

PhosAgro Reports Operating and Financial Results for 1Q 2023

Moscow. 18 May 2023. 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 interim condensed financial results for the three months ended 31 March 2023.

1Q 2023 highlights

In 1Q 2023, production of mineral fertilizers and other chemicals increased by 6.1% year-on-year to over 2.8 million tonnes. The phased ramp-up to design capacity of the production complex in Volkhov, launched as part of the Company's comprehensive long-term development programme, made this growth possible.

Total fertilizer sales in 1Q 2023 increased by 1.5% year-on-year to more than 2.7 million tonnes. At the same time, while sales of phosphate-based fertilizers (the Company's main product) remained essentially flat year-on-year, sales of nitrogen-based fertilizers rose by 6.1% compared with 1Q 2022 on the back of seasonal demand, driven mainly by an almost twofold increase in sales of ammonium sulphate.

Revenue for 1Q 2023 decreased by 35.7% year-on-year and amounted to RUB 116.2 billion (USD 1.6 billion). The decrease in revenue was due to a drop in global fertilizer prices from their highs in early 2022, when a high degree of uncertainty and sanctions pressure on Russia (the biggest player in the global fertilizer market) led to speculation, driving up prices for all types of fertilizers.

At the same time, the Company's quarterly revenue rose by 5.5% compared with 4Q 2022, driven by an increase in production and sales at a time of relatively stable prices.

The Company's adjusted EBITDA amounted to RUB 49.0 billion (USD 0.67 billion) in 1Q 2023, which was lower year-on-year, while adjusted EBITDA margin was 42.2%. Adjusted EBITDA increased by 10.1% from 4Q 2022.

In 1Q 2023, the Company's adjusted free cash flow reached RUB 43.4 billion (RUB 0.6 billion), up 29.0% year-on-year and nearly double the figure from 4Q 2022.

Net debt as of 31 March 2023 amounted to RUB 142.4 billion (USD 1.85 billion), while the net debt/adjusted EBITDA ratio was 0.62x as of the end of the quarter.

Financial and operating highlights

Financial highlights					
RUB mln	1Q 2023	1Q 2022	Change %	4Q 2022	Change %
Revenue	116,178	180,678	-35.7%	110,104	5.5%
EBITDA*	55,395	87,672	-36.8%	58,441	-5.2%
Adj. EBITDA**	48,978	86,992	-43.7%	44,470	10.1%
Adj. EBITDA margin	42.2%	48.1%		40.4%	
Net profit	28,059	43,462	-35.4%	19,214	46.0%
Adj. net profit***	33,897	59,253	-42.8%	32,099	5.6%
Free cash flow	43,419	-3,061	n/a	22,756	90.8%
Adj. free cash flow****	43,419	33,668	29.0%	22,756	90.8%

	31 March 2023	31 December 2022
Net debt	142,435	180,338
ND/adj. LTM EBITDA	0.62x	0.68x

Operating highlights						
Production volumes by category						
kt	1Q 2023	1Q 2022	Change, %	4Q 2022	Change, %	
Phosphate-based fertilizers and feed phosphates	2,070.3	1,957.4	5.8%	2,040.1	1.5%	
Nitrogen-based fertilizers	675.6	629.9	7.3%	671.2	0.7%	
Other products	65.8	64.0	2.9%	96.1	-31.4%	
TOTAL fertilizers	2,811.8	2,651.3	6.1%	2,807.4	0.2%	
Sales volumes by category						
kt	1Q 2023	1Q 2022	Change, %	4Q 2022	Change, %	
Phosphate-based fertilizers and feed phosphates	2,016.7	2,010.7	0.3%	2,012.8	0.2%	
Nitrogen-based fertilizers	686.6	647.3	6.1%	628.8	9.2%	
Other products	39.0	42.8	-8.9%	30.2	29.1%	
TOTAL fertilizers	2,742.3	2,700.8	1.5%	2,671.8	2.6%	

RUB/USD exchange rates: average 1Q 2023 rate: 72.7738; average 1Q 2022 rate: 86.0693; as of 31 March 2023: 77.0863; 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.

**** Free cash flow adjusted for the amount of cash and cash equivalents written off as a result of the loss of ownership of foreign companies.

The Company's high margins in 1Q 2023 were driven not only by increased production and sales but also by cost optimisation in the form of reduced spending on sulphur, ammonia and especially ammonium sulphate.

Although the Company continues to diversify its sales structure, securing the interests of the rapidly growing domestic market remains its top priority. While meeting seasonal demand, PhosAgro fully addressed Russian farmers' needs for high-quality fertilizers and also increased sales to India and Latin America at the same time.

The Company's robust operating performance was reflected in increased free cash flow, which was driven by a reduction in working capital, among other things.

Thanks to its strong performance in 1Q 2023, the Company is in an excellent financial position, as reflected by the AAA credit ratings (the highest possible) received from two major Russian rating agencies – Expert RA and ACRA. As of 31 March 2023, the Company's net debt had decreased to RUB 142.4 billion, and its net debt/adjusted EBITDA ratio was 0.62x. In addition, it should be noted that, as of the end of the quarter, the Company had cash on hand for the payment of dividends declared for 2022 in the amount of RUB 465 per ordinary share. The dividends were paid out in April 2023.

Among other highlights in terms of debt management, the successful redemption of USD 500 million in Eurobonds in late April 2023 is worth noting. The Eurobonds were refinanced including through two issues of exchange-traded bonds (RMB 2 billion and RUB 20 billion) which had previously been successfully

floated on Moscow Exchange. The redemption of the Eurobonds was completed through a separate payment scheme that was agreed with all the bondholders and entered in the payment documentation in the second half of 2022.

Market situation in 1Q 2023

The situation in global mineral fertilizer markets in 1Q 2023 was marked by weakening demand for all types of fertilizers, driven by high stocks in key markets amid a downward price trend.

Residual demand in India and pre-season purchases in Brazil supported the market for phosphate-based fertilizers at the beginning of the year, while demand in Western Europe and North America remained weak. The average price for MAP in 1Q 2023 was USD 606 per tonne (FOB Baltic).

The off-season in South America (Brazil), delays in a significant tender in India and increased competition among major suppliers in other sales areas drove a downward price trend in the market for nitrogen-based fertilizers. The average price of urea in 1Q 2023 was USD 319 per tonne (FOB Baltic). Export prices for ammonium nitrate remained relatively high as a result of seasonal shipments to the domestic market. The average price of ammonium nitrate in 1Q 2023 was USD 323 per tonne (FOB Baltic).

Weak demand in fertilizer markets also drove down prices for major commodities. The average price of sulphur in 1Q 2023 was USD 77 per tonne (FOB Baltic); the average price of potassium chloride was USD 443 per tonne (FOB Baltic). Prices for phosphate feedstocks remained stable at USD 300 per tonne (FOB Morocco) as of the end of 1Q 2023 (for feedstocks with P_2O_5 content of 31%–33%).

Market outlook

The beginning of the second quarter was marked by continued low demand for fertilizers in key markets, due to the end of the spring season in the Northern Hemisphere and the off-season in key markets in Asia and South America. The decrease in prices for fertilizers in 1Q 2023 helped make them more affordable (in terms of the cost of fertilizer in relation to a basket of basic agricultural products), which will help stabilise future prices in fertilizer markets. In addition, the second quarter has seen a rise in seasonal demand in markets in India, Brazil and Southeast Asia, which should also have a positive impact on prices.

About the Company

PhosAgro (<u>www.phosagro.company</u>) 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.company

PJSC "PhosAgro" Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2023

	Three months ended 31 March		
RUB million	2023	2022	
Revenues	116,178	180,678	
Cost of Group products sold	(56,678)	(71,017)	
Cost of products for resale	(7,643)	(5,040)	
Gross profit	51,857	104,621	
Administrative and selling overhead expenses	(6,932)	(21,573)	
Taxes, other than income tax, net	(3,064)	(2,684)	
Other expenses, net	(709)	(763)	
Foreign exchange gain from operating activities, net	6,417	680	
Operating profit	47,569	80,281	
Finance income	568	351	
Finance costs	(1,670)	(8,415)	
Foreign exchange loss from financing activities, net	(12,255)	(16,471)	
Profit before tax	34,212	55,746	
Income tax expense	(6,153)	(12,284)	
Profit/(loss) for the period	28,059	43,462	
Attributable to:			
Non-controlling interests*	4	(4)	
Shareholders of the Company	28,055	43,466	
Basic and diluted earnings per share (in RUB)	217	336	
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		(6.202)	
upon loss of control over foreign subsidiaries Actuarial losses reclassified to profit or loss upon loss of control over	-	(6,302)	
foreign subsidiaries	-	61	
Other comprehensive loss for the period	-	(9,170)	
Total comprehensive income/(loss) for the period	28,059	34,292	
Attributable to:			
Attributable to: Non-controlling interests*	4	(4)	
Shareholders of the Company	28,055	34,296	

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

PJSC "PhosAgro" Consolidated Interim Condensed Statement of Financial Position as at 31 March 2023

Assets 277,480 277,480 274,522 Property, plant and equipment 9,550 8,546 Advances issued for property, plant and equipment 9,183 9,270 Deferred tax sasets 6,199 5,125 Non-current spare parts 6,199 5,125 Right-of-use assets 4,721 4,271 Intergible assets 2,114 2,006 Investments in associates 611 592 Non-current assets 2,046 1,965 Investments in associates 611 592 Non-current assets 320,716 314,299 Cash and cash equivalents 72,388 13,366 Investments in associates 73,333 210 Income tax receivable 72 93 Current assets 10,233 12,695 Other Inscription 372 372 Share capital 372 372 Share capital 372 372 Share capital 374 7,404 Stare promium 7,404	RUB million	31 March 2023	31 December 2022
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Equity attributable to non-controlling interests 162 158 Total equity 165,561 197,720 Liabilities 121,694 109,784 Loans and borrowings 121,694 109,784 Deferred tax liabilities 14,579 17,820 Lease liabilities 1,695 1,660 Defined benefit obligations 1,062 1,050 Non-current liabilities 139,030 130,314 Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 7,253 203 Current liabilities 1,303 1,276		(968)	(968)
LiabilitiesLoans and borrowings121,694109,784Deferred tax liabilities14,57917,820Lease liabilities1,6951,660Defined benefit obligations1,0621,050Non-current liabilities139,030130,314Loans and borrowings90,10180,974Dividends payable67,44382Trade and other payables31,71139,412Income tax payable7,253203VAT and other taxes payable4,6145,632Lease liabilities1,3031,276Current liabilities202,425127,579			
Loans and borrowings 121,694 109,784 Deferred tax liabilities 14,579 17,820 Lease liabilities 1,695 1,660 Defined benefit obligations 1,062 1,050 Non-current liabilities 139,030 130,314 Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276	Total equity	165,561	197,720
Loans and borrowings 121,694 109,784 Deferred tax liabilities 14,579 17,820 Lease liabilities 1,695 1,660 Defined benefit obligations 1,062 1,050 Non-current liabilities 139,030 130,314 Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276	Liabilities		
Deferred tax liabilities 14,579 17,820 Lease liabilities 1,695 1,660 Defined benefit obligations 1,062 1,050 Non-current liabilities 139,030 130,314 Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276 Current liabilities 202,425 127,579	Loans and borrowings	121,694	109,784
Defined benefit obligations 1,062 1,050 Non-current liabilities 139,030 130,314 Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276	Deferred tax liabilities	14,579	17,820
Non-current liabilities 139,030 130,314 Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276 Current liabilities 202,425 127,579			
Loans and borrowings 90,101 80,974 Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276	Defined benefit obligations	1,062	1,050
Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276 Current liabilities 202,425	Non-current liabilities	139,030	130,314
Dividends payable 67,443 82 Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276 Current liabilities 202,425	Loans and borrowings	90,101	80,974
Trade and other payables 31,711 39,412 Income tax payable 7,253 203 VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276 Current liabilities			
VAT and other taxes payable 4,614 5,632 Lease liabilities 1,303 1,276 Current liabilities 202,425 127,579	Trade and other payables	31,711	39,412
Lease liabilities 1,303 1,276 Current liabilities 202,425 127,579			
Current liabilities 202,425 127,579			
	Lease liabilities	1,303	1,276
Total equity and liabilities507,016455,613	Current liabilities	202,425	127,579
	Total equity and liabilities	507,016	455,613

PJSC "PhosAgro"

Consolidated Interim Condensed Statement of Cash Flows for the three months ended 31 March 2023

	Three months ended 31 March		
RUB million	2023	2022	
Cash flows from operating activities			
Operating profit	47,569	80,281	
Adjustments for:			
Depreciation and amortisation	7,826	7,391	
Loss on disposal of property, plant and equipment and intangible assets	94	166	
Operating profit before changes in working capital and provisions	55,489	87,838	
Decrease/(increase) in inventories, catalysts and non-current spare parts	428	(11,585)	
Decrease/(increase) in trade and other receivables ¹	12,060	(4,912)	
Decrease in trade and other payables ¹	(9,235)	(14,453)	
Cash flows from operations before income taxes and interest paid	58,742	56,888	
Income tax paid	(3,234)	(9,887)	
Finance costs paid	(1,605)	(1,547)	
Cash flows from operating activities	53,903	45,454	
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	(10,433)	(10,571)	
Cash and cash equivalents disposed as a result of loss of control over		(00 700)	
foreign subsidiaries Loans issued	-	(36,729) (3,130)	
Borrowing cost capitalised paid	(248)	(3,130)	
Proceeds from disposal of financial assets measured at fair value through	(210)	(210)	
profit or loss	-	1,778	
Advances issued for right-of-use assets	(63)	-	
Other	260	352	
Cash flows used in investing activities	(10,484)	(48,515)	
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs	14,773	18,400	
Repayment of borrowings	(8,131)	(7,443)	
Refund of dividends paid ²	7,143	-	
Lease payments	(332)	(515)	
Cash flows from financing activities	13,453	10,442	
Net increase in cash and cash equivalents	56,872	7,381	
Cash and cash equivalents at 1 January	13,356	21,710	
Effect of exchange rates fluctuations	2,130	5,472	
Cash and cash equivalents at 31 March	72,358	34,563	

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 (according to the shareholders' extraordinary general meeting decision of PJSC "PhosAgro" dated 21 September 2022), but didn't receive dividends due to reasons beyond the depositories' control.