

CHAIRMAN'S STATEMENT



IN 2023, PHOSAGRO STAYED TRUE TO THE PRIORITIES SET OUT IN ITS LONG-TERM DEVELOPMENT STRATEGY. WITH AN ONGOING FOCUS ON PRODUCTION EXPANSION AND SUBSTANTIAL CAPITAL INVESTMENTS, THE COMPANY CONTINUED TO DELIVER DYNAMIC GROWTH, CONSISTENT IMPROVEMENTS IN PRODUCTION EFFICIENCY, AND STRONG OPERATING RESULTS, ALL WHILE MAINTAINING A STEADFAST COMMITMENT TO SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY.

PhosAgro has a history of setting industry records. What milestones has the Company reached in the reporting year?

Our performance in 2023 has yet again given us ample reasons to be proud. We raised our agrochemical output to an all-time high of 11.3 mt, an increase of 2% from 2022. For DAP/MAP, production rose by 8.4% to over 4.5 mt, for ammonium nitrate by 4.4%, for urea by 1.6%, and for phosphoric and sulphuric acids by 4.6% and 2.5% respectively. Our record of solid performance over the years attests to the effectiveness of the chosen path of organic growth as our preferred development strategy. PhosAgro persistently upgrades its production using the best available techniques, enhances its vertical integration, and maintains a focus on sustainable development. All this enables us to remain the largest supplier of all types of fertilizers to Russian farmers and to strengthen our standing in the global market.

In 2023, the Company celebrated several more key accomplishments. We reached a milestone of 900 mt in apatite-nepheline ore supplies from the Kirovsky mine of Apatit's Kirovsk branch. At the Cherepovets facility of Apatit, our output hit a mark of 100 mt of phosphate-based mineral fertilizers and 1 mt of ammonium sulphate. Production of phosphoric acid across PhosAgro's sites surpassed 3.3 mtpa for the first time ever. These are all important landmarks in PhosAgro's journey.

Our production achievements have laid a solid foundation for robust financial results. Revenue went above RUB 440 bln, EBITDA reached RUB 183 bln, and adjusted net profit came in at RUB 104 bln. We also delivered impressive profitability, with a 41.6% EBITDA margin in 2023.

How is the Company performing in the area of corporate governance?

As the Chairman of the Board of Directors, I assume full responsibility for the quality and effectiveness of our corporate governance system. I firmly believe that all members of the Board of Directors share my dedication to acting in the best interest of the Company's wide range of stakeholders and making well-informed, balanced decisions.

We are consistently improving our practices and aim to strengthen the composition of the Board of Directors. With the inclusion of Vladimir Trukhachev in 2023, the Board saw an increase in the count of independent directors to five out of ten members. We are committed to maintaining the Company's utmost openness and transparency, aiming to meet the interests of all stakeholders. I am proud to emphasise the pace and quality of our development and the improvements that we bring to our corporate practices.

I am confident that the current Board of Directors consists of highly skilled professionals from diverse backgrounds, whose contributions considerably enhance the quality of strategic planning and our focus on sustainable growth requirements.

My opinion is also supported by external experts. In 2023, PhosAgro ranked first in the ESG rating of 160 companies compiled by RAEX, the largest independent agency specialising in non-credit ratings. We were awarded the highest rating (AA) among the rated companies. Additionally, we attained the top position in sub-rankings for the effectiveness of our social policy and the quality of corporate governance, earning us the highest score possible.

Now that we have discussed the G component of your ESG practices, what are the achievements in the E and S domains?

Every year, PhosAgro forges ahead with its investment programme, which yields positive results and ensures steady growth in both production and financial metrics. This enables us to maintain a decent level of employee remuneration and fulfil all our social obligations.

In 2023, payments of taxes and duties to budgets at all levels reached a record high of RUB 69 bln. We are actively expanding our social and charity projects, with total support increasing seven-fold over the past decade and exceeding RUB 25 bln in 2022–2023.

PhosAgro employs over 23,000 people, and I deeply appreciate their contribution to both the Company's development and national food security. Our employees are our most valuable asset, so we strive to create a comfortable and safe working environment while offering competitive and fair remuneration. Over the past three years, the average monthly pay at PhosAgro increased by 60%, and in February 2024, we raised salaries by an additional 15%. In 2023, new collective bargaining agreements were signed by all of the Group's production facilities as we increased the size of social benefits and

allowances for our teams in Volkhov, Cherepovets, Kirovsk, and Balakovo. This is a landmark event both for the mineral fertilizer industry and the Russian chemical sector at large. In addition, a new apartment block for PhosAgro employees was successfully commissioned in Volkhov during the year. To date, our corporate housing programme has improved the living conditions of nearly 3,000 families.

Our consistent long-term efforts have won us accolades from external experts as in 2023 PhosAgro was named among the best employers by Forbes and RBC.

It is important to remember that PhosAgro's responsibilities extend beyond its direct employees to a much wider range of stakeholders. To that end, in 2023 we went ahead with our Mine to Plate educational programme designed to train personnel for the agricultural industry. The programme already covers 47 universities, with students benefitting from an impressive portfolio of more than 370 digital video lectures. A total of 17 PhosAgro educational centres opened their doors at Russia's leading agricultural universities.

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.