



PhosAgro 1Q 2019 EBITDA Grows 73% YoY to RUB 24.8 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 (1Q) ended 31 March 2019.

Revenue for 1Q 2019 rose by 32% year-on-year to RUB 72.3 billion (USD 1.1 billion). EBITDA increased by 73% year-on-year to RUB 24.8 billion (USD 375 million) in the same period, with PhosAgro’s 1Q 2019 EBITDA margin expanding to 34%, compared to 26% in 1Q 2018. Net income adjusted for non-cash FX items increased more than twofold year-on-year to RUB 13.5 billion (USD 205 million).

1Q 2019 financial and operational highlights

RUB million or %	1Q 2019	1Q 2018	Chng, % YoY
Revenue	72,287	54,622	32%
EBITDA**	24,778	14,293	73%
EBITDA margin	34%	26%	8pp
Net income	21,160	6,878	208%
Net income adj*	13,540	6,302	115%
	31.03.2019	31.12.2018	
Net debt	118,891	135,330	
ND/LTM EBITDA	1.4x	1.8x	
Sales, 000' mt	1Q 2019	1Q 2018	Chng, % YoY
Phosphate-based & MCP	1,929	1,753	10%
Nitrogen-based	617	668	(8%)
Phosphate rock	826	691	19%

RUB/USD rates: average 1Q 2019: 66.1; average 1Q 2018: 56.9; as of 31 March 2019: 64.7; as of 31 December 2018: 69.5

** 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 1Q 2019 financial results, PhosAgro CEO Andrey Guryev said:

“In 1Q 2019, PhosAgro demonstrated a solid set of results, with EBITDA margin and FCF generation both growing, despite challenging macro conditions. Recent weather conditions in the United States depressed fertilizer demand in the first quarter of 2019, leading to higher inventory levels, which resulted in a 6% quarter-on-quarter decrease in DAP prices. Thanks to PhosAgro’s operational excellence and global sales reach, our cash cost of production remained low and we were able to sell our impurity-free products at the best netback prices. I believe that this is a strong endorsement of the success of PhosAgro’s strategy.

“Our sales strategy proved effective even amid market headwinds and it will remain a cornerstone of our organic growth in the future. In 1Q 2019, our domestic fertilizer sales remained flat year-on-year, while sales in our priority export markets advanced by 8% year-on-year. The strongest growth was in North America, where phosphate sales increased by 25% year-on-year, driven by the expectation of solid demand from agricultural producers.

“Additionally, I would underscore our excellent free cash flow generation in the first quarter, which was the highest in 8 years and helped bring PhosAgro’s leverage to a two-year low, will enable the Company to continue its generous dividend pay-outs while continuing to implement our investment and social projects. The Board of Directors has recommended distribution in the form of dividends almost 70% of adjusted net income in the amount of RUB 9.3 billion, or RUB 24 per GDR.

“Looking at global markets, we see key markets struggling to consume the high levels of inventories in the United States, which is dragging prices down. In response, several fertilizer exporters announced production cuts for 1H 2019. The second quarter is a transitional period, where the high season should start in the main agricultural markets, helping to absorb inventories that remain due to slow demand in the first quarter from the United States.”

1Q 2019 market conditions

- Prices for DAP (FOB Tampa) gradually softened in the course of 1Q 2019 and averaged USD 400 per tonne, almost flat year-on-year:
 - Usually active in the first quarter, European markets saw low demand for fertilizers due to the weak euro and low farmer purchasing power due to bad weather conditions in 2H 2018.
 - The US market was the main driver of a fertilizer price correction. Throughout the winter, the industry stockpiled fertilizers in expectation of seasonal demand, but record flooding in the Midwest at the end of 1Q 2019 caused farmers to delay purchases. In response, Mosaic announced a 300 kt cut in its phosphate production in the United States in order to balance the market.
 - The price correction was slightly offset by the Indian market, where distributors accelerated DAP imports on the back of a relatively strong rupee against the US dollar, soft DAP prices and high maximum retail price.
- Prices for urea (FOB Baltic) were on a downward trajectory and averaged around USD 244 per tonne, but remained 8% higher year-on-year, primarily driven by slow demand recovery in the United States and Europe.
- Ammonia FOB Baltic prices declined by 7% year-on-year to average USD 276 per tonne on slow demand for nitrogen-based fertilizers in Europe, impacted by last summer’s heatwave and an unusually warm winter. On top of that, a price correction for natural gas in Europe since October 2018 continued to exert pressure on ammonia prices.
- Prices for sulphur CFR China contracted by 11% year-on-year to USD 126 per tonne, primarily driven by soft prices for phosphate-based fertilizers. Changes in China’s approach to purchasing sulphur also affected prices. Environmental reform in the country triggered a consolidation of sulphur consumers, which prefer to import sulphur on quarterly contracts rather than buying from the spot market.

Financial performance

In 1Q 2019, PhosAgro’s revenue was up 32% year-on-year to RUB 72.3 billion (USD 1.1 billion) driven by 5% year-on-year growth in fertilizer volumes and an 8% year-on-year increase in average realised

prices (in USD terms), which were supported by 16% year-on-year rouble depreciation against the US dollar.

Overall, sales growth was due to the release of inventory accumulated in the last months of 2018 and relatively strong demand in the first months of 2019. Revenue growth for 1Q 2019 was partially offset by a 32% year-on-year decrease in AN sales due to the early start of the high season in Russia in 4Q 2018, which is PhosAgro's main market for this product.

Revenue by key products

RUB million or %	1Q 2019	1Q 2018	Chng, % YoY
DAP/MAP	26,112	18,630	40%
NPK(S)	17,321	13,111	32%
PhosRock	6,652	4,862	37%
MCP	2,837	2,266	25%
Other phosphate-based products	4,642	3,598	29%
Urea/AN	11,064	9,303	19%
Other sales & services	3,659	2,852	28%
Total revenue	72,287	54,622	32%

In 1Q 2019, PhosAgro's gross profit was RUB 34.6 billion (USD 522 million). The gross profit margin expanded to 48% from 41% in 1Q 2018. Gross profit and margin performance for the phosphate and nitrogen segments were as follows:

- The phosphate segment saw a 61% year-on-year increase in gross profit to RUB 27.7 billion (USD 419 million), with a gross margin of 48%, compared to 41% in 1Q 2018.
- Gross profit for the nitrogen segment increased by 33% year-on-year to RUB 6.6 billion (USD 100 million). Gross margin for the segment rose to 58% from 52% in 1Q 2018.

EBITDA increased by 73% year-on-year to RUB 24.8 billion (USD 375 million), with an EBITDA margin of 34% for 1Q 2019, compared to 26% in 1Q 2018. Net profit adjusted for non-cash FX items increased more than twofold year-on-year to RUB 13.5 billion (USD 205 million) for 1Q 2019.

In 1Q 2019, the RUB/USD exchange rate increased by 16% year-on-year to average RUB 66.1, from RUB 56.9 in 1Q 2018. This had a net positive impact, as prices for most of the Company's products are denominated in USD, while costs are primarily rouble-based. The appreciation of the rouble as of 31 March 2019 (RUB 64.7 per USD) compared to 31 December 2018 (RUB 69.5 per USD) resulted in an FX gain of RUB 7.6 billion (compared to a RUB 0.6 billion gain in 1Q 2018).

Net operating cash flow almost tripled to RUB 27.5 billion (USD 416 million) on solid EBITDA performance and working capital release.

PhosAgro's capital expenditure for 1Q 2019 totalled around RUB 8.6 billion (USD 130 million), down by 4% year-on-year and representing 35% of the Company's EBITDA for the same period. The main capex items were scheduled maintenance and development of the upstream business, as well as construction of new sulphuric and nitric acid plants.

Net debt/LTM EBITDA as of 31 March 2019 declined to 1.4x from 1.8x as of 31 December 2018, reflecting solid EBITDA performance and the gradual RUB appreciation against the USD throughout 1Q 2019. Net debt totalled RUB 118.9 billion (USD 1.8 billion) as of 31 March 2019.

Cost of Sales

RUB million or %	1Q 2019	1Q 2018	Chng, % YoY
Materials and services	(8,311)	(6,894)	21%
D&A	(5,709)	(4,754)	20%
Natural gas	(3,649)	(3,497)	4%
Sulphur and sulph. acid	(3,346)	(2,878)	16%
Salaries and social contributions	(3,251)	(3,166)	3%
Potash	(2,716)	(2,272)	20%
Chemical fertilisers and other products for resale	(2,612)	(1,862)	40%
Repair expenses	(2,399)	(2,131)	13%
Electricity	(1,687)	(1,427)	18%
Fuel	(1,492)	(999)	49%
Ammonia	(1,357)	(1,091)	24%
Ammonium sulphate	(1,207)	(1,099)	10%
Total	(37,736)	(32,070)	18%

Cost of sales increased by 18% year-on-year in 1Q 2019 to RUB 37.7 billion (USD 571 million). The key factors behind this growth were:

- Materials and services rose by 21% year-on-year to RUB 8.3 billion (USD 126 million). This was driven primarily by growth in expenses for materials by 20% year-on-year and higher transportation costs, which rose by 22% year-on-year on higher volumes of phosphate rock shipments.
- Depreciation rose by 20% year-on-year to RUB 5.7 billion (USD 86 million) as a result of growth in capitalised repairs and commissioning/upgrades of PP&E during 2018.
- Sulphur and sulphuric acid costs increased by 16% year-on-year to RUB 3.3 billion (USD 51 million) driven by higher sales of DAP/MAP/NPS, while purchase prices for sulphur remained flat year-on-year.
- Costs for potash rose by 20% year-on-year to RUB 2.7 billion (USD 41 million), due to a 35% year-on-year increase in purchase prices, which was partially offset by 12% year-on-year decrease in consumption level, as PhosAgro sold less NPK with higher potash content.
- Repair expenses were up 13% year-on-year to RUB 2.4 billion (USD 36 million), driven by scheduled maintenance.
- Electricity costs increased by 18% year-on-year to RUB 1.7 billion (USD 26 million), mainly due to growth in the purchase price by 22% year-on-year.
- Expenses on fuel rose by 49% year-on-year to RUB 1.5 billion (USD 23 million) in response to the higher purchase prices (up 23% year-on-year) and higher consumption levels (up 21% year-on-year).
- Costs for ammonia increased by 24% year-on-year to RUB 1.4 billion (USD 21 million) due to the growth in sales volumes of MAP and NPS produced at PhosAgro's Balakovo site and an increase in the average purchasing price for ammonia (up 6% year-on-year)

Administrative expenses for 1Q 2019 rose by 17% year-on-year to RUB 4.0 billion (USD 60 million), primarily due to growth in salaries and social contributions by 25% year-on-year, as the result of higher bonuses and management remuneration.

In 1Q 2019, selling expenses increased by 21% year-on-year to RUB 10.3 billion (USD 155 million). The main factors behind this growth were:

- Freight, port and stevedoring expenses rose by 28% year-on-year to RUB 5.3 billion (USD 80 million), due to a 12% year-on-year increase in export sales and growth in shipping rates. This was also influenced by rouble devaluation, as the majority of freight and stevedoring tariffs are still denominated in US dollars;
- Growth in costs for Russian Railways tariffs and operators' fees by 9% year-on-year to RUB 3.1 billion (USD 47 million) was driven by a change in shipment structures and indexation of railway tariffs;
- Spending on customs duties grew by 49% year-on-year to RUB 700 million (USD 11 million), triggered by increased deliveries under DDP terms and rouble depreciation against the US dollar.

Market outlook

PhosAgro's outlook for phosphate-based fertilizers in 2019 is neutral due to the following:

- Market conditions may begin to improve with the start of the high season in Latin America, which will likely enable the re-export of fertilizers stockpiled in the United States. An additional supportive factor will be the temporary shutdown of Mosaic mines in Brazil due to new environmental regulation.
- India's imports of phosphate-based fertilizers in the second quarter may be below last year's levels, as local distributors accelerated DAP stockpiling in the previous quarter. The forecast for DAP imports for 2019 will be subject to maximum retail price reduction, the strong rupee and flat nutrient-based subsidies.
- High season for phosphate-based fertilizers in PhosAgro's domestic Russian market is expected in 2Q and 3Q.
- The rate at which inventories in the USA and India decline, Chinese export volumes as well as progress on new capacities by OCP and Ma'aden will be the main market barometers this year.

Conference call and webcast:

PhosAgro will hold a conference call and webcast today at 14:30 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/1997002-1/8E2393BE58084E539A8B59984AA6EC07?partnerref=rss-events>

Russian: <http://event.onlineseminarsolutions.com/wcc/r/1997004-1/3A9E9556385B8C8354A447F41FC555EF>

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: 37856941#

Russian call: 55699682#

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About the Company

PhosAgro 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.

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, 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.

PJSC "PhosAgro"

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019 (unaudited)

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Revenues	72,287	54,622
Cost of sales	(37,736)	(32,070)
Gross profit	34,551	22,552
Administrative expenses	(3,972)	(3,392)
Selling expenses	(10,272)	(8,495)
Taxes, other than income tax	(730)	(887)
Other expenses, net	(1,102)	(692)
Operating profit	18,475	9,086
Finance income	864	99
Finance costs	(1,204)	(1,270)
Foreign exchange gain, net	7,620	576
Share of profit of associates	21	87
Profit before tax	25,776	8,578
Income tax expense	(4,616)	(1,700)
Profit for the period	21,160	6,878
Attributable to:		
Non-controlling interests ^	8	16
Shareholders of the Parent	21,152	6,862
<i>Other comprehensive (loss)/income</i>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation difference	(611)	342
Other comprehensive (loss)/income for the period	(611)	342
Total comprehensive income for the period	20,549	7,220
Attributable to:		
Non-controlling interests ^	8	16
Shareholders of the Parent	20,541	7,204
Basic and diluted earnings per share (in RUB)	163	53

PJSC "PhosAgro"
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2019 (unaudited)

	31 March 2019 RUB million	31 December 2018 RUB million
Assets		
Property, plant and equipment	185,534	186,231
Right-of-use assets	1,843	-
Catalysts	2,537	2,574
Advances issued for property, plant and equipment	8,761	6,759
Intangible assets	1,718	1,786
Investments in associates	527	506
Deferred tax assets	8,717	8,995
Other non-current assets	1,588	1,843
Non-current assets	211,225	208,694
Other current investments	252	313
Inventories	26,709	31,710
Trade and other receivables	36,510	36,186
Cash and cash equivalents	23,395	9,320
Current assets	86,866	77,529
Total assets	298,091	286,223
Equity		
Share capital	372	372
Share premium	7,494	7,494
Retained earnings	105,779	93,951
Foreign currency translation reserve	7,754	8,365
Actuarial losses	(556)	(556)
Equity attributable to shareholders of the Parent	120,843	109,626
Equity attributable to non-controlling interests	203	195
Total equity	121,046	109,821
Liabilities		
Loans and borrowings	114,419	122,877
Lease liabilities	1,290	376
Defined benefit obligations	613	630
Deferred tax liabilities	9,250	9,023
Non-current liabilities	125,572	132,906
Loans and borrowings	26,110	20,679
Lease liabilities	467	718
Trade and other payables	24,616	21,473
Derivative financial liabilities	280	626
Current liabilities	51,473	43,496
Total equity and liabilities	298,091	286,223

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Cash Flows
for the three months ended 31 March 2019 (unaudited)

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
<i>Cash flows from operating activities</i>		
Profit before tax	25,776	8,578
<i>Adjustments for:</i>		
Depreciation and amortisation	6,303	5,207
Loss on disposal of property, plant and equipment and intangible assets	448	127
Finance income	(864)	(99)
Finance costs	1,204	1,270
Share of profit of associates	(21)	(87)
Foreign exchange gain, net	(7,620)	(616)
Operating profit before changes in working capital and provisions	25,226	14,380
Decrease in inventories and catalysts	3,599	1,161
Increase in trade and other receivables	(2,246)	(1,990)
Increase/(decrease) in trade and other payables	3,482	(1,516)
Cash flows from operations before income taxes and interest paid	30,061	12,035
Income tax paid	(2,450)	(616)
Finance costs paid	(114)	(988)
Cash flows from operating activities	27,497	10,431
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment and intangible assets	(8,617)	(8,954)
Repayment of loans issued, net	64	15
Proceeds from disposal of property, plant and equipment	10	3
Finance income received	93	46
Other payments	(272)	(213)
Cash flows used in investing activities	(8,722)	(9,103)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	10,943	43,164
Repayment of borrowings	(4,634)	(41,961)
Dividends paid to shareholders of the Parent	(9,324)	(1,563)
Leases paid	(1,102)	(371)
Proceeds from settlement of derivatives, net	340	-
Cash flows used in financing activities	(3,777)	(731)
Net increase in cash and cash equivalents	14,998	597
Cash and cash equivalents at 1 January	9,320	2,691
Effect of exchange rates fluctuations	(923)	591
Cash and cash equivalents at 31 March	23,395	3,879