



PROJECTS IN THE PIPELINE OF STRATEGY TO 2025

To boost production, the Company has launched a large-scale investment programme.

The investments will focus on efficient and flexible hi-tech facilities based on the best available techniques, including the advanced solutions offered by Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF), one of the world's leading specialised R&D centres, as well as a variety of other digital and innovative solutions. The green light will only be given to projects with an IRR of above 20%.

Targets by key assets

Cherepovets site development	Volkhov branch development	Balakovo branch development
GOALS		
Increase nitrogen fertilizer output, launch manufacturing of semi-finished products to ensure food security	Launch MAP production mainly for export markets	Launch NPK(S) production mainly for the domestic and European markets
DEADLINE		
2019–2020	2021	2022
KEY TARGETS		
+1,100 kt of sulphuric acid +150 kt of ammonium nitrate +300 kt of ammonium sulphate +2.3 mt of additional rail infrastructure capacity	+840 kt of fertilizers	+1,100 kt of fertilizers
CAPEX, USD MLN USD		
389	430	240
EBITDA impact per year, USD mln		
60+	90+	50+
WACC, %		
11	11	11
NPV, USD mln		
265	173	143
IRR, %		
20+	20	20



The investments in the three key projects alone are expected to bring about an EBITDA increase of no less than USD 200 mln, boost FCF, and ensure a consistently high level of self-sufficiency in feedstock for growing production volumes.

The net debt / EBITDA ratio will be maintained at a comfortable level of 1.0–1.5x.

POTENTIAL PROJECTS CURRENTLY UNDER EFFICIENCY EVALUATION

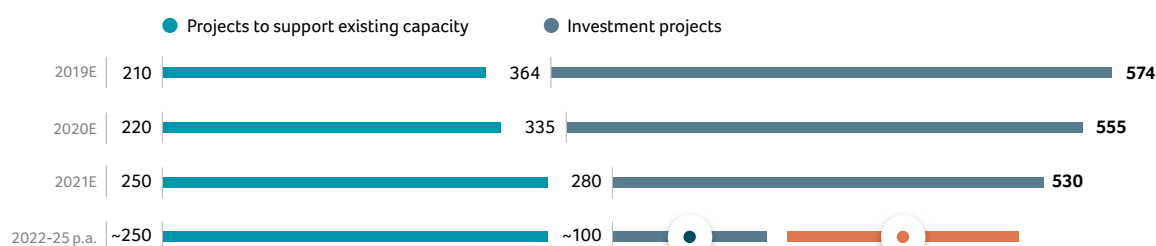
may get a go-ahead as early as 2022 subject to their high IRR (20%+), compliance with the BAT and sustainability criteria along with the debt/ EBITDA target, and a comfortable net debt / EBITDA covenant headroom:

Ramp-up of ammonium production

Production of purified phosphoric acid (PPA) as the key feedstock for further processing into environmentally safe phosphates

Proprietary facility to manufacture potassium and sodium salts using the internally produced nepheline concentrate

CAPEX breakdown¹, USD mln



Source: PhosAgro

CAPEX

Cost of running investment projects in 2019–2025:

USD **1,1** bln

Cost of supporting existing capacity in 2019–2025:

USD **1,7** bln

Effect from the three key investment projects²:

> USD **200+** mln

Project IRR:

> **20%**
(WACC – 11%)

Cost of running investment projects in 2022–2025:

Potential projects under review that match the Company's investing principles:

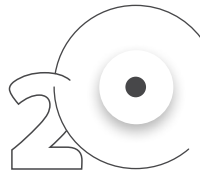
- IRR 20%+;
- significant business model fit;
- ESG compliance;
- best available techniques;
- comfortable covenants;
- target CAPEX to revenue ratio.

¹. CAPEX is calculated at the exchange rate of RUB 65 per USD.

². Subject to adjustment in case of changes in the macroeconomic environment.



Key
targets

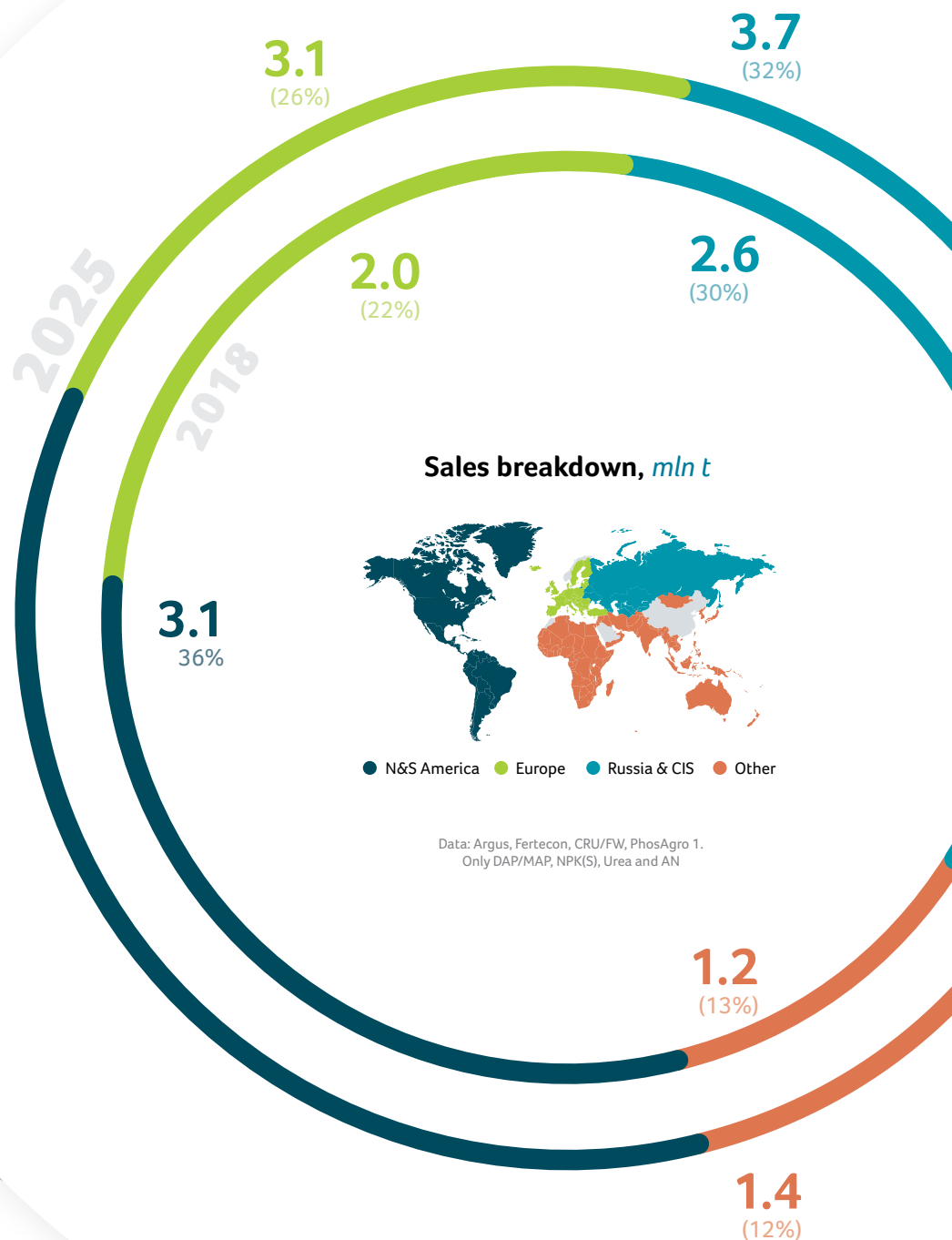


INCREASING SALES IN PRIORITY MARKETS

PhosAgro's strategic goal is to increase sales in its strategic markets: to 3.7 mt in Russia and CIS, to 3.5 mt in North and South America, and to 3.1 mt in Europe by 2025, by strengthening its position as a producer of fertilizers with minimum heavy metal impurities amid toughening of the EU cadmium regulations.

GRI

102-6



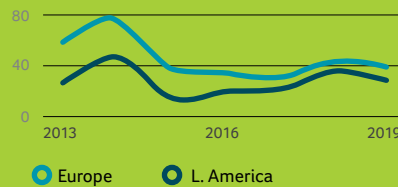
STRATEGY 2025

To deliver on this goal, the Company plans to:

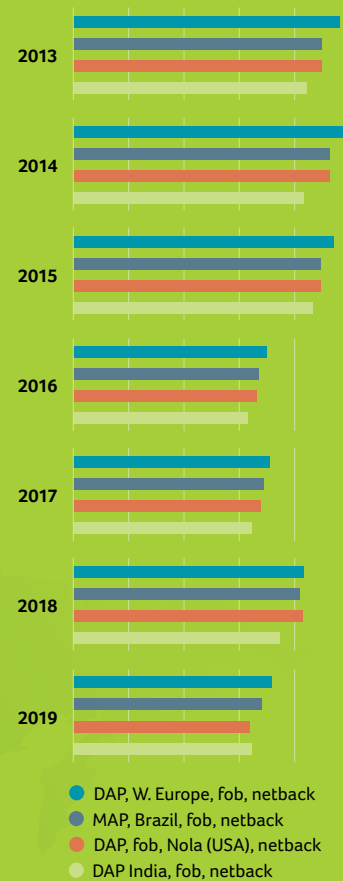
expand its network of regional sales offices, set up new partnerships, and promote its products, including through “green” labelling, which has been allowed under the new EU rules

increase product offering from 39 fertilizer grades in 2018 to 50 by 2025, including new highly effective grades with bioadditives.

Premium to Indian netback prices, USD/t, FOB, Baltic



Phosphate-based fertilizer sales margin by region



Sales growth in North and South America to

3.5
mt.

The cumulative effect from the Marketing Strategy to 2025 is estimated at

125
USD mln per year¹ (net of special and innovative fertilizers)

¹: effect based on McKinsey estimates

Key
targets

Increasing sales

DOMESTIC MARKET

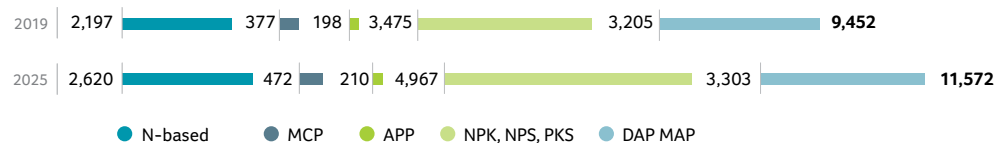
- Retain the current market share in phosphate and complex fertilizers, increase sales in the nitrogen segment
- Enter the related products segment (CPA, seeds, feed additives), if the pilot is successful
- Develop the service model and distribute agricultural equipment, if the pilot is successful
- Potential effect of developing the service model on EBITDA: USD 40–150 mln per year¹

INTERNATIONAL MARKETS

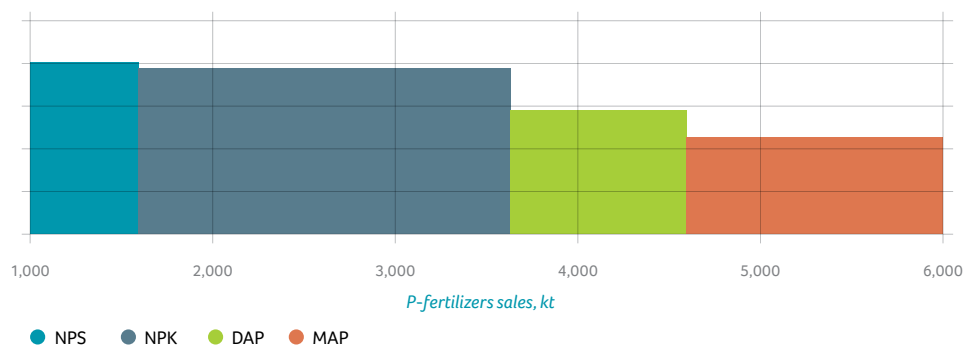
- Identify priority markets based on the Company's potential competitive advantages, market liquidity, and netbacks
- Maintain direct sales at no less than 90%
- Ensure considerable growth in Eastern Europe and the Balkans. Achieve slight increase in sales in the Western European market (France, Germany). Open new offices, lease warehouses, engage in proactive agricultural marketing
- Grow sales in Latin America in line with the market growth, consider options of diversifying distribution channels in Brazil, establish partnerships with local distributors, launch agricultural sites, lease warehouses
- Ensure presence in the spot markets in North America, Africa, and Asia
- Potential effect on EBITDA – USD 85 mln per year¹

Flexibility of production lines enables the Company to switch between all types of fertilizers quickly and cost efficiently, and to fully meet demand for the highest-margin complex fertilizer grades.

Change in the product structure of the premium segment, kt



Phosphate fertilizer margins, 2019



¹: effect based on McKinsey estimates



• INCREASING THE SHARE OF INNOVATIVE PRODUCTS

- Increase the share of special and innovative fertilizers (UAN with micronutrients, urea with inhibitor, tailored complex and water-soluble fertilizers)
- Launched the Research and Innovations Centre with legal form and operational model finalised
- Explore the biostimulants segment, create pipeline of ideas for further consideration

Roadmap for the strategy to increase sales: the Russian and CIS market

• EXPAND IN-HOUSE STORAGE AND LOGISTICS CAPACITIES

- Increase the number of fertilizer storage facilities to 40
- Improve the warehouse technology infrastructure (capex of over RUB 2 bln) through 2022

• BOOST SALES OF LIQUID FERTILIZERS

- Expand storage capacity for liquid fertilizers
- Provide agronomic services for liquid fertilizer customers

• INCREASE SALES OF THIRD-PARTY AND ASSOCIATED PRODUCTS

- Create associated product lines for fertilizer buyers (seeds, CPAs, bioadditives, etc.)
- Build compaction facilities

• ENSURE DIGITALISATION OF SALES AND CUSTOMER SERVICES

- Implement RFID technology for big bag tagging
- Develop e-services for customers

• DEVELOP AGRONOMIC SUPPORT AND CONSULTING SERVICES

- Promote sales of high-performance and high-margin fertilizer grades

>650
kt
Storage capacity

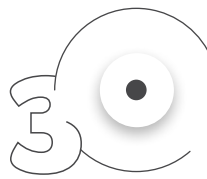
Liquid fertiliser
storage capacity
62
kt

500
kt sold

Precision
farming

Arable land coverage
>100
k ha.

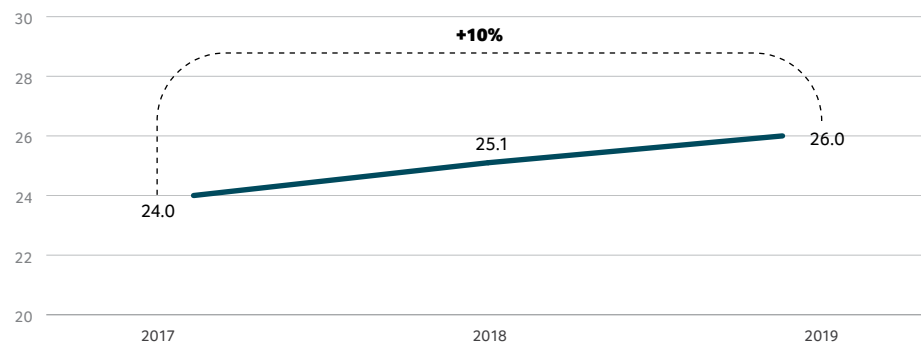
3.7
mt

Key
targets

BOOSTING LOGISTICS EFFICIENCY

The Company plans to focus on expanding the capacity of its own rail infrastructure, growing and upgrading the railcar fleet to reduce transport costs, developing the port infrastructure, and streamlining the distribution of commodity flows between ports.

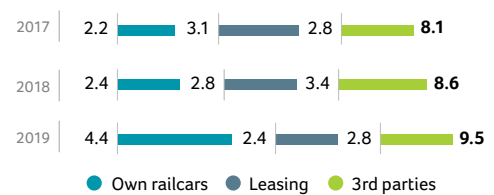
Goods turnover, *mtpa*



Captive railcar fleet structure, '000 units



Hopper car¹, '000 units

¹. Calculated based on 70 t per cargo.

Source: PhosAgro



2019 saw the successful completion of a move to merge the Group's production and logistics assets into one legal entity – JSC Apatit. These organisational changes are designed to improve the Company's overall efficiency and business process management.

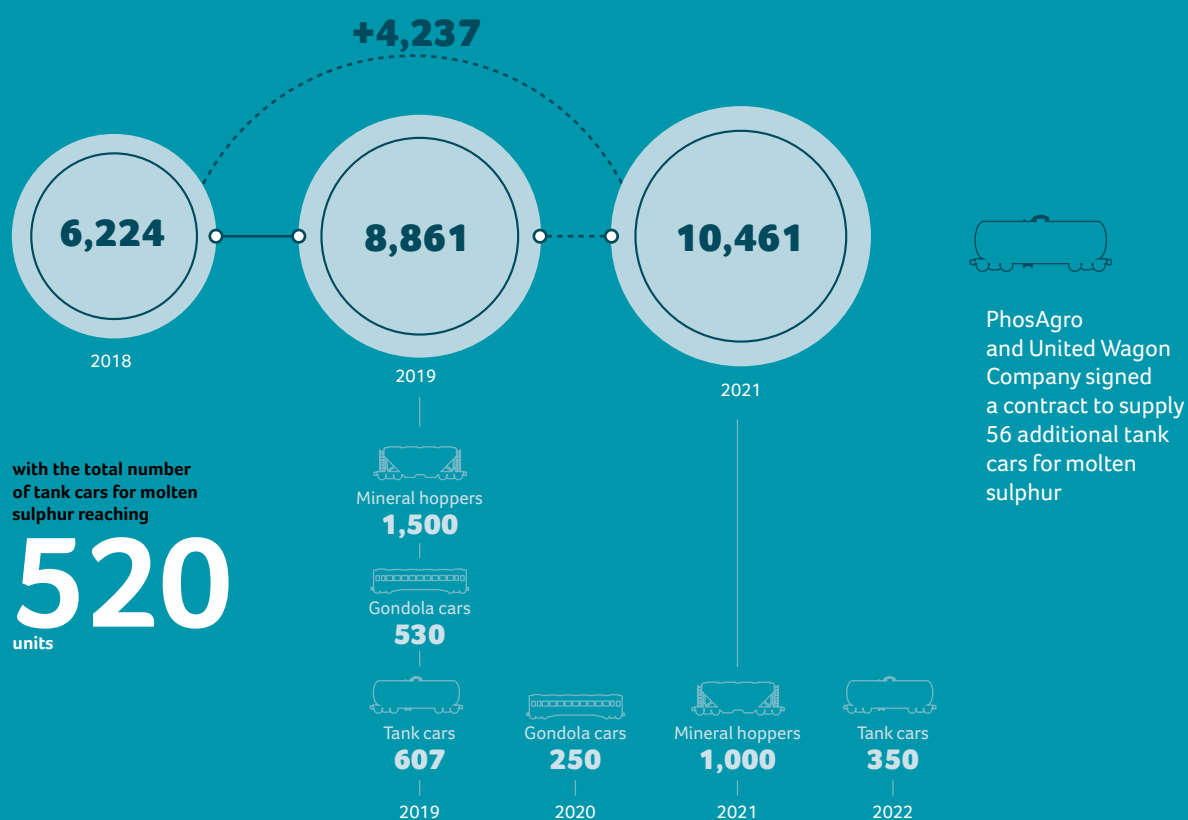
Logistics development milestones

2019 >>>> **2020** >>>> **2021** >>>> **2022**

- Completion of rolling stock acquisition
- Development of river transport (the 2025 shipment target of 1,000 ktpa with an effect of RUB 80 mln per year)
- Revamp of the Kriolit station with connection to the October Railway's Nelazskoye station
- Start of end-product transshipment at the Vistino and Lavna terminals
- Construction of a track at the Volkhovstroy II station of the October Railway
- Development of rail infrastructure at the Balakovo Branch of Apatit

EXPANDING RAILCAR FLEET

An increase in the share of in-house mineral hoppers will help the Company substantially cut the share of third-party rolling stock and reduce operating transport costs associated with delivery (use of third-party cars is 40% more expensive than operation of in-house rolling stock).



The main reason behind the purchase of tanks for liquid sulphur is the necessity to guarantee continuity and safety of these indispensable feedstock supplies and optimise associated transportation costs.

Cost-cutting was also the main rationale behind the decision to buy gondola cars, as they offer significant benefits for transport operations within a distance of 500 km and streamline deliveries to the Baltic states.

Key
targets

DEVELOPING RAIL INFRASTRUCTURE

Maximum rail infrastructure throughput
mtpa



DEVELOPING PORT INFRASTRUCTURE

Once completed, the initiatives included in the port strategy will provide Apatit with access to transshipment capacities up until 2030 and help significantly reduce selling expenses associated with the transportation of export supplies:

1

A long-term contract (up to 2022) signed with the European Sulphur Terminal (EST) to transship 2 mtpa of fertilizers

2

Memoranda of cooperation signed with the future port terminals of Vistino and Lavna

3

Increase in transshipment volumes at the Kotka terminal to 1.5 mtpa from 2023



2023

The cumulative six-year economic effect (from 2023 to 2028) from the redistribution of cargo flows to the terminals of Vistino and Lavna is estimated USD 150 mln.

150

USD mln



2028



Ust-Luga

PhosAgro and Ultramar, a Russian freight forwarder shipping mineral fertilizers in containers, signed a long-term contract on the transshipment of PhosAgro's mineral fertilizers through a new terminal at Ust-Luga. The transshipment of PhosAgro's products through the Ultramar terminal is scheduled to begin in the second half of 2020.

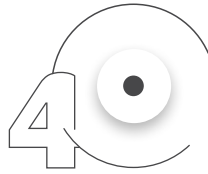


Murmansk

PhosAgro signed a memorandum of cooperation with Infotech Baltika concerning the construction of a specialised marine terminal for the transshipment of mineral fertilizers and apatite concentrate at the seaport of Murmansk. The ability of the terminal, which is currently under construction, to receive large Panamax-class vessels will improve the economic efficiency of sea transportation through the northern territories, while the proximity of the terminal to the Company's production assets will streamline the railway logistics for transshipments. The new port capacities will handle approximately 3.5 mtpa of fertilizers.



Key
targets



SUSTAINABILITY PROGRAMMES

The Company is a member of the Safer Phosphates alliance, which seeks to address the issues of environmental contamination by heavy metals.

ENVIRONMENTAL PROGRAMME

GOALS TO 2025

Reducing unit pollutant emissions by

5%

(to 0.996 kg/t for end and semi-finished products)

Reducing unit GHG emissions by

10%

(to 142 kg of CO₂ equivalent per tonne of end and semi-finished products)

Reducing unit effluents by

20%

(to 4.8 m³/t for end and semi-finished products)

Increasing the share of recycled and decontaminated hazard class 1–4 waste to

40%

STRATEGY 2025

PERSONNEL DEVELOPMENT PROGRAMME

GOALS TO 2025

1 Raising employee
satisfaction and loyalty to
65%

2 Increasing the average annual
number of training hours per
employee by
50%

HEALTH AND SAFETY

GOALS TO 2025

1 Reducing
workplace injuries by
10%
annually

2 Reducing the number
of incidents by
10%
each year

3 Improving health
and safety
management
system and culture

