agricultural products and fertilizers, this enabled us to increase profitability considerably. As a result, revenue for the quarter approached RUB 89 billion, an increase of 48%, and EBITDA more than doubled to RUB 38.8 billion, our best result since going public. At the same time, EBITDA margin was nearly 44%.

"High levels of efficiency, predictable capex and effective management of working capital enabled the Company to generate free cash flow in the second quarter of more than RUB 19 billion.

"As a result, the Group's net debt at the end of the quarter had decreased to RUB 126 billion, and the net debt/EBITDA ratio had dropped to 1.07x, which is in line with the Company's financial policy and reflects a comfortable long-term position.

"To wrap up, I would like to emphasise once again that the Company's strong operating and financial performance and balanced long-term development programme have enabled us to maintain a low level of debt and protect the Group's long-term advantage in global markets."

2Q 2021 market conditions

Prices for phosphate-based fertilizers continued to rise in most markets in 2Q 2021, supported by high prices for agricultural products, continued demand in the US and European domestic markets, and the development of seasonal demand in Latin American markets – Brazil in particular.

Increased subsidies in India boosted import demand at the start of the quarter, which helped absorb the bulk of DAP exports from China. A sharp rise in global prices for potash as a result of production cuts in the United States and the introduction of sectoral sanctions on Belarusian products helped drive greater demand and higher prices for NPK fertilizers.

Prices for nitrogen-based fertilizers also trended upward on the back of strong demand from markets in Central and South America and the start of regular seasonal purchases of urea in India.

Global prices for commercial ammonia continued to rise, as demand outstripped supply in the wake of unplanned shutdowns in Central America and the Middle East. The average price for commercial ammonia in 2Q 2021 was USD 464 per tonne (FOB Yuzhny), up from USD 199 per tonne (FOB) in 2Q 2020.

Global sulphur prices remained high at USD 177 per tonne (FOB Black Sea) in 2Q 2021.

Prices for phosphate raw materials also continued to rise in line with prices for phosphate-based fertilizers. Contract prices for phosphoric acid supplies to India in 2Q 2021 were agreed at USD 998 per tonne of 100% P₂O₅ (CFR India), which was USD 203 per tonne higher than in 1Q 2021 and USD 391 per tonne higher than in 2Q 2020. Phosphate rock prices (68%–72% BPL) in 2Q 2021 were USD 85–155 per tonne (FOB Morocco), compared with USD 70–105 per tonne (FOB Morocco) in 2Q 2020.

2Q 2021 financial performance

In 2Q 2021, the Company's revenue increased by 48.0% year-on-year to RUB 88.7 billion (USD 1.2 billion). The main growth drivers were the rise in global prices for phosphate- and nitrogen-based fertilizers amid the depreciation of the rouble against the US dollar. At the same time, the sales volume of nitrogen-based fertilizers for the quarter increased by 3.3% year-on-year.

EBITDA for 2Q 2021 increased by 102.8% year-on-year to a record RUB 38.8 billion (USD 523 million). Despite the significant increase in prices for key feedstocks, EBITDA margin amounted to 43.7%.

- EBITDA in the phosphate-based fertilizers segment amounted to RUB 29.7 billion (USD 400 million), a nearly twofold increase year-on-year. Higher profits were recorded for all key products, mainly due to farmers' record-high purchasing power on the back of high prices for agricultural products.
- EBITDA in the nitrogen-based fertilizer segment amounted to RUB 9.1 billion (USD 122 million), was twice the result for 2Q 2020.

Net profit (defined as net profit excluding non-cash FX gain/loss and other non-cash factors) for 2Q 2021 more than quadrupled year-on-year to RUB 24.1 billion (USD 325 million).

In 2Q 2021, the Company's free cash flow amounted to RUB 19.0 billion (USD 256 million). The main source of cash flow was an increase in sales income due to higher average global prices, an improvement in the structure of finished products and effective management of working capital, which balanced cash flows for capital expenditure.

Capex in 2Q 2021 amounted to RUB 11.2 billion (USD 150 million). The Company invested primarily in the construction of its large industrial complex at its Volkhov site, where the first production lines have already been launched with a design capacity of more than 800 thousand tonnes of MAP per year. Once the project is complete, the total capacity of the new complex will reach almost 900 thousand tonnes.

As of 30 June 2021, the net debt/EBITDA ratio was 1.07x. PhosAgro was able to decrease its debt burden thanks to higher profits along with effective cost controls. Net debt as of 30 June 2021 was RUB 126.3 billion (USD 1.7 billion).

RUB million or %	2Q 2021	2Q 2020	Chng %	1H 2021	1H 2020	Chng %
Amortisation	5,578	5,997	-7.0%	12,338	12,223	0.9%
Materials and services	10,378	9,510	9.1%	22,522	20,320	10.8%
<i>Phosphate rock transport</i>	1,953	1,976	-1.2%	4,237	4,236	0.0%
<i>Repair expenses</i>	2,748	2,351	16.9%	5,637	4,767	18.3%
<i>Drilling and blasting costs</i>	822	720	14.2%	1,807	1,489	21.4%
<i>Other materials and services</i>	4,855	4,463	8.8%	10,841	9,828	10.3%
Raw materials	12,946	8,267	56.6%	24,737	18,303	35.2%
<i>Ammonia</i>	2,798	1,076	160.0%	4,879	2,267	115.2%
<i>Sulphur and sulph. acid</i>	4,016	1,063	277.8%	6,062	2,258	168.5%
<i>Potassium</i>	3,038	2,820	7.7%	6,299	6,026	4.5%
<i>Natural gas</i>	2,886	3,124	-7.6%	6,876	6,921	-0.7%
<i>Ammonium sulphate</i>	208	184	13.0%	621	831	-25.3%
Salaries and social contributions	3,325	3,527	-5.7%	7,559	7,114	6.3%
Electricity	1,410	1,530	-7.8%	3,211	3,236	-0.8%
Fuel	1,217	903	34.8%	2,723	2,047	33.0%
Products for resale	1,980	1,666	18.8%	5,293	4,755	11.3%
Customs duties	396	204	94.1%	1,138	564	101.8%
Freight, port and stevedoring expenses	6,327	4,564	38.6%	12,817	9,064	41.4%
Russian Railways' tariffs and operators' fees	2,475	2,935	-15.7%	5,599	5,917	-5.4%
Other	286	184	55.4%	589	406	45.1%
Total	46,318	39,287	17.9%	98,526	83,949	17.4%

Cost of sales in 2Q 2021 increased by 17.9% year-on-year largely due to a considerable increase in feedstock prices:

- Expenses for materials and services increased by 9.1% year-on-year to RUB 10.4 billion (USD 140 million) due to an increase in the amount of planned repairs and a slight increase in costs associated with the extraction of phosphorus ore.
- Expenses for raw materials increased by 56.6% year-on-year to RUB 12.9 billion (USD 174 million):
 - a 160.0% increase in ammonia costs to RUB 2.8 billion (USD 38 million) as a result of higher prices for this feedstock;
 - a 277.8% increase in expenses for sulphur and sulphuric acid to RUB 4.0 billion (USD 54 million) as a result of higher global prices for sulphur;
 - a 7.6% decrease in natural gas costs to RUB 2.9 billion (USD 39 million) due to lower sales of fertilizer grades high in ammonia.
- Spending on customs duties increased by 94.1% year-on-year to RUB 0.4 billion due to an increase in the share of exports in the Company's sales structure.
- Freight, port and stevedoring expenses increased by 38.6% to RUB 6.3 billion (USD 85 million) as a result of higher transportation tariffs and the devaluation of the rouble against the dollar at the beginning of the year.

Administrative and selling expenses						
RUB mln	2Q 2021	2Q 2020	Chng %	1H 2021	1H 2020	Chng %
Administrative expenses	4,997	4,150	20.4%	9,889	8,802	12.3%
<i>Salaries and social contributions</i>	3,281	2,646	24.0%	6,442	5,728	12.5%
<i>Professional services</i>	414	534	-22.5%	838	953	-12.1%
<i>Amortisation</i>	336	342	-1.8%	692	678	2.1%
<i>Other</i>	966	628	53.8%	1,917	1,443	32.8%

Selling and marketing expenses	1,684	1,402	20.1%	3,284	3,020	8.7%
<i>Salaries and social contributions</i>	936	713	31.3%	1,910	1,582	20.7%
<i>Materials and services</i>	353	336	5.1%	588	693	-15.2%
<i>Amortisation</i>	395	353	11.9%	786	745	5.5%

Administrative and selling expenses in 2Q 2021 increased by 20.3% year-on-year to RUB 6.7 billion (USD 90 million). The main drivers behind this increase were changes in payroll and social contributions associated with the indexation of employee salaries, compensation payments and changes in exchange rates.

Market outlook

The expected seasonal activity in the main fertilizer markets in Brazil and India in 3Q combined with the projected decrease in exports from China in order to supply the domestic market will help support prices.

Conference call and webcast:

PhosAgro will hold a conference call and webcast today at 16:00 London time (18:00 Moscow; 11:00 New York).

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

Webcast link:

<https://www.webcast-egs.com/phosagro20210806>

Participant dial-in numbers:

Russia:

+7 495 213 1767

8 800 500 9283

United Kingdom:

+44 (0) 330 336 9125

0800 358 6377

United States:

+1 323-334-2082

866-575-6539

Conference ID numbers:

In English: 1398933

In Russian: 1846165

Contacts

PJSC PhosAgro

Andrey Serov, Head of the Investor Relations Department

+7 495 231 2747 ext. ext. 2183

ir@phosagro.ru

Timur Belov, Press Officer

+7 495 231 2747 ext. 2652

pr@phosagro.ru

EM

Sam VanDerlip

vanderlip@em-comms.com

+44 207 002 7859

About PhosAgro

PhosAgro (www.phosagro.com) 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. 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 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 RAFF).

PhosAgro's main products include phosphate rock, more than 50 grades of fertilizers, feed phosphates, ammonia, and sodium tripolyphosphate, which are used by customers in 102 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 depository 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.

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2021 (unaudited)

<i>RUB million</i>	Six months ended 30 June		Three months ended 30 June	
	2021	2020	2021	2020
Revenues	176,261	123,996	88,682	59,938
Cost of Group products sold	(93,233)	(79,194)	(44,338)	(37,621)
Cost of products for resale	(5,293)	(4,755)	(1,980)	(1,666)
Gross profit	77,735	40,047	42,364	20,651
Administrative and selling overhead expenses	(13,173)	(11,822)	(6,681)	(5,552)
Taxes, other than income tax, net	(2,997)	(1,583)	(1,479)	(709)
Other expenses, net	(1,521)	(1,445)	(864)	(741)
Foreign exchange (loss)/gain from operating activities, net	(766)	1,021	(864)	(1,215)
Operating profit	59,278	26,218	32,476	12,434
Finance income	194	353	110	88
Finance costs	(2,477)	(2,873)	(1,195)	(1,435)
Foreign exchange gain/(loss) from financing activities, net	3,324	(16,946)	6,209	15,233
COVID-19 related expenses	(218)	(289)	(99)	(289)
Profit before tax	60,101	6,463	37,501	26,031
Income tax expense	(11,449)	(1,172)	(7,193)	(5,152)
Profit for the period	48,652	5,291	30,308	20,879
Attributable to:				
Non-controlling interests*	(15)	7	(6)	8
Shareholders of the Parent	48,667	5,284	30,314	20,871
Basic and diluted earnings per share (in RUB)	376	41	234	161
<i>Other comprehensive (loss)/income</i> <i>Items that may be reclassified subsequently</i> <i>to profit or loss</i>				
Foreign currency translation difference	(504)	1,534	(718)	(1,052)
Other comprehensive (loss)/income for the period	(504)	1,534	(718)	(1,052)
Total comprehensive income for the period	48,148	6,825	29,590	19,827
Attributable to:				
Non-controlling interests*	(15)	7	(6)	8
Shareholders of the Parent	48,163	6,818	29,596	19,819

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2021 (unaudited)

<i>RUB million</i>	30 June 2021	31 December 2020
Assets		
Property, plant and equipment	226,404	220,031
Advances issued for property, plant and equipment	10,239	7,835
Deferred tax assets	8,459	7,462
Right-of-use assets	6,801	7,335
Non-current spare parts	4,526	4,308
Catalysts	2,536	2,292
Intangible assets	1,576	1,621
Other non-current assets	948	948
Investments in associates	582	556
Non-current assets	262,071	252,388
Trade and other receivables	20,945	17,515
Inventories	31,809	30,580
Cash and cash equivalents	27,109	8,460
VAT and other taxes receivable	8,658	10,285
Income tax receivable	463	479
Other financial assets	302	311
Current assets	89,286	67,630
Total assets	351,357	320,018
Equity		
Share capital	372	372
Share premium	7,494	7,494
Retained earnings	117,668	90,757
Actuarial losses	(717)	(717)
Foreign currency translation reserve	9,077	9,581
Equity attributable to shareholders of the Parent	133,894	107,487
Equity attributable to non-controlling interests	114	129
Total equity	134,008	107,616
Liabilities		
Loans and borrowings	112,194	103,824
Deferred tax liabilities	11,778	11,578
Lease liabilities	3,545	4,268
Defined benefit obligations	931	945
Non-current liabilities	128,448	120,615
Loans and borrowings	35,667	55,316
Trade and other payables	42,510	29,869
Income tax payable	4,371	1,000
VAT and other taxes payable	4,307	3,675
Lease liabilities	2,046	1,927
Current liabilities	88,901	91,787
Total equity and liabilities	351,357	320,018

Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2021
(unaudited)

<i>RUB million</i>	Six months ended 30 June	
	2021	2020
<i>Cash flows from operating activities</i>		
Operating profit	59,278	26,218
<i>Adjustments for:</i>		
Depreciation and amortisation	13,816	13,646
Loss on disposal of property, plant and equipment and intangible assets	188	41
Operating profit before changes in working capital and provisions	73,282	39,905
(Increase)/decrease in inventories, catalysts and non-current spare parts	(2,154)	1,200
(Increase)/decrease in trade and other receivables	(3,383)	867
(Decrease)/increase in trade and other payables	(459)	1,452
Cash flows from operations before income taxes and interest paid	67,286	43,424
Income tax paid	(8,862)	(2,200)
Finance costs paid	(2,512)	(2,211)
Cash flows from operating activities	55,912	39,013
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment and intangible assets	(21,073)	(18,552)
Borrowing cost capitalised paid	(618)	(583)
Other	(4)	396
Cash flows used in investing activities	(21,695)	(18,739)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings, net of transaction costs	15,787	43,647
Repayment of borrowings	(23,246)	(55,881)
Dividends paid to shareholders of the Parent	(6,119)	(8,843)
Dividend paid to non-controlling interests	-	(30)
Lease payments	(954)	(823)
Cash flows used in financing activities	(14,532)	(21,930)
Net increase/(decrease) in cash and cash equivalents	19,685	(1,656)
Cash and cash equivalents at 1 January	8,460	8,236
Effect of exchange rates fluctuations	(1,036)	1,213
Cash and cash equivalents at 30 June	27,109	7,793