

# CEO's statement

The year of 2022 will certainly go down in the history of Russia's business as one of the most challenging years even compared to the period of the COVID-19 pandemic. We were, too, affected by a number of sanctions, the disruption of international ties and supply chains that had developed over years of cooperation. It was in this year that I assumed the position of CEO, and I am grateful for the trust of our shareholders and team, and for the coordinated and professional work of each and every member of the management team. I am also grateful to my predecessor, Andrey A. Guryev, whose stewardship made PhosAgro one of the globally recognised leaders and the industry's most efficient players. In 2022, this came in handy more than ever before.



Throughout the year, we were dealing with the key challenge of maintaining access to PhosAgro Group's eco-efficient fertilizers for farmers around the world for the sake of global food security. Artificial barriers impeded this in every way possible, but we continued to do our utmost to eliminate the restrictions on free trade in vital agricultural commodities from Russia. In the extremely challenging environment of 2022, our commercial and logistics divisions exemplified total dedication and impeccable professionalism. However, you need to understand that while much has been achieved, there is still a long way to go before obstacles to Russian fertilizers are lifted and a global humanitarian catastrophe is prevented.

PhosAgro's team manages to cope with the new challenges in a short space of time, not just keeping the business stable but reaching new highs.

## New records

In 2022, in spite of all the external challenges, the Company's team managed to set a new production record: the concerted efforts of our entire team increased PhosAgro Group's agrochemical output by almost 5% year-on-year to a record 11.1 mt. Thus, we managed to meet growing demand in our priority domestic market reliably.

One of PhosAgro Group's primary objectives is to offer a wide range of high-quality fertilizers to farmers. With our in-house R&D function, we continue expanding our offering to meet the needs of farmers in line with the principles of sustainable development. And we are able to do this quickly. In 2022, our portfolio expanded to 57 agrochemical grades, including all types of fertilizers and feeds. Two of these grades

were registered in 2022. A significant portion of our offering consists of newest fertilizer grades developed over the past five years, including two in the reporting year.

Once again, the past year was a record year for us in terms of not only operating but also financial performance. Adjusted EBITDA was up by 39% compared to 2021, reaching a record of RUB 267 bln. EBITDA margin also improved, hitting 46.9% vs 45.7% in the previous year.

## Investments in the future

In 2022, we continued to make steady progress towards the goals set out in our Strategy to 2025, including running



**The top priority for our team was to ensure seamless operations at all of our production sites, deliver fertilizers on time, and take care of our employees and their families.**

existing investment projects and targeted programmes. Most of these goals seem relevant and realistic, even in the new external environment.

In the reporting year, we allocated more than RUB 63 bln (including capitalised repairs) for the development and maintenance of production facilities, a third more than in 2021. We are building new production facilities, upgrading and expanding existing ones, bolstering their vertical integration and self-sufficiency in technology and feedstock. All this enables us not just to ramp up production, but to do so in the most flexible and cost-efficient way possible taking full advantage of existing market environment and delivering a sustainably high return on our investments.

## Projects we are proud of

Putting the new +10 m level at the Kirovsky mine into operation is the most ambitious of our key investment projects. Early in 2022, we started to pilot the new level and in February the first batch of ore was already available for beneficiation. The new level will not only enable us to replace the levels being shuttered but even to increase the mine's overall output in order to reach the targets in line with the Strategy to 2025. This project is the champion by the number of bleeding-edge technologies and solutions applied.

Another key project for PhosAgro Group is to develop Balakovo branch, where we completed the third phase

of our investment programme in 2022. One of the main initiatives in this project was the upgrade of the SK-20 sulphuric acid unit increasing its monohydrate capacity from the current 760 ktpa to 1.1 mtpa. It will make us more independent of external suppliers and more self-sufficient in the scarce raw material – high-quality sulphuric acid. This investment project boosted phosphate rock processing and helped us launch the production of complex NPK fertilizers in Balakovo.

Over the next five years, we plan to invest around RUB 250 bln in developing and maintaining our production capacities, of which nearly RUB 67 bln (including capitalised repairs) will be invested in 2023 – a 6% increment over the record high investment made in 2022.

## Sustainable development and food security

As we discuss PhosAgro Group's performance in the past year, I cannot but mention our sustainability efforts and achievements. We have once again proved that we are able to combine strong operating and financial performance with social and environmental commitments.

We more than doubled our support for social and charitable projects in the regions of operation, with some RUB 11 bln spent in this realm. PhosAgro implemented initiatives set to improve the quality of the urban environment, education, healthcare, youth policy, and sports.

RUB 267 bln  
adjusted EBITDA



On top of that, we strongly support traditional cultural and spiritual values.

By and large, the sustainability principles are firmly incorporated into our business model, as our primary goal is to supply our eco-efficient fertilizers to farmers around the globe and in the local priority market.

We used the best available technologies to implement all the investment projects and programmes in 2022, and our sustainability efforts do not go unnoticed by the expert community.

In November 2022, the Russian Quality Agency (Roskachestvo) confirmed that PhosAgro Group's products meet the requirements of the Green One label. In 2021, the Company was the first business in Russia to take assessment for compliance with the standard enabling us to use this ecolabel. By a wide margin, PhosAgro's fertilizers comply with the world's most stringent limits on heavy metals and arsenic content in fertilizers, which are introduced by Russian national standard GOST R 58658-2019.

We also passed an inspection for product compliance with the Ecological Union's Vitality

Leaf standard in November 2022. PhosAgro became the first company in the country's fertilizer industry to be granted the right to use this international label a year earlier.

We also ranked among the companies with the best social and charitable programmes in the Russian Leaders in Corporate Philanthropy 2022 competition organised by the Donors Forum, a coalition of major grantmakers in Russia.

## Outlook

We have big plans for 2023. PhosAgro will continue to pursue the Strategy to 2025 by increasing capacity and upgrading production facilities.

We plan to ramp up our state-of-the-art phosphate fertilizer production site in Volkhov to its design capacity, and it will become an innovative industry leader for years to come. This will help us increase not only the output of finished products, but also the processing of phosphate rock – the main raw material for fertilizers.

We will continue with our ambitious programme to develop our raw material base in Kirovsk, where we intend to bring the second start-up facility

at level 10 of the Kirovsky mine on stream by the end of the year. In Cherepovets, we plan to bolster phosphate rock processing; in Balakovo we intend to complete projects designed to boost feed phosphates and sulphuric acid output, and to kick off phase 3 of our production site creating a flexible MAP/DAP/NPS/NPK fertilizer production scheme.

For more than 20 years of our history, we have remained true to our mission of supplying eco-efficient PhosAgro Group fertilizers to farmers around the world, including the priority Russian market, and making a meaningful contribution to global food security.

PhosAgro Group's strength lies in its employees, shareholders, and partners alike. Thank you for your confidence in the course the Company has chosen to follow.

**Mikhail Rybnikov,**  
Chief Executive Officer  
of PJSC PhosAgro

# Business environment

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## December 2021 – present

### On 1 December 2021, Russia's export quotas for nitrogen-based and complex fertilizers came into effect

As a way to prevent shortages in the domestic market and, consequently, to slow down the growth of food prices amid rising gas prices (with gas used extensively in the production of nitrogen-based

fertilizers), Russia's government resolved to restrict exports of nitrogen-based and complex fertilizers for six months starting from 1 December 2021. The quotas for nitrogen-based and complex fertilizers were approved at 5.9 mt and 5.35 mt respectively. Later on, the urea export quota was raised by 280 kt. When the initial effective period expired, the quotas were first

extended until the end of August, and then until the end of 2022. The quotas for nitrogen-based and complex fertilizers were set at slightly above 8.3 mt and 5.9 mt respectively. In 2023, the Russian Ministry of Industry and Trade extended the quotas until 31 May 2023, with the quotas for nitrogen-based and complex fertilizers coming in at 7.3 mt and 5 mt respectively.

## February – March

### Ban on Russian vessels entering UK ports and other logistical restrictions

On 1 March 2022, the UK passed a bill fully blocking access to the nation's ports for all vessels related to Russia. On 4 March 2022, Denmark's Maersk stopped accepting bookings for the shipment of essential goods from the ports of Novorossiysk, St Petersburg and Kaliningrad.

### The London Stock Exchange suspended trading in PhosAgro's global depository receipts

The London Stock Exchange suspended trading in depository receipts issued by Russian companies, including PhosAgro. According to the LSE, this move was designed to maintain orderly markets in light of the market conditions.

### Western suppliers of equipment and industrial solutions halted their operations in Russia.

In February–March 2022, many Western suppliers of equipment and industrial solutions resolved to close shop in Russia. Among them were Caterpillar, Metso, Epiroc, Sandvik, Komatsu, Hitachi and others. The economic sanctions imposed by the USA and EU complicated exports of dump trucks from respective countries to Russia, while also contributing to the shortage of components (engines, gearboxes) and spare parts.

### The three largest container-shipping lines halted cargo bookings from Russia

On 1 March 2022, the world's three largest container shipping lines – Switzerland's Mediterranean Shipping Company (MSC), Denmark's Maersk and France's CMA CGM – suspended cargo bookings from Russia.

