

What are you expectations for PhosAgro in 2024?

Last year, PhosAgro and the Russian Ministry of Agriculture expanded their cooperation by launching the Pro Agro Lectorium online platform. We also implemented and launched a digital educational platform for farmers from Africa.

In addition to promoting basic sciences, we help train engineers at the schools and colleges that we support. Last year, our school-college/university-facility corporate educational programme celebrated its tenth anniversary.

PhosAgro joined the UN Global Compact's Forward Faster initiative calling for an accelerated achievement of the UN Sustainable Development Goals. As a participant in the Water Resilience Coalition, a UN Global Compact platform, PhosAgro will contribute to a faster achievement of SDG 6 (Clean Water and Sanitation) covered by the Forward Faster initiative, by advancing sustainable water resource management.

It is worth mentioning that in 2023, our Company received its third Grand Prix at the Russian Business Leaders: Dynamics and Responsibility Awards held by the Russian Union of Industrialists and Entrepreneurs. This is a testament that our achievements in corporate social responsibility have been recognised by Russia's leading businesses and organisations.

We also solidified our standing as a company with the best social and charitable programmes in the Russian Leaders in Corporate Philanthropy 2023 competition. These long-standing awards for socially responsible businesses are organised by the Donors Forum and its partners, including the Ministry of Economic Development, Accounts Chamber, Presidential Grant Foundation, and Russian Union of Industrialists and Entrepreneurs. In 2023, a total of 43 companies enrolled in the competition, with 15 making it to the A+ Leaders category. PhosAgro was the only mineral fertilizer producer to do so.

I can confidently say that we plan to maintain our momentum. In 2024, we will be increasing our CAPEX further, investing a record of RUB 73 bln in business development (including capitalised repairs). As a result, we expect our agrochemical output to continue growing. This will make an important contribution to strengthening Russia's food security for years to come.

I am convinced that in 2024, we will continue to make steady progress towards our strategic objectives, propelled by our professional team and a sustainable and flexible business model that drives continuous improvements in efficiency and profitability. With these strengths, we are well-positioned to achieve our goals and solidify our market presence.



Victor Cherepov,
Chairman of the Board of Directors
of PJSC PhosAgro

I appreciate your trust in our business, and we look forward to reaching new heights together.

CEO'S STATEMENT



IN 2023, DESPITE THE CONTINUED EXTERNAL TURBULENCE, PHOSAGRO ONCE AGAIN DEMONSTRATED RESILIENCE IN THE FACE OF CHALLENGES AND THE ABILITY TO SET NEW OPERATING AND FINANCIAL RECORDS. THIS WAS MADE POSSIBLE THROUGH THE CONCERTED TEAMWORK OF OUR SKILLED PROFESSIONALS, OUR FLEXIBLE BUSINESS MODEL, AND A WELL-THOUGHT-OUT COMPREHENSIVE STRATEGY.

During the year, we went ahead with our development plans, upgraded and constructed production facilities, tapped into new markets, and unveiled new products. In all our endeavours, we remained committed to supplying the Russian market, which is our unchanging priority, as well as some 100 countries globally with high-quality, efficient, and eco-friendly mineral fertilizers.

2023 was a year of transformation for many companies as they continued to revamp operational processes and reconsider business models. What was the year like for PhosAgro?

In 2023, we once again saw very clearly that our business model and development strategy are the right choice and fit. With them, we can stay an effective and robust business even in turbulent macro environments and without compromising our resilience. The year 2023 marked another set of accomplishments and achievements for PhosAgro. We were able to ramp up fertilizer output levels and increase our self-sufficiency in key types of feedstock.

In 2023, PhosAgro hit yet another record in agrochemical output, taking it to 11.3 mt. For MAP, there was a 12.9% increase, driven among other things by the new production facility in Volkhov, which was built as part of the Company's long-term development programme. The upward trajectory in the output of phosphate fertilizers was underpinned by higher volumes of phosphoric and sulphuric acids that we produced, as well as consistently high levels of ammonia output. In particular, production of sulphuric acid added 2.5% to exceed 8.1 mt. This was fuelled by greater efficiency of the sulphuric acid production unit in Cherepovets and the launch of a new sulphuric acid facility in Balakovo in late 2023.

We also enhanced our leadership standing in terms of total supplies of all types of mineral fertilizers to our priority market of Russia. During the year, domestic supplies surged by 12.0% and reached 3.3 mt.

The stabilisation of global fertilizer prices after they spiked to all-time highs in 2022 was the key driver of our financial performance in 2023. For the full year, we posted revenue in excess of RUB 440 bln, EBITDA of over RUB 183 bln, and adjusted net profit of more than RUB 104 bln. Thanks to the well-coordinated efforts of the management, we were able to effectively control production costs while achieving growth in sales of high-margin products. As a result, we delivered a strong EBITDA margin of 41.6%. Despite a certain reduction in our free cash flow from the record high of 2022, the 2023 level of RUB 70.2 bln is still one of our best results over the past decade. We also completed the year with a comfortable level of net debt (RUB 223.2 bln) and a net debt/ EBITDA ratio of 1.2x.

How is PhosAgro doing in terms of progress against its investment programme?

2023 marked the completion of a ten-year investment cycle. Over this period, we have invested over RUB 390 bln in developing our business. The output of core products has expanded by over 80%, from 6.1 mt in 2013 to 11.3 mt in 2023. Last year, the Company made a record investment of more than RUB 64 bln (including capitalised repairs). In 2024, the plan is to reach a level of RUB 73 bln.

Efforts to create new and upgrade existing production capacities across the Group's sites progress smoothly in line with our Strategy to 2025. One of the key achievements has been the successful completion of an investment project in Volkhov to build a mineral fertilizer plant with a capacity of more than 1 mt. With total investments of RUB 34 bln, it will be the industry's trailblazer in innovations for years to come. Thanks to the plant's complete overhaul and new construction, the annual output of mineral fertilizers and other chemical products will be in excess of 1 mt.

In Cherepovets, in addition to upgrading ammonia and phosphoric and sulphuric acid production capacities, we are running

a project to ramp up the processing of phosphate rock and to build a conveyor belt for phosphogypsum. In Balakovo, phase 3 of our production site saw the completion of projects to ramp up output of feed phosphates and sulphuric acid.

PhosAgro is a vertically integrated company, and we take active steps to develop our raw material base. In 2023, we came close to finalising a project for the construction of a new +10 m level at the Kirovsky mine. In Q4 2023, the level's second start-up facility was launched.

PhosAgro's accomplishments in financial, investment, and social responsibility domains have garnered strong recognition from both Russian and international business and investment communities. In 2023, the Company ranked among Russia's top 10 companies in terms of net profit according to Forbes and among the top 10 Russian companies included on the list of the 500 largest companies in Europe by revenue as assessed by the renowned Fortune magazine.

How has the Company's product portfolio been evolving?

In 2023, we expanded our portfolio to include 58 fertilizer grades, with plans to increase this number to 100 by 2030. This expansion will include innovative products such as biologised fertilizers, fertilizers with a prolonged effect, plant growth enhancers, and new ameliorants.

In 2023, in collaboration with Mendeleyev University of Chemical Technology, PhosAgro embarked on the development of a new line of biologised mineral fertilizers. We also started the production of water soluble MAP at our Volkhov facility. This is an eco-friendly product that can be effectively applied on all major crops without requiring special equipment. In February 2023, the Company completed the shipment of the first batch of ApaSil, a new product made by Apatit's Cherepovets site. ApaSil serves to boost plant growth, induce its

natural immunity, and help unlock biological potential even under severe stress conditions. Additionally, we expanded our portfolio of products for animal farming, placing on the market a new phosphogypsum-based product used as bedding in farms and poultry houses.

Together with Innopraktika, PhosAgro is implementing a project titled Innagro designed to create seven innovative products. Three of them have successfully passed all tests and are now in production. AgroGard, a leading Russian agricultural holding company, and other partners are already making active use of innovative biofungicide Metabacterin, Enzymesporin probiotic, and Fermasil biological preservative, all with exceptionally positive feedback.

How did the geography of the Company's sales change in 2023?

Our primary and unwavering focus remains the supply of mineral fertilizers to the crucial Russian market, where we aim to maintain and strengthen our leading position.

Despite the constant volatility of the international market, PhosAgro has been able to hold its ground over the recent years, demonstrating unprecedented flexibility and adaptability. We have continued to increase supplies, primarily to emerging markets, with friendly countries accounting for almost as much as 75% of total exports (compared to 70% in 2022).

In 2023, Latin America became one of our priority export markets, as supplies surged 1.5-fold to 3.2 mt.

PhosAgro has maintained its position as Russia's leading fertilizer exporter to African countries, ramping up deliveries to the continent to over 550 kt. The Company accounts for 33% of all Russian fertilizer supplies to Africa, where our eco-friendly products, free from dangerous concentrations of cadmium and other toxic substances capable of harming the health of people and soils, are made available to more than 20 countries. We also have ambitious plans for the future, aiming to double our supplies to Africa in the next three years.

How successful has PhosAgro been in the capital market?

PhosAgro has always placed a significant emphasis on the ESG agenda. What were the primary accomplishments here in 2023?

GRI 2-22

In 2023, the Company made its debut offering of RUB-denominated exchange-traded bonds for RUB 20 bln on the Moscow Exchange. These were assigned credit ratings of ruAAA (EXP) and eAAA(RU) respectively from the Expert RA and ACRA agencies. With more than two-fold oversubscription for the bonds, the Company was able to revise its coupon rate guidance downwards three times, achieving the minimum spread to the yield of Russian federal bonds among corporate issuers: 89 bps. The coupon yield was 9.4% p.a., payable semi-annually.

Also in 2023, PhosAgro made its debut offering of CNY 2 bln exchange-traded bonds on the Moscow Exchange. The variable coupon is linked to the China Loan Prime Rate (LPR 1Y) + 1.2%, and we were able to achieve a reduction from the initial level of 1.3% on the back of strong investor demand.

Our commitment to sustainability lies at the core of our operations. All investment projects and programmes, along with new product lines, rely on the best available techniques, keeping the welfare of society and the environment in mind. The Company continues to uphold all its social commitments, preserving and expanding initiatives in the realm of corporate social responsibility.

This year, I would like to highlight the social dimension of sustainable development. Our employees have always been our most valuable asset. In August 2023, PhosAgro Group facilities signed new collective bargaining agreements, effective until 2026. We successfully expanded the list of benefits and their financial value while preserving and ramping up all widely used healthcare and recreation programmes, as well as our subsidised corporate housing programme. Support for veterans' organisations was also bolstered, with all that done taking into account the expectations and needs of our employees.

PhosAgro remains committed to raising the level of employee remuneration: between 2021 and 2023, the average pay went up by 60%, and at the start of 2024, we introduced an additional increase of 15%. With our social and financial support programmes, we work to improve the well-being of the employees, which I believe

In August 2023, we were the first Russian issuer to offer replacement bonds worth USD 740 mln.

One of the major developments related to our debt management was the successful redemption of the USD 500 mln Eurobond issue in late April 2023. We had the issue refinanced, among other things using part of the proceeds from the two exchange-traded bond issues (for CNY 2 bln and RUB 20 bln) that we previously offered on the Moscow Exchange.

These deals enabled PhosAgro to secure available market financing under the best conditions to go ahead with its development programmes and loan portfolio refinancing. PhosAgro acts in the interests of its existing and potential investors, honours all its obligations in full, and continues its active efforts in this domain.

is a crucial incentive for further productivity enhancements following its 2.6x increase over the past decade.

We continued to develop our corporate system for training engineering personnel and fostering education and science in agriculture through projects such as School-College/University-Facility, From Mine to Plate, and Pro Agro Lectorium. Last year marked the 20th anniversary of PhosAgro's key social initiative DROZD (Educated and Healthy Children of Russia), which has benefited over 150,000 students to date.

We are also advancing projects related to soil fertility preservation on a global scale in collaboration with the Food and Agriculture Organisation of the United Nations, as well as implementing green energy at our facilities. In 2023, the Company joined the UN Global Compact's new initiative that calls for an accelerated achievement of the UN Sustainable Development Goals (SDGs). As part of that commitment, we will be contributing to a faster achievement of SDG 6 (Clean Water and Sanitation) by advancing sustainable water resource management. Finally, Tashkent hosted the seventh round of the grant awards ceremony for the best young scientists from all over the world as part of Green Chemistry for Life, a joint grant programme by PhosAgro, UNESCO and IUPAC.

What are your forecasts for 2024?

In 2024, we will carry on our with our objectives as outlined in the Strategy to 2025. We have a record CAPEX of RUB 73 bln¹ planned for the upcoming year. Our focus remains on the development of our raw material base, with plans to start underground mining within the Gakman block of the Kirovsky mine's Yukspor deposit. In Cherepovets and Volkhov, we aim to complete a project to increase the processing of phosphate rock by a combined total of nearly 400 kt. In Balakovo, phase 3 of our production site development will continue, involving a flexible MAP/DAP/NPS/NPK fertilizer production scheme and delivering an increase in total output. We also anticipate reaching the target capacity for feed phosphate production, increasing by 14% to 443 ktpa. Furthermore, we plan to achieve the design capacity of the upgraded SK-20 technological system. As a result, the facility's sulphuric acid production is set to expand by 13% to 3 mtpa.

At the same time, as PhosAgro continues to grow, safety and environmental protection will remain our top priorities.

I would like to express my gratitude to all PhosAgro employees for their dedication and great performance in achieving our strategic goals. I also extend my thanks to our broad range of stakeholders, including investors, shareholders, customers, contractors, and suppliers. Our 2023 results clearly demonstrate that together we have chosen the right path to pursue, with our team's efforts paving the way for the Company's unprecedented achievements.



Mikhail Rybnikov,
Chief Executive Officer
of PJSC PhosAgro

¹ Including capitalised repairs.