



PURE MINERALS FOR HEALTHY LIVES

Integrated report 2018

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ABOUT THIS REPORT

Our integrated Annual Report combines financial and sustainability reporting and aims to inform readers about all of the significant factors that may have an impact on PhosAgro's activities. The report explains how these factors affect our strategy, operations, financial performance, the long-term sustainability of the Company and the value we create for our customers, employees, shareholders, business partners, neighbours and the wider public.

Sustainable development has always been a key priority and an important aspect of our business. As a result, it is important for us to show not only our business results for 2018 but also PhosAgro's contribution towards achieving the Sustainable Development Goals set out by the Global Reporting Initiative (GRI) and the United Nations Global Compact. With this in mind, and with the goal of providing a fully integrated report, we will focus on six key issues on the following pages, namely:

- What is the Company doing on a global scale, and what steps is it taking to address the Sustainable Development Goals?
[See pages 6–7](#)
- What is the Company's business model, and how does this create value for all stakeholders?
[See pages 16–19](#)
- What are the Company's key strategic goals, and how have the 2018 results contributed to their achievement?
[See pages 36–39](#)
- What are the key challenges and uncertainties that the Company is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
[See pages 38–39](#)
- What is included in the Company's approach towards sustainable development governance, and what targets does PhosAgro set for itself?
[See pages 64–71](#)
- Why does the Company consider it important to adhere to high standards of corporate governance?
[See pages 138–139](#)

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01

ABOUT PHOSAGRO

BY IMPROVING SOIL FERTILITY, WE ARE
HELPING LIFE ON EARTH PROSPER

39 **GRADES**
OF FERTILIZERS AND OTHER
FINISHED PRODUCTS ARE
PRODUCED BY PHOSAGRO



COMPANY PROFILE

PhosAgro is a vertically integrated mineral fertilizer producer based in Russia. We are one of the world’s most efficient producers of phosphate-based fertilizers and one of the only companies to produce high-grade phosphate rock with a P₂O₅ content of 39% or higher.

THE LIFE CYCLE OF PHOSPHATE-BASED FERTILIZERS AT PHOSAGRO

As a vertically intergrated company, PhosAgro’s operations include upstream and downstream enterprises, as well as distribution and logistics, and R&D. PJSC PhosAgro is the parent company, with control over 100% of the shares of its main operating subsidiaries. For more details, see **Our Business Model** on pages 16–19.

	MINING AND BENEFICIATION	DOWNSTREAM PRODUCTION
Description	The life cycle of phosphate-based fertilizers begins at PhosAgro’s Apatit mines on the Kola Peninsula, where high-quality phosphate ore is mined and processed into phosphate rock. We are one of several global producers whose phosphate ore is virtually free of cadmium and other potentially harmful impurities.	The fertilizers produced from PhosAgro’s phosphate rock are among the purest in the world and are used for the cultivation of agricultural products that end up on the plates of consumers all over the globe.
Our guiding principles	The high quality of the apatitenepheline ore that we mine is central to our ability to efficiently produce high-quality fertilizers that are naturally free of potentially harmful impurities that could end up in agricultural soils or even our food.	After completing a large-scale investment programme in 2017, the full impact of PhosAgro’s new production capacities was achieved in 2018: the Company’s production capacity increased significantly, with 9 million tonnes of fertilizer produced in FY 2018.
Our goals	By producing mineral fertilizers, which are vital for increasing the yield, quality and nutritional value of crops, we are contributing to ensuring food security throughout the world and to more environmentally sustainable agricultural practices.	PhosAgro aims to further expand its production capacities, with a particular focus on key inputs like sulphuric and nitric acids, as well as ammonium sulphate. PhosAgro also plans to continue to expand the number of fertilizer grades it produces, continuing the trend of the past five years, during which the number grew from 19 to 39.

Numbers to know

>39 % P₂O₅

nutrient content of high-grade phosphate rock produced at Apatit

93%

Recovery rate achieved at ANOF-3 following upgrades completed in 2018

39 GRADES

of fertilizers and other finished products are produced by PhosAgro

THE COMPANY’S POSITION IN THE GLOBAL INDUSTRY

No 1

Producer of high-grade phosphate rock

Source: IFA, PhosAgro

No 1

Fertilizer supplier in Russia

One in every three tonnes of fertilizer sold in Russia is sold by PhosAgro

TOP 5

(One of the top 5) DAP/ MAP producers by capacity

Source: IFA, CRU (excluding Chinese producers)

No 2

NPK producer in Europe

Source: PhosAgro

LOGISTICS	SALES
PhosAgro’s logistics infrastructure includes warehouses, mineral hoppers and two port terminals. These assets support our operations and help us to achieve savings compared to third-party services. We constantly monitor the changing business environment in order to maintain streamlined and efficient logistics operations.	The Company has its own sales network in Russia, as well as trading offices in priority export markets in Latin America and Europe. PhosAgro strives to move closer to its end customer through the further expansion of its sales network, warehouse capacities and infrastructure, as well as automation of production and measures to increase efficiency.
We maintain a continuous focus on improving all aspects of our logistics, striving to provide the most efficient, reliable and highest-quality service to our customers and build long-term relationships with them.	We strive to be as close as possible to our final consumer through the implementation of a verified strategy to strengthen existing trade links and a balanced approach to entering new markets.
We plan to further increase our fleet to reduce costs incurred by contracting cars from third-party operators.	We believe that implementing a strategy aimed at further developing and strengthening our fundamental advantages allows us to build a business that best meets the interests of the residents of the regions where we operate, farmers who use our products, as well as our investors and other stakeholders.

6,268 RAILCARS

own fleet of various configurations

1.9 MLN TONNES

export cargo volumes handled via own port terminals

USD 2 PER TONNE

savings on export shipments via own port terminals

>100 COUNTRIES

currently use PhosAgro products

10 TRADING OFFICES WORLDWIDE

OUR KEY ADVANTAGES



WORLD-CLASS INTEGRATED PHOSPHATE PRODUCER WITH TRACK RECORD OF VALUE CREATION

- Vertically integrated producer of fertilizers and premium phosphate rock with P₂O₅ content over 39%
- Strong market position in the premium European market and fast-growing Latin America market
- Largest supplier of DAP/MAP and NPK fertilizers to Russia
- Demonstrated ability to create value through project execution and capital allocation under the Company's Strategy to 2020



STRONG FINANCIAL PROFILE

- Strong profitability and one of the highest gross margins in the phosphate segment
- Investment-grade corporate ratings: BBB-/Baa3/BBB-
- The lowest leverage among global and domestic peers with a net debt/EBITDA ratio of 1.8
- Successfully completed our investment cycle under the Strategy to 2020 to return capex to its normal level



ONE OF THE LOWEST CASH-COST PRODUCERS IN THE WORLD

- Developing a unique and extensive resource base with a mine life of around 60 years
- Self-sufficient in major inputs: 100% in phosphate rock, about 90% in ammonia
- One of the lowest DAP cash-cost producers globally and in the first quartile for urea production
- Strict cost control and operational efficiency rollout to drive lower costs going forward



ADHERING TO HIGHEST STANDARDS OF SUSTAINABLE DEVELOPMENT

- Contributing to the UN Sustainable Development Goals
- Material investments into environmental programmes (RUB 7.6 billion over five years)
- The technologies used at the Company's production sites meet the standards of best available technologies
- Annual expenditures on charitable and social projects amount to more than RUB 1.5 billion
- One of the largest taxpayers in the regions where it operates, paying RUB 12 billion in taxes in 2018



FLEXIBLE PRODUCTION AND SALES PLATFORM

- Depending on the market situation, 46% of phosphate production can be switched from DAP/MAP to NPK
- Netback-driven sales model with a global presence
- PhosAgro's special focus on value-added NPKs secures extra margins compared to a basket of individual nutrients
- Developed domestic sales network and trading offices in all key export markets

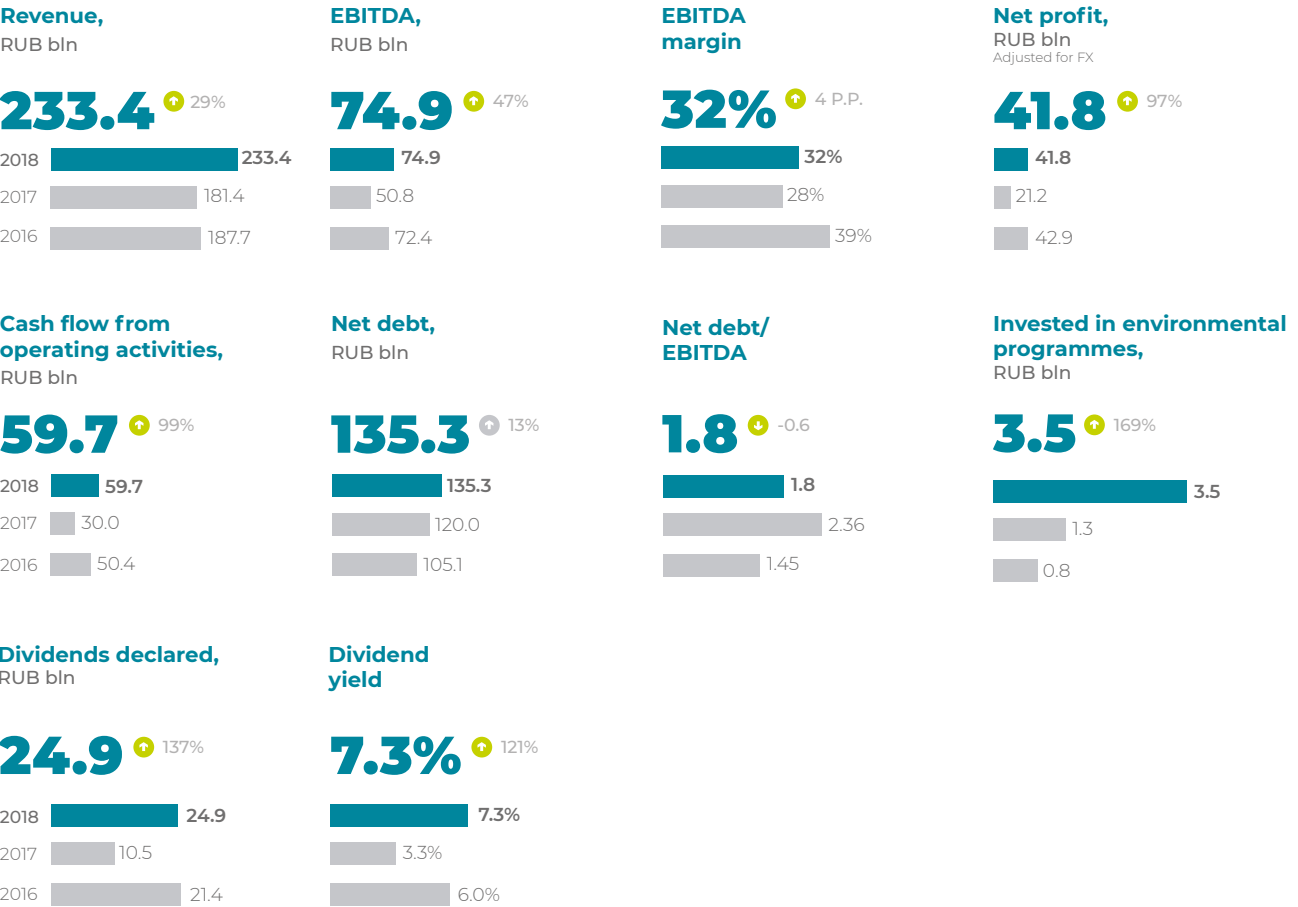


TRANSPARENT AND EFFECTIVE CORPORATE GOVERNANCE

- Transparent ownership structure with 27.6% of shares in free float
- Seven independent non-executive directors on the Board of Directors
- Dual listing on LSE and MOEX since 2011 and included in the MSCI Russia Index

2018 PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS



The Company has implemented a series of successive steps in recent years aimed at consolidating its leading global positions as a producer of phosphorus-based fertilizers with very low production costs. From 2014 to 2018, PhosAgro invested more than 50% of EBITDA in the development of existing and the construction of new facilities, applying the best available technologies in doing so. The successful completion of our large-scale capital investment cycle has created a solid foundation for further sustainable growth. This contributed to significant growth in our FY 2018 financial performance.

The 47% increase in EBITDA and 97% increase in net profit allowed the Company to strictly follow its approved dividend policy – for the 2018 fiscal year, accrued dividends amounted to 60% of adjusted net profit. The total amount of dividends declared in 2018 and in 2019 will amount to RUB 24.9 billion, pending AGM approval of the dividends recommended by the Board of Directors on 19 March 2019.

In 2018, PhosAgro placed emphasis on organic growth projects aimed at increasing

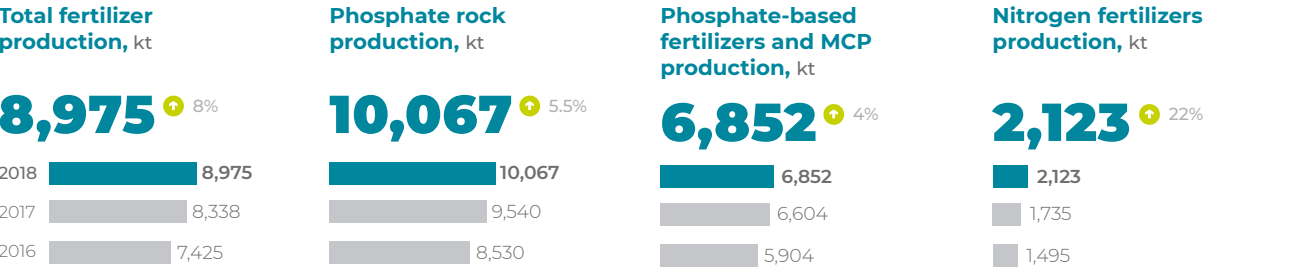
efficiency and improving raw material self-sufficiency and not requiring significant capital expenditures.

significant resources to issues related to sustainable development. PhosAgro takes a very responsible approach to issues of environmental protection and is constantly investing in improving its efficiency and reducing the impact of the Company's activities on the natural environment. In 2018, the Company spent about RUB 8 billion on projects aimed at reducing its impact on the environment (including investment and current environmental costs). As of today, all of the Company's production sites meet the latest environmental requirements.

Along with ensuring profitability for shareholders, the Company devotes

See additional information on pages 58–61

OPERATIONAL HIGHLIGHTS



PhosAgro reports its highest-ever production in 2018, at 9 million tonnes. The successful implementation of the Strategy to 2020 made this record-setting result possible. The main driver of this growth in fertilizer output was the commissioning of two key strategic projects: the new ammonia and granulated urea production facilities at the Cherepovets site. The expansion of capacity and the increase in raw material self-sufficiency have strengthened our position as a leader in our industry throughout the world. By the end of the year, the production of phosphate-based fertilizers had risen by 3.8% year-on-year to 6,852 thousand tonnes, while the production of nitrogen-based fertilizers was up by 22.4% year-on-year to 2,123 thousand tonnes.

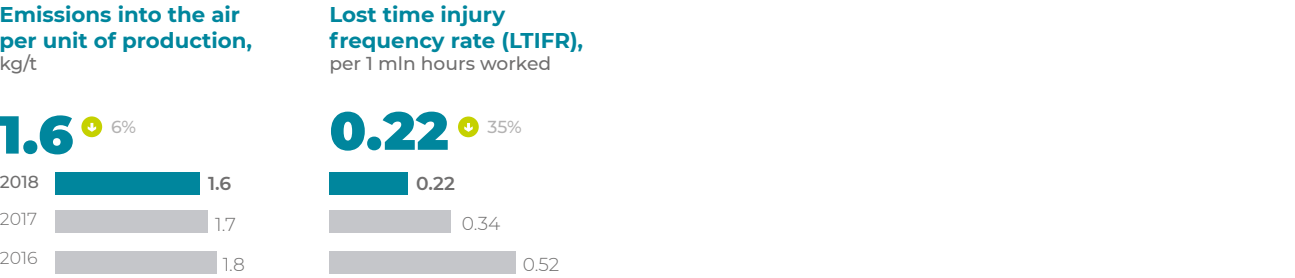
Another important achievement in the past year was the increase in the output of apatite concentrate to 10,067 million tonnes, which is a record in the industry over the past 25 years, which was made possible thanks to ongoing work aimed at expanding our enrichment capacities.

In 2018, the Company continued to develop its own sales network in its priority market of Russia, as well as in foreign markets. The volume of sales of PhosAgro products in Russia increased over five years by a factor of 50% and in 2018 amounted to 9 million tonnes of primary material.

PhosAgro's share of the Russian market is about 80%, making the Company the leading supplier in that market.

See additional information on pages 52–57

SUSTAINABILITY



PhosAgro takes a serious approach to sustainability and continues to invest in measures to mitigate its impact on the environment and to implement best practices in the field of occupational safety and industrial safety. Over the course of five years, the Company has invested around RUB 7.6 billion into environmental programmes. PhosAgro's programme for increasing energy efficiency deserves special attention. The technologies used at the Company's production sites meet the standards of best available technologies.

See additional information on pages 64–134

WHERE WE OPERATE

EXPORT MARKETS

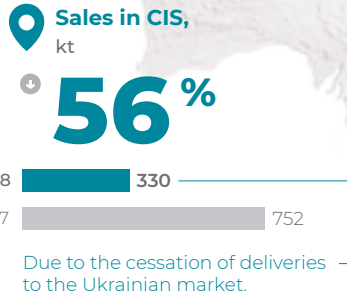
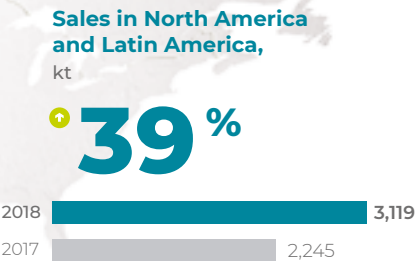
OUR FLEXIBLE PRODUCTION AND SALES MODELS ENABLE US TO SUPPLY THE TAILORED FERTILIZERS THAT FARMERS USE TO GROW BETTER CROPS IN OVER 100 COUNTRIES ON EVERY INHABITED CONTINENT

PhosAgro's long-term strategy for production and sales is aimed at maximising profit margins, and it allows us to adjust flexibly to changing demand in a particular market and to respond quickly to market fluctuations.

Trading companies created by PhosAgro in Brazil, Switzerland, Germany, Poland, France, Singapore and last year also in Serbia provide the Company with a presence in all of its priority export markets. The share of direct sales in 2018 exceeded 90%.

In 2018, we exported 6.4 million tonnes of fertilizers. Volumes of supplies to priority export markets in Europe and Latin America increased year-on-year by 10.5% (to 2 million tonnes) and 23.9% (to 2 million tonnes), respectively, compared to the previous year. Shipments of fertilizers to the CIS decreased by 56.1% compared to the previous year due to the cessation of deliveries to the Ukrainian market.

A good example of successful interaction and constructive dialogue between countries, in this case Russia and Argentina, is the abolition of the 6% duty on high-quality diammonium phosphate from Russia. The decision, adopted in 2017, allowed Russian producers and, in particular, PhosAgro to supply environmentally friendly phosphate-based fertilizers without harmful impurities to meet the growing needs of Argentinean agricultural producers.



TRADING OFFICES

- 1 Hamburg Germany
- 2 Bayonne France
- 3 Zug Switzerland
- 4 Belgrade Serbia
- 5 Limassol Cyprus
- 6 Warsaw Poland
- 7 Singapore Singapore
- 8 Vilnius Lithuania
- 9 São Paulo Brazil
- 10 Buenos Aires Argentina

WHERE WE OPERATE

continued

RUSSIA

TODAY, PHOSAGRO IS IN A FAVOURABLE POSITION, WHICH ALLOWS IT TO OBTAIN SIGNIFICANT BENEFITS FROM THE CURRENT SITUATION AND INCREASE THE VOLUME OF EXPORTS OF ITS OWN PRODUCTS.

Russia's 2018 grain harvest reached 112.9 million tonnes, including more than 72 million tonnes of wheat. This made 2018 the third-best year in terms of the grain harvest in recent Russian history, indicating a sustained positive trend in the agricultural market and the ability to meet domestic market demand from the milling, feed and baking industries. The total volume of wheat shipments also increased by 10.8 million tonnes (32%) year-on-year, amounting to 44.1 million tonnes, thereby confirming Russia's leading position in global wheat exports for the second year running. Further development of the Russian agricultural market is expected over the coming years as a result of demand from importers of Russian products, as well as due to active state support for the sector.

One of the important drivers of Russian economic growth in recent years has been a focus on import substitution in a wide range of areas, in particular in the agro-industrial sector. Domestic needs are currently being met to a large extent by domestic production. The development of the country's export potential, in particular non-oil exports, is determined by the further development of the Russian economy. A number of measures are being taken to increase the proportion of food products in exports, which, according to the Federal Customs Service, currently stands at 5.5%.

The zeroing of rail tariffs for transport is among the measures already implemented by the government to support agricultural exports. This measure has significantly increased exports of agricultural products from Siberia and the Russian Far East

regions. In addition to this, the government is actively working to expand the geography of supply of Russian agricultural products. Thus, the Ministry of Agriculture of the Russian Federation announced that by 2021 it intends to send 50 agricultural industry representatives abroad to increase awareness of Russian agricultural products with the goal of increasing demand for Russian goods. One of the most promising importers of Russian agricultural products is China. In 2018, the export of Russian food products and agricultural raw materials to China amounted to USD 2.5 billion, a more than 300% year-on-year increase.

The Presidential Decree on National Goals and Objectives for the Period to 2024, published in May 2018, set a benchmark for agricultural exports at USD 45 billion per year, signalling a serious commitment on behalf of the government to expanding the industry's export volume. The Ministry of Agriculture forecasts that by 2024, the total export value of Russian wheat will grow by 50% to USD 11.4 billion, and that the total export value of oilseeds and oilseed products will nearly triple to USD 8.5 billion. The government plans to allocate around RUB 350 billion towards the development of agricultural production within a six-year period. Most of the funds – over RUB 290 billion – will be allocated for the creation of new production volumes through the development of concessional lending to enterprises and land reclamation. There will also be an expansion of crop acreage: the territories of Siberia and the Far East will be cultivated, requiring additional mineral fertilizer to ensure the production of high-quality grains and oilseeds.

112.9 MLN T
RUSSIA'S GRAIN HARVEST IN 2018

The plan is to turn a total of 4.41 million hectares into agricultural land between 2019 and 2024. The government also plans to chalk 19 million hectares of acidic soil in order to increase the fertility of Russian soil within the same period.

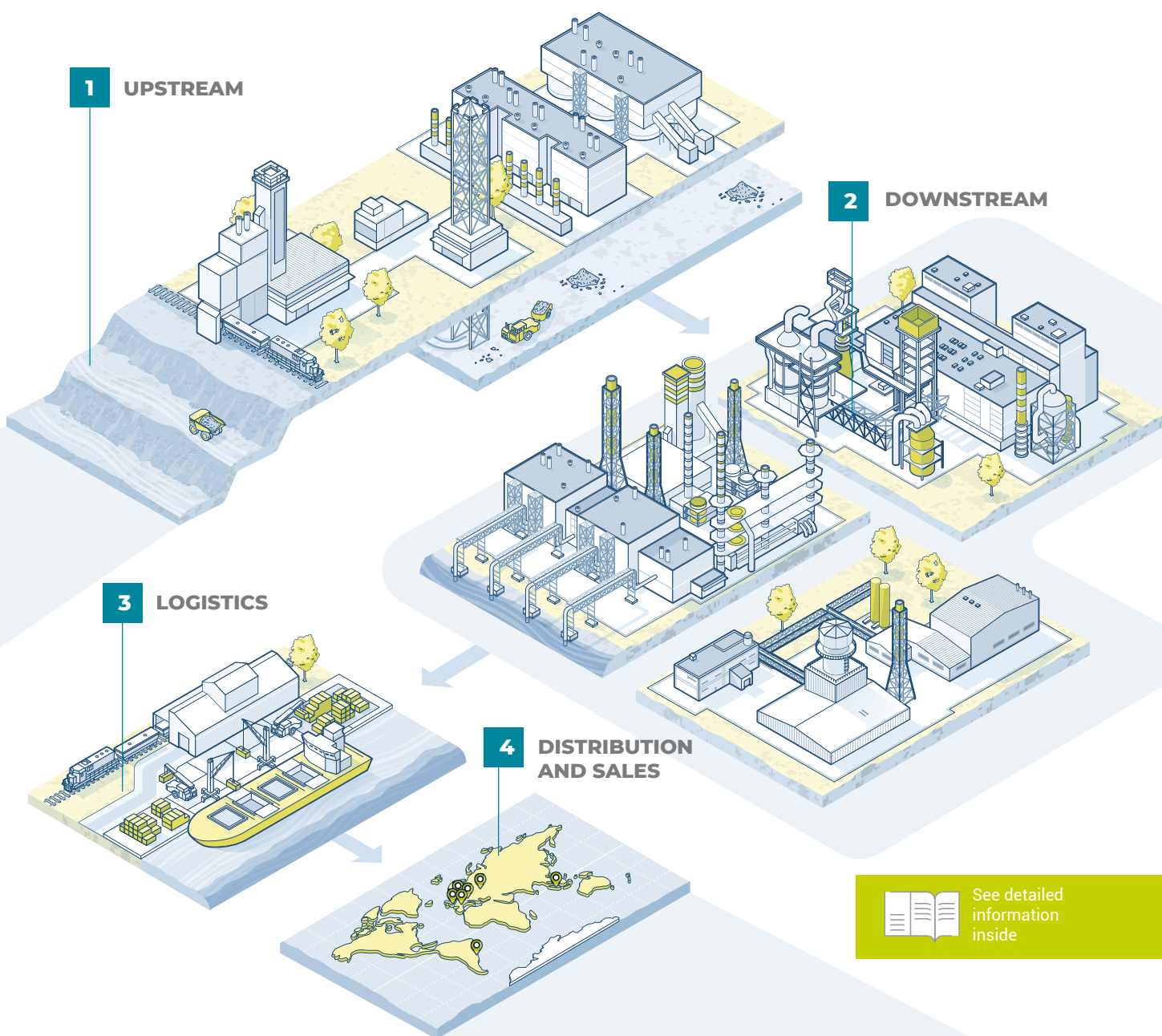
The use of highly efficient, pure and safe mineral fertilizers will play an important role in improving soil fertility and ensuring production growth and exports by Russian agribusiness. In 2018, agricultural producers purchased about 3.1 million tonnes of mineral fertilizers (by nutrient content). To achieve the intended production and export goals, Russia's agribusiness must ensure that by 2024 agricultural producers purchase at least 11.3 million tonnes of mineral fertilizers (by nutrient content).

Thanks to stable growth in demand for agriculture products and government initiatives aimed at developing the agribusiness sector and exports, particularly through the creation of a unified and sustainable brand that guarantees high-quality products, a positive environment is being created for further growth of the fertilizer market and of production capacities.



BUSINESS MODEL PHOSAGRO

PhosAgro's business model spans the entire fertilizer value chain: from the mining of unique, high-quality phosphate ore that contains virtually no harmful impurities, to downstream processing at Company's modern facilities in Cherepovets, Balakovo and Volkhov, then on to our well-developed logistics infrastructure and distribution network. The high quality of our products, our position as one of the lowest cash cost producers in the industry and our strict adherence to the principles of sustainable development are what make PhosAgro unique. This efficient business model makes it possible for PhosAgro to deliver strong results and create value for a wide range of stakeholders.



See detailed
information
inside

OUR BUSINESS MODEL

KEY ASPECTS OF PHOSAGRO'S VALUE CHAIN

1 UPSTREAM

At Kirovsk, we mine a high-quality igneous phosphate resource base that, unlike many other producers' raw materials, contains almost no harmful impurities and can be processed into premium-quality phosphate rock. This reduces costs for processing ore, obtaining apatite concentrate and turning it into high-quality mineral fertilizers.

Mining and processing

PhosAgro has extensive mining operations, along with highly qualified in-house operational and technical know-how and capabilities. We make every effort to find the right balance between investments in underground mining and beneficiation

capacities, and labour conditions and social security. This approach made it possible to turn the Kirovsk branch of JSC Apatit into a sustainable, world-class mining and phosphate rock production operation. PhosAgro is continuously seeking opportunities to make further improvements on the costs front. We have achieved a 93% recovery ratio for phosphate rock as a result of our upstream optimisation programme.

The upstream operations in our phosphate segment take place at Apatit, which mines apatite-nepheline ore from open-pit and underground mining. In 2018, PhosAgro extracted 35,326 thousand tonnes of apatite

nepheline ore on the back of continued expansion of phosphate ore mining and measures to increase the rational use of natural resources.

Beneficiation

Ore is processed at two apatite-nepheline beneficiation plants. In 2018, PhosAgro successfully completed the modernisation of Beneficiation Plant No 3, which resulted in higher production volumes of both phosphate rock and nepheline concentrate and made possible a recovery ratio of more than 93%, the highest level ever achieved from at the plant.

2 DOWNSTREAM

Our fertilizer production assets enjoy domestic access to other key inputs like natural gas and sulphur. We increased ammonia output by 28% year-on-year after the launch of our new ammonia line in 2017, which made PhosAgro 89% self-sufficient in this input.

Manufacturing of fertilizers, feed and industrial phosphates

Our portfolio offers 39 grades of fertilizers, including grades containing secondary nutrients (sulphur) and micronutrients like zinc and boron, that are produced at our three downstream production sites in Russia.

JSC Apatit

With the successful completion of the construction of two major strategic investment projects at JSC Apatit in Cherepovets, PhosAgro showed an impressive example of how advanced technologies have enabled the Company to consolidate its industry-leading position, expand production and improve efficiency, ensure safe working conditions and minimise the Company's impact on the environment. The Company aims to increase total fertilizer output in 2019 by 5% compared to 2018.

Balakovo branch of Apatit

In 2017, we completed the construction of an ammonia pipeline at Balakovo with an annual capacity of 504 thousand tonnes, which secured a more efficient and reliable supply of this key input for the Balakovo branch of JSC Apatit. This was the foundation for the next step forward in further expanding fertilizer production capacities.

Мощности:

МАР/ДАР/НПК/НПС

4,4 МЛН Т

Аммиачная селитра

530 ТЫС. Т

Production of phosphate-based and nutrient-based fertilizers and ammonia

Production of phosphate-based fertilizers and feed phosphates

Metachem (Volkhov)

Capacities:

PKS, NPK

200 КТ

Sulphuric acid

240 КТ

Phosphoric acid

100 КТ OF P₂O₅

STPP

105 КТ

Ammonia

1.9 МЛН Т

APP

200 КТ

Prilled urea

1,030 КТ

Granulated urea

550 КТ

Capacities:

ДАР/МАР/НПС

1.8 МЛН Т

MCP

360 КТ

3 LOGISTICS

PhosAgro's logistics infrastructure includes warehouses, mineral hoppers and two port terminals. These assets support our operations and help us to achieve savings compared to third-party services. We constantly monitor the changing business environment in order to maintain streamlined and efficient logistics operations.

In-house logistics infrastructure

Having our own logistics infrastructure helps to significantly reduce costs and increase the reliability of production activities.

4 DISTRIBUTION AND SALES

Our distribution and sales operations serve farmers in all inhabited continents, providing our consumers with premium-quality phosphate-based products. In 2018, we shipped ca. 40% of downstream products' export volumes through our own port terminals.

The Company has continued to develop its sales network both in its priority market of Russia and abroad, aiming to be closer to our customers in priority markets.

Mineral fertilizer distribution network

PhosAgro owns the largest mineral fertilizer distribution network in Russia.

Company's own fleet

6,268 RAILCARS OF VARIOUS CONFIGURATIONS

We plan to further increase our fleet to reduce costs incurred by contracting cars from third-party operators. The use of our own transshipment facilities helps reduce the cost of transshipment per tonne of finished products, which, among other things, allows us to increase our margins on export sales.

16 SALES OFFICES

25 DISTRIBUTION CENTRES

This has enabled us to significantly increase sales volumes and market share on the back of Russia's stellar agricultural sector performance.

High-quality natural resources

The Kirovsk branch of JSC Apatit, where we mine apatite-nepheline ore and process it into phosphate rock, is the heart of our business. The phosphate rock we produce at Apatit is high in P₂O₅ nutrient content and contains almost none of the dangerous impurities, like cadmium, often associated with other phosphate mineral deposits. We are committed to continuing to search for options for the development and more rational use of our extensive resource base.

Open-pit mines

Extracted in 2018:

Apatite-nepheline ore (+6% y-o-y)

7.6 МЛН Т

Underground mines

Extracted in 2018:

Apatite-nepheline ore (+14% y-o-y)

27.8 МЛН Т

Beneficiation plants

Produced in 2018:

Phosphate rock (+5.5% y-o-y)

10.1 МЛН Т

Nepheline concentrate (+4.3% y-o-y)

986 КТ

Production of phosphate-based fertilizers, technical phosphate, sulphuric and phosphoric acid

Production of phosphate-based and nutrient-based fertilizers and ammonia

Production of phosphate-based fertilizers and feed phosphates

Company's own fleet

6,268 RAILCARS OF VARIOUS CONFIGURATIONS

16 SALES OFFICES

25 DISTRIBUTION CENTRES

This has enabled us to significantly increase sales volumes and market share on the back of Russia's stellar agricultural sector performance.

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**NEW STRATEGY TO 2025 APPROVED
BY BOARD OF DIRECTORS**

02 STRATEGIC REPORT

FOCUS ON FURTHER GROWTH
AND SUSTAINABILITY PRINCIPLES



CHAIRMAN’S STATEMENT

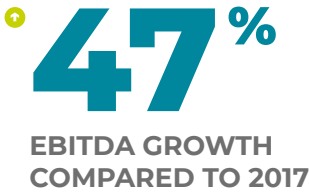


STRATEGIC PROJECTS PRODUCING RESULTS

I am pleased to report that 2018 marked the completion of PhosAgro’s Strategy to 2020, which was announced in 2014, a full two years ahead of schedule. By achieving the strategic goals set out by the Board of Directors, PhosAgro has strengthened its low-cash-cost advantage, enhanced its natural hedge against market headwinds and become one of the most sustainably profitable companies in the industry. The financial and operating results we reported for FY 2018 are testimony to this.

Since the Board of Directors approved the Strategy to 2020 in 2014, PhosAgro has worked hard to gain direct access to priority export markets, improve vertical entegration, upgrade existing capacities and build new ones, and enhance our domestic market direct sales

infrastructure. The results are impressive: fertilizer output has increased to 9.1 million tonnes, and our product portfolio has expanded from 19 to 39 grades of crop nutrients in order to better meet demand from farmers all over the world.



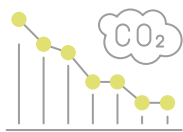
SUSTAINABILITY HIGHLIGHTS



Over RUB 1.5 billion invested in community support and charity programmes



LTIFR decreased by 35% year-on-year to 0.22 (per 1 million hours)



Atmospheric emissions reduced by 6% year-on-year to 1.6 kg/t



Over RUB 3.5 billion invested in environmental protection programmes

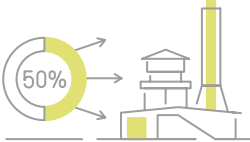
STRATEGY HIGHLIGHTS



New granulated urea and ammonia capacities contributed to significant, sustainable growth in PhosAgro’s cash flows and EBITDA



Fertilizer production has risen **by 50% over last five years as a result** of investments in debottlenecking and modernisation of existing capacities, as well as new capacities



PhosAgro aims to invest around **50% of EBITDA into further expansion** and vertical integration in the years ahead

Expanding and strengthening the Board of Directors

As the Chairman of PhosAgro’s Board of Directors, I am ultimately responsible for the quality and effectiveness of the Company’s corporate governance system. All of the members of the Board of Directors share my commitment to ensuring that this key governance body acts in the interests of all of the Company’s stakeholders and takes considered decisions.

In our ongoing efforts to further strengthen and improve the work of the Board of Directors, 2018 saw the number of independent directors increase to seven of the ten members after former LSE CEO Xavier Rolet joined the Board of Directors in May. I believe that the current Board makeup provides us with a diverse and highly qualified group of individuals, whose contributions have further enhanced our ability to provide PhosAgro with the strategic guidance and oversight it needs to continue its sustainable growth.

Fertilizers for future generations

Consumers and governments around the world are becoming increasingly aware of the quality and safety of our food supply. As this trend develops, we believe that PhosAgro stands to benefit, thanks to the unique quality of the phosphate raw materials that the Company uses to produce its fertilizers.

Unlike some of the world’s largest producers, including several that supply the European market, PhosAgro’s apatite-nepheline ore, which comes from igneous rock deposits, is virtually free of potentially harmful

elements like cadmium and other heavy metals. While technologies exist to remove such hazardous materials from crop nutrients when they are manufactured, PhosAgro is one of a small number of producers whose fertilizers are naturally pure and free of these elements.

In order to support sustainable agriculture and protect the health of its population, the European Union took the important step of agreeing in 2018 to limit the amount of cadmium allowed in phosphate-based fertilizers. This is an important step in the right direction that, together with transparent and informative labelling for the fertilizers with the lowest levels of cadmium, will enable farmers and consumers to make more informed decisions about the food they grow and consume.

Preparing PhosAgro for the next stage of growth

With all of the key elements of PhosAgro’s Strategy to 2020 already completed, the Board of Directors is now focused on finalising the next five-year plan for the Company. We have approached this process with the aim of further enhancing PhosAgro’s low-cost advantage through modernisations and implementation of best available technologies across the Company. We believe that PhosAgro is one of the best-positioned companies in the world to continue growing its production capacities to supply high-quality and pure fertilizers to farmers all over the world, from our priority domestic market to priority export markets like Asia, Europe and Latin America.

At the same time, we will continue to prioritise safety and environmental protection as we plan PhosAgro’s further development. The Company has spent over RUB 7 billion on environmental protection measures over the past five years and ca. RUB 2 billion on workplace health and safety. The results of these investments are just as impressive as our financial and production performance.

Once again, I want to thank every member of the PhosAgro team for their efficient and effective work on delivering on the strategic targets put before them by the Board of Directors. The Company’s performance in 2018 has demonstrated that we chose the right strategic path and that the team has succeeded in delivering excellent results.

Sven Ombudstvedt
Chairman of the Board of Directors

CEO'S STATEMENT



DELIVERING SUSTAINABLE GROWTH IN OPERATING AND FINANCIAL RESULTS

“ In 2018, PhosAgro and our stakeholders benefitted from our completion of all key goals under the Strategy to 2020 a full two years ahead of schedule. We delivered sustainable increases in both production and financial performance during the year and secured significant potential for continued growth.

The Strategy to 2020, first presented at our Capital Markets Day in 2014, focused on building new capacities, upgrades and debottlenecking at existing production sites, direct access to priority export markets and streamlining our corporate structure. Thanks to the commitment, hard work and discipline of our team, we are already able to see the results of the successful implementation of our strategy today.

We have unlocked value at every stage of our business, from mining to beneficiation to midstream and downstream production; in transport, logistics and sales, we have also delivered sustainable cost savings with new port and storage capacities, as well as foreign trading offices in South America, Europe and Asia.

As a result, PhosAgro reported fertilizer production of 9.0 million tonnes and achieved an industry-leading EBITDA margin of 32% for FY 2018.

We are pleased with these results, but we are also confident about the future: by implementing a comprehensive strategy to further secure our low cash-cost advantage, we are in an excellent position to continue growth while delivering value for all of our

stakeholders. With the Strategy to 2020 already complete, the Board of Directors has approved PhosAgro's Strategy to 2025.

Investing in vertical integration and low cash-cost advantage

After finishing our major expansion projects under our Strategy to 2020, we continue to invest in our operations, from upgrades and expansions of our mining and beneficiation capacities to new, efficient feedstock production, as well as downstream and logistics. Even as we formulate our Strategy to 2025, the Company is seeking new ways to leverage its low-cost advantage, which starts with the uniquely high-quality and pure phosphate rock that we produce at Apatit, on to our cutting-edge production facilities, integrated logistics and port infrastructure, and sales offices in key priority markets.

PhosAgro stands out among Russian companies and its international peers, investing around 50% of its EBITDA annually into development projects, while maintaining investment-grade credit ratings, adhering to its dividend policy and implementing important social projects that address both local and global issues that are relevant to our stakeholders.

Taking on local and global sustainability issues

PhosAgro operates large-scale mining and chemical production facilities, is a major employer in Russia, including in single-industry towns like Apatity and Kirovsk, and is a global supplier of crop nutrients that are used in over 100 countries. We therefore play a significant role in supporting and creating value for a wide range of stakeholders. In the cities where we operate industrial facilities, we fulfil a wide range of obligations, ranging from ensuring the environmental impact of our operations is kept to a minimum to investing in sport, education, healthcare and even economic diversification for one-industry towns.

At a global level, we are also taking on issues relevant to our industry and key stakeholders. The Green Chemistry for Life project that we sponsor together with UNESCO and IUPAC aims to support talented young scientists engaged in applied research on projects that use green chemistry principles to improve our world. This programme was renewed in January 2019 after the completion of the first five years. We also agreed with the UN's Food and Agriculture Organization in 2018 to support a global programme to increase farmers' access to soil testing kits

2018 HIGHLIGHTS

9%

FERTILIZER SALES
GROWTH

32%

STRONG EBITDA
MARGIN

21 BLN RUB

HISTORICALLY
HIGH FCF

7.3%

GENEROUS DIVIDEND
YIELD

and laboratories in order to promote better understanding of the proper application of crop nutrients.

We worked hard in 2018 to promote PhosAgro's business reputation and image as a socially responsible company both in Russia and abroad. By joining the UN Global Compact, we took on a commitment to adhere to the Compact's 10 principles in the areas of human rights, labour, the environment and the fight against corruption. In doing so, we once again demonstrated our commitment to the 17 UN Sustainable Development Goals to 2030, the key driving force in terms of environmental accountability and preserving the planet for future generations.

Financial and operating performance

Having completed our last capex cycle, 2018 was the first full year in which our new ammonia and granulated urea lines were fully functional. The additional volumes made possible by these capacities, as well as upgrades to existing lines, enabled us to achieve year-on-year increases in fertilizer production and sales by 7.6% and 9% to 9 million tonnes and 8.8 million tonnes, respectively.

Higher production levels, which leveraged our low cash-cost advantage, helped PhosAgro achieve sustainable growth in revenue, cash flows and EBITDA. On the back of strengthening market prices, and with operating cash flow of RUB 59.7 billion for the full year, we were able to continue to invest in new capacities while paying out dividends that exceed our dividend policy.

Outlook

PhosAgro will continue to invest in enhancing its vertical integration, including in key feedstocks, and in strengthening its position as one of the world's lowest cash-cost producers of phosphate-based fertilizers. Together with increasing concern for sustainable agricultural practices and human health, we are optimistic about the outlook for PhosAgro. Our fertilizers, which are naturally pure and free of potentially harmful heavy metals, are a key factor not only in producing premium foods but also in ensuring that the crop nutrients used around the world contribute to long-term food security.

Once again this year, I want to thank all of our stakeholders, including our employees and contractors who helped PhosAgro to

successfully complete its investment cycles and deliver the results we expected at the beginning of the process. Likewise, I would like to thank our shareholders, customers and all those who have contributed to our success.

Andrey A. Guryev
Chief Executive Officer and Chairman
of the Management Board

OVERVIEW OF THE FERTILIZER MARKET

NUTIRIENT DEMAND DRIVERS

THE GLOBAL ECONOMY

3 % Y-O-Y

ESTIMATED GLOBAL GDP GROWTH

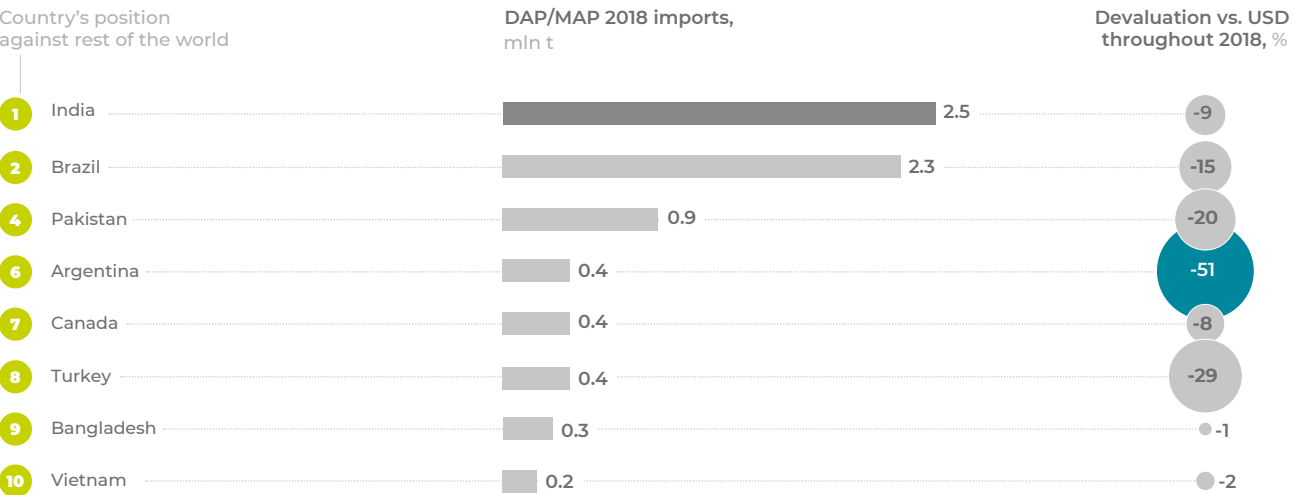
TRADE BARRIERS, THE PERSISTENT STRENGTH OF THE DOLLAR, GROWING GEOPOLITICAL TENSIONS AND VOLATILE OIL PRICES HAVE DAMPENED EXPECTATIONS OF GLOBAL GDP GROWTH

Following on from a robust 2017, global economic growth continued through much of 2018 before fading towards the end of the year. As recently as October 2018, the International Monetary Fund forecast global GDP growth of around 3.7% year-on-year. By December, however, estimates were closer to 3.0% year-on-year. Trade barriers, the persistent strength of the dollar, growing geopolitical tension, and volatile oil prices have all played a role.

One of the key areas of concern throughout 2018 was the escalation of trade barriers. This kicked off when the Trump administration imposed tariffs on imports of steel and aluminium from the EU, Canada, Mexico, and China in March. It subsequently grew when retaliatory measures were introduced on the United States by China, including a 25% tariff on US soy (more on this below), and a second round of US tariffs on Chinese product. Although both countries agreed to temporarily suspend further tariffs, their impact was felt across different sectors of the economy. This includes forex, where most currencies lost ground to the US dollar (which tends to be viewed as a safe-haven currency), prompting tighter policy measures.

Increased geopolitical tensions and oil price volatility also played a role. Sanctions were reimposed on Iran in early November, and although this initially helped to drive oil prices higher — Brent reached a high of USD 86/bbl — the subsequent introduction of waivers and increased production elsewhere (Saudi Arabia and Russia) saw prices fall below USD 60/bbl in December. At the same time, equities came under pressure with stock markets losing ground through much of December.

Performance of selected currencies of major phosphate importers



Source: CRU, IMF, Turkish Central Bank, fx-rate

AGRICULUTRAL MARKETS

25 %

TARIFF ON SOYA IMPORTED BY CHINA FROM USA

Both grain and oilseed markets were subject to various externalities throughout 2018, many of which are set to drag on into 2019.

Whereas the year started on a positive note, with Argentina committing to reduce soybean tariffs by 0.5%/month during the year, sentiment soon soured as the United States and China became embroiled in a trade war. China is today the world's largest importer of soya, accounting for two thirds of global trade. In July, it introduced a 25% tariff on soya imports from the United States, the world's largest producer and its main trading partner. While trade between the two countries continued throughout 2018, volumes have moderated, and China has been forced to source more product elsewhere (in particular, Brazil).

54.2 MLN T

ESTIMATED SOYA PRODUCTION IN ARGENTINA

Meanwhile, Argentine soya output suffered throughout 2018. The IGC estimates that production was down by as much as a third due to the poor growing conditions in the beginning of the year. Moreover, the country's tariff position had to be reassessed in September due to a lack of government revenues and the associated loss of confidence in the peso. Subsequently, the government reinstated tariffs on soya (and grains). While this may, at first glance, appear negative for the 2018/19 crop, the fact that Argentina exports most of its agricultural output and incurs much of its cost on a peso basis means that farming margins may well improve year-on-year, boosting prospects for the 2018/19 crop. At the time of writing, the IGC estimated production to recover to 54.2 million tonnes.

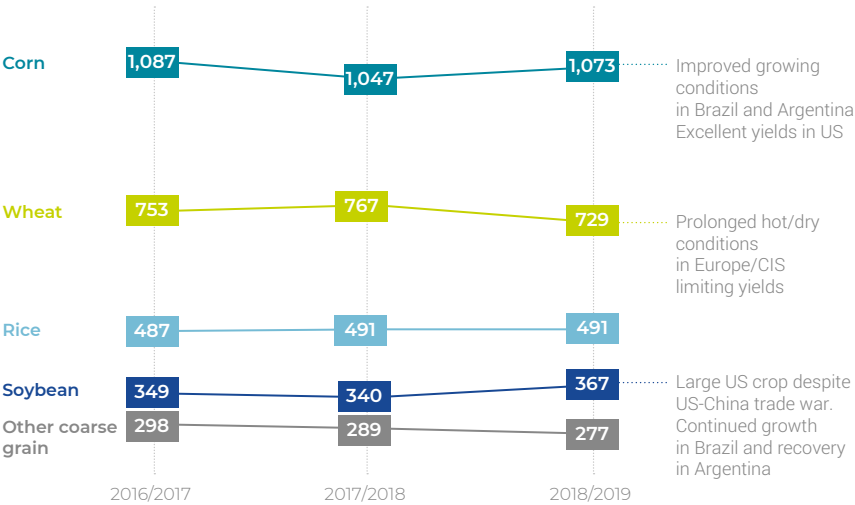
1.1 BLN T

EXPECTED RECOVERY OF CEREAL PRODUCTION IN LATIN AMERICA IN 2019

Cereal production also suffered in 2017/18, largely as result of lower corn output (estimated between 3-5% lower year-on-year by the IGC, USDA, and FAO/AMIS). This is linked to lower acreage in the United States, persistently hot and dry conditions through the Safrinha in Brazil, and untimely rain that had a negative impact on yields in the south cone of Latin America. However, a recovery to 1,073.4 million tonnes is expected for the 2018/19 crop. Better production is expected year-on-year in Brazil and Argentina due to good rainfall and beneficial field conditions, Ukraine (despite a dry start to the season) and China. Although US production is estimated flat year-on-year for 2018/19, this is on less acreage, implying exceptional yields.

In contrast, wheat output peaked in 2017/18 on the back of bumper yields in the EU, Russia, China, and India. The trend for 2018/19 is less encouraging though, with production estimated 4–5% lower year-on-year. Yields in Europe and Russia are both sharply down due to persistent heat and dryness through much of summer. Elsewhere, contractions are also expected in Australia and China.

Global agricultural production, mln t



Source: IGC

OVERVIEW OF THE FERTILIZER MARKET

continued

HIGH-LEVEL NUTRIENT DEMAND REVIEW

1.3% Y-O-Y

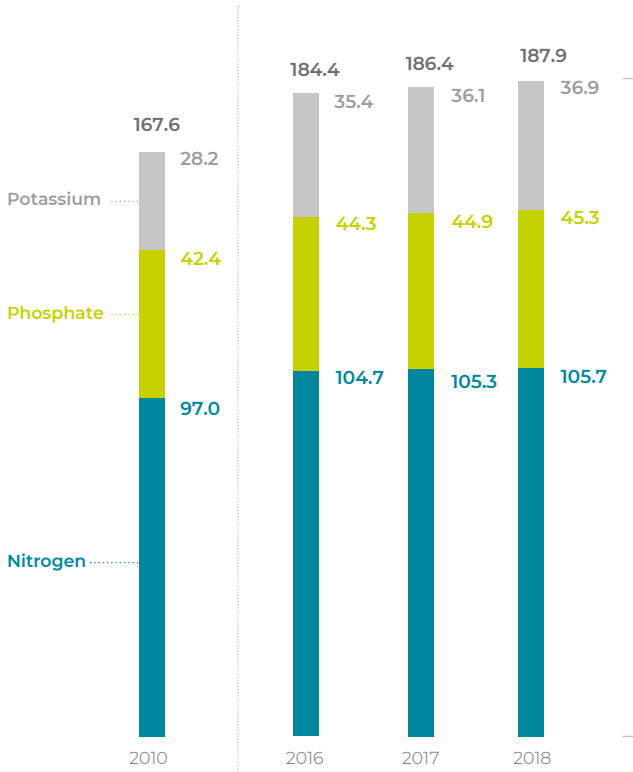
NUTRIENT DEMAND GROWTH

The implications of the above on fertilizer demand have been estimated by the International Fertilizer Industry Association (IFA).

The preliminary estimate of nitrogen (N), phosphate (P) and potassium (K) fertilizer demand stands at 186.9 million tonnes of nutrient for the 2017/18 season. This represents growth of 1.3% year-on-year, which is in line with recent trends. Changes to policy led to greater consumption in India (where the introduction of a soil health card helped to promote more balanced application) and Nigeria (where a presidential initiative boosted fertilizer usage) but a reduction in China (environmental focus). Meanwhile, relative changes to FX and an expansion of area also had an impact (e.g. Ukraine, Brazil, Canada, etc.). Nutrient use again increased across the board, with N demand up 0.8% year-on-year, P demand 2.0% higher year-on-year and K demand 1.7% higher.

Moving to 2018/19, demand for N, P and K is estimated at 188.3 million tonnes of nutrient. This represents more modest growth of 0.7% year-on-year due to macroeconomic weakness, the impact of tariffs and poor weather conditions. For a second year running, Africa is set to enjoy the strongest growth (3.9% year-on-year), as efforts to improve fertilizing habits across the continent continue to intensify. In Latin

N, P and K fertilizer demand developments, mln t



In 2018, further revisions were made to the IFA's historical consumption estimates, resulting in downward adjustments in global N and P demand, but an upward adjustment in K demand

Source: IFA

America, demand in Argentina and Brazil has been driven by improved farming profitability (due to the strength of the US dollar) and China's shift away from US soybean (US-China trade war).

Whereas European demand is set to recover (with the anticipated strengthening of the euro and improved weather conditions), Asian consumption is set to remain flat year-on-year. Nutrient use growth is estimated at 0.3%, 0.8% and 1.8% for N, P and K, respectively.

The aforementioned estimates were converted to calendar year estimates by the IFA. N, P and K demand was assessed at 186.3 million and 187.9 million tonnes of nutrient in 2017 and 2018, respectively. In this instance, N demand is estimated up 0.4% year-on-year and K 2.2% higher. P use was 1.0% higher at 45.3 million tonnes of nutrient.¹ The IFA assessed demand for non-fertilizer uses at 61 million tonnes in 2018.

HIGH-LEVEL NUTRIENT SUPPLY REVIEW



Preliminary IFA estimates reflect a 1.2% year-on-year increase in global N, P and K production in 2018 – for both fertilizer and non-fertilizer use – at 251 million tonnes of nutrient. Fertilizer sales accounted for 75% of global N, P and K output, similar to the previous year.

Looking at the different nutrients, there was a net 1.6% increase in global urea production in 2018, bringing the total to 188 million tonnes. Even so, new capacities continued

to be commissioned throughout the year, driving the total up to 214 million tonnes.

Ammoniated phosphate (DAP/MAP) production in 2018 declined 3% year-on-year to 59.7 million tonnes of product, according to CRU. New capacity in Saudi Arabia and Morocco failed to offset declining output driven by industry consolidation in the United States and China, particularly for MAP, in the former to capture higher margins for premium products. Indian DAP production

also faltered due to high phosphoric acid prices and the substitution effect from NPK grades with lower P₂O₅ content.

Potash markets enjoyed another record year in 2018, with global production estimated at 67.0 million tonnes by CRU.

188^{MLN T}
GLOBAL UREA
PRODUCTION IN 2018

59.7^{MLN T}
DAP/MAP
PRODUCTION IN 2018

67^{MLN T}
GLOBAL POTASH
PRODUCTION IN 2018

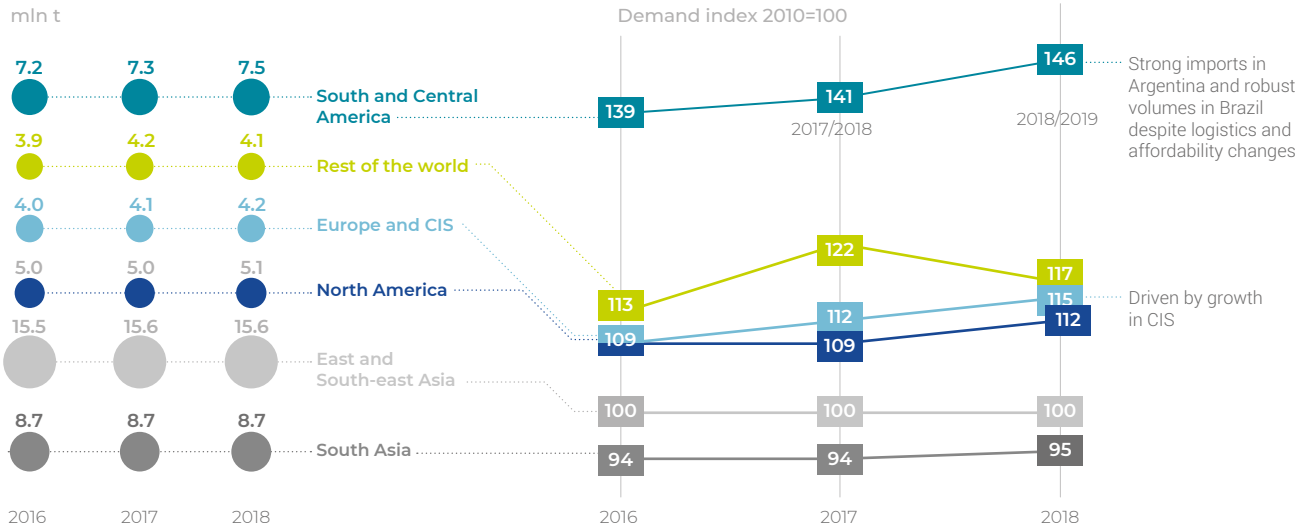
OVERVIEW OF THE FERTILIZER MARKET

continued

NUTRIENT DEMAND DRIVERS

FOCUS ON PHOSPHATE FERTILIZER MARKETS IN 2018

Demand developments in key markets,



The IFA's preliminary assessment shows that phosphate fertilizer demand stood at 45.2 million tonnes of P₂O₅ in 2018, registering 1.0% growth year-on-year, following the 1.2% growth recorded in 2017.

Whereas European phosphate deliveries were robust in early 2018, demand ground to a halt in the latter part of the year. This corresponded with a sharp increase in ammoniated phosphate pricing, a weak euro, and a prolonged period of heat/dryness through the summer months that severely impacted harvests and transportation (i.e. through the Danube and Rhine rivers). Germany was among those affected, with the IFA assessing its demand 2.5% lower year-on-year, as it was also impacted by regulation limiting nutrient surpluses.

In Latin America, Brazilian deliveries were impacted by transportation and affordability issues in 2018. The truck drivers' strike in late May/June temporarily paralysed the inland transportation network. With around 90% of the country's fertilizer deliveries

made by truck, the strike action saw coastal warehouses quickly filled, delaying imports and raising the cost for the final customer. In H2, affordability again became problematic, as MAP prices moved out of step with crop prices (see the barter ratio diagram on the next page). This slowed deliveries through Q4, as end-user demand withdrew.

Argentina also had a challenging 2018, with drought conditions followed by an economic crisis and the subsequent reintroduction of crop export tariffs.

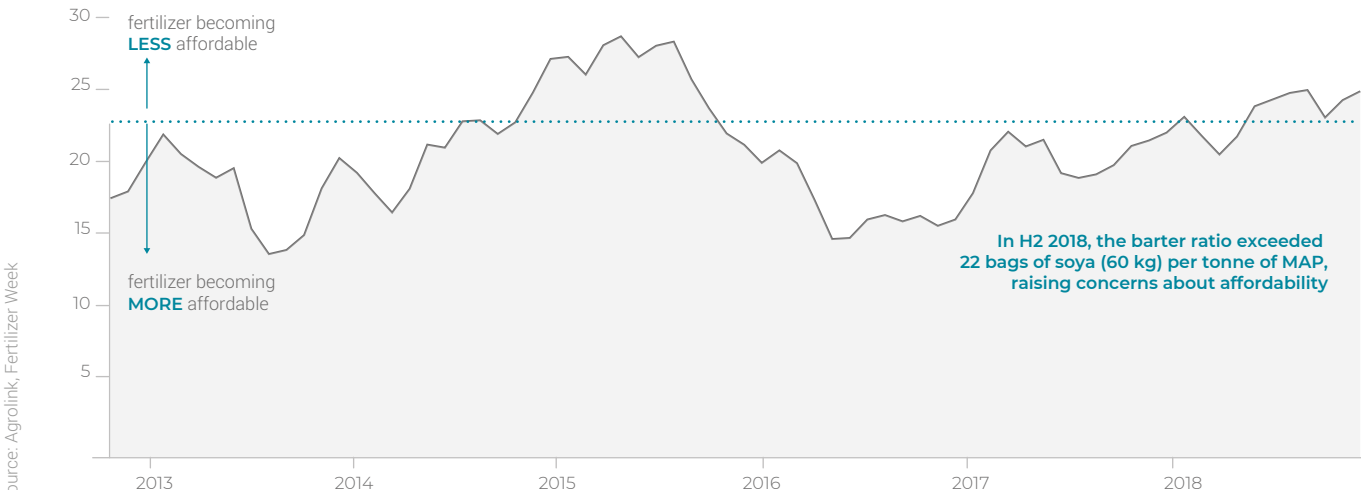
Phosphate demand was assessed as stable in the United States during 2018 but higher in Canada due to the expansion of wheat area and also higher application rates. The growth in Canada is in line with long-term trends, with the country boasting one of the more robust growth rates in recent decades.

Elsewhere, Indian phosphate demand is estimated marginally higher year-on-year by the IFA at 6.9 million tonnes of P₂O₅ despite a

10% deficit of rainfall through the monsoon season compared with long-term averages. Good reservoir levels along with an increase of minimum support prices in October on all rabi crops (including wheat, barley and rapeseed) helped to support fertilizer sales during H2. Notably, a much larger amount of DAP was imported during 2018 (6.2 million tonnes) relative to 2017 (4.1 million tonnes) due to the high cost of production using imported phosphoric acid. Much of this stemmed from China (2.9 million tonnes) and Saudi Arabia (2.0 million tonnes).

Africa has enjoyed some strong growth in recent years. The IFA has assessed its consumption a further 5.6% higher in 2018, following the 13.1% growth recorded for 2017, as efforts to improve product accessibility and technical support/expertise continue to gain traction. In Sub-Saharan Africa, welcome rains in the Cape (South Africa) helped to ease the impact of drought, but this was offset by fears of an El Niño event impacting the south-east of the continent in 2018/19.

Brazilian barter ratio, 60 kg bags of soya/tonne of MAP

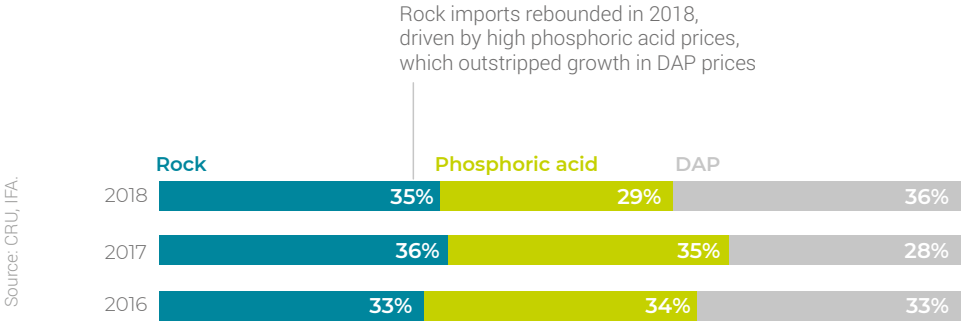


On the supply side of the phosphate industry, CRU estimated a (prorated) 2% year-on-year increase in global phosphoric acid capacity at 59.8 million tonnes of nutrient in 2018. New integrated projects concentrated in Saudi Arabia and Morocco accounted for almost all of this growth in phosphoric acid capacity, which offset the idling of 1.0 million tonnes of nutrient supply in the United States.

In addition to reduced output from the United States, new integrated phosphoric acid capacity ramped up slower than expected, and global production declined by 1% year-on-year to an estimated 44.4 million tonnes of nutrient in 2018. This resulted mainly from accelerated phosphoric acid price growth relative to downstream products. High raw material costs also resulted in lower domestic phosphoric acid production from

India, which DAP and NPK imports replaced. Furthermore, where possible, non-integrated phosphate fertilizer producers, located mostly across India, moved away from high P₂O₅ concentrates to lower-analysis NPK formulations, further reducing phosphoric acid requirements.

Indian imports across the P value chain

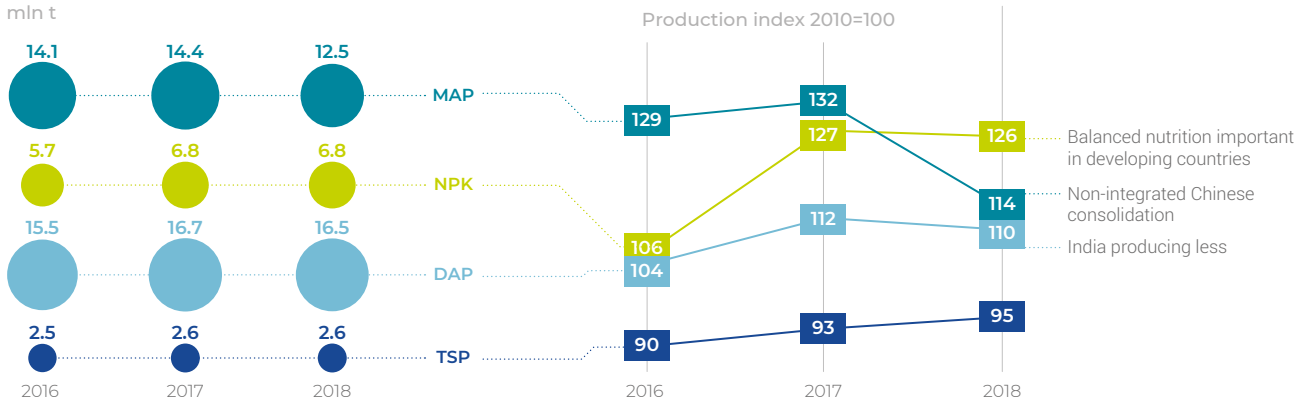


OVERVIEW OF THE FERTILIZER MARKET

continued

PHOSPHATE FERTILIZER MARKETS IN 2018

Global DAP, MAP, TSP and NPK production index



China benefited largely from the changing P_2O_5 trade flows to India. Robust DAP export demand — driven by high phosphoric acid prices — despite domestic consolidation supported marginal year-on-year growth in Chinese phosphoric acid production. China remains the largest phosphoric acid producer globally, with 15.9 million tonnes of nutrient production in 2018.

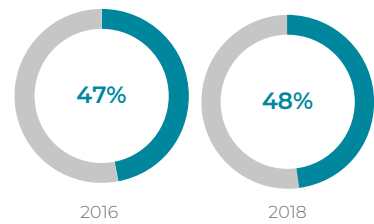
According to preliminary data from CRU, the ammoniated phosphates (DAP/MAP) market decreased 3% year-on-year to 59.7 million tonnes of product in 2018. Combined, DAP/MAP production fell by 1.5 million tonnes compared to the previous year.

Outside of China, DAP/MAP production fell marginally year-on-year to around 34.8 million tonnes. Both Saudi Arabia and Morocco notably lifted output following the commissioning of new capacity. However, the aforementioned reduced production from India and lower output from the United States resulted in lower DAP output. Notably, MAP production outside of China maintained its growth trajectory, owing in part to robust import demand in the United States, where capacity closed and where NP+S production is increasingly prevalent at the expense of DAP/MAP production.

36%
CHINA'S SHARE OF GLOBAL PHOSPHATE-BASED FERTILIZER PRODUCTION

Phosphoric acid capacity by largest producer, mln t P_2O_5

● Top 10
● Rest of the world

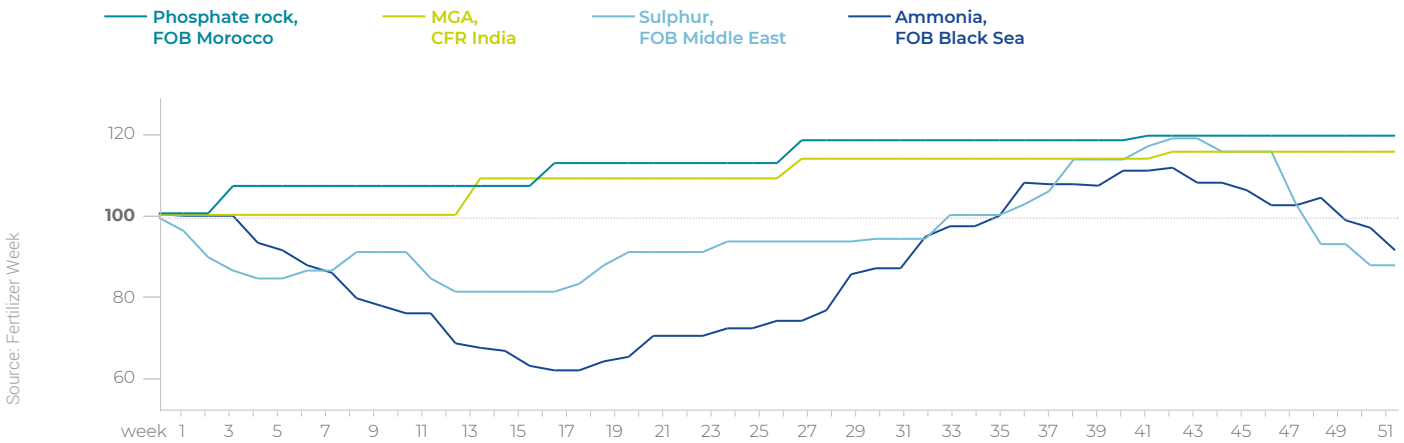


In 2018, the top 10 producers (by capacity) accounted for 48% of the global total. The start-up of new operations and M&A saw OCP and Mosaic consolidate their positions as the industry's largest producers. Meanwhile, Nutrient claimed fifth spot following the merger between Agrium and Potash Corp.

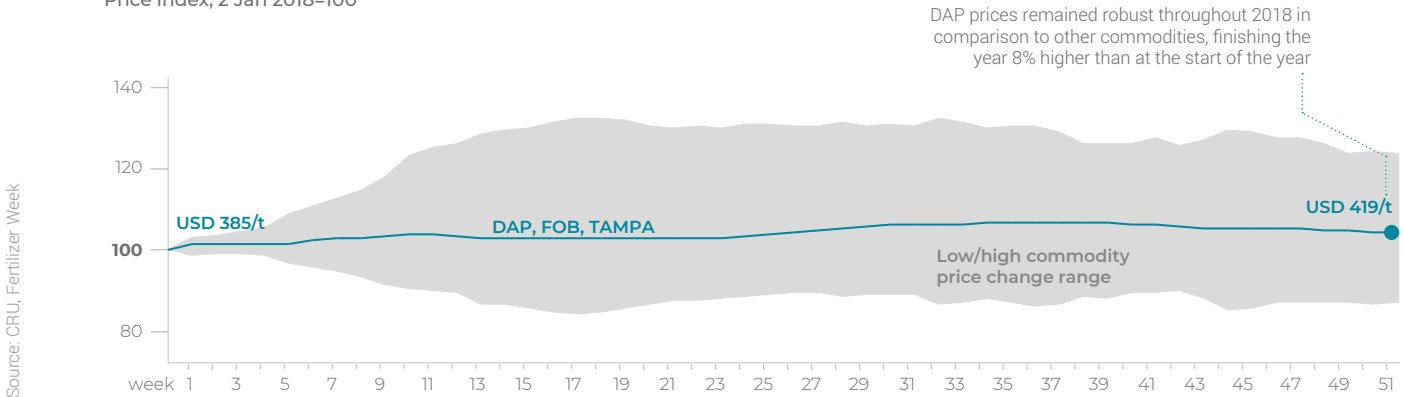
Source: CRU, Fertecon, IFA. Note: indices based on nutrient content – NPK formulation calculated based on 15% P_2O_5 assumption.

KEY PRICE DEVELOPMENTS DURING 2018

DAP's key price driver developments in 2018, Price index, week 1 of 2018=100



DAP versus other commodities in 2018, Price index, 2 Jan 2018=100



DAP prices peaked for a second straight year in September at USD 439/tonne on a FOB Tampa basis, recording a USD 46/tonne increase from the end of 2017. In contrast to 2017, when prices were boosted by tight raw materials markets, the upward trend in 2018 was driven by robust demand and tighter than expected supply.

Note: First price point taken by Fertilizer Week in 2018 was 4 January, so the starting point refers to the last recorded price in 2017.

OVERVIEW OF THE FERTILIZER MARKET

continued

PHOSPHATE ROCK MARKET REVIEW

207 MLN T

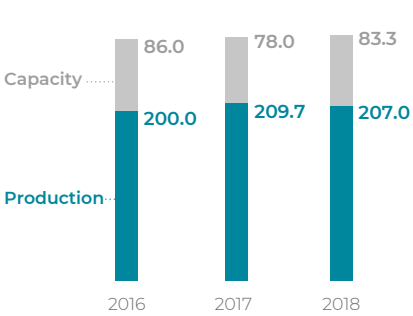
GLOBAL PHOSPHATE ROCK PRODUCTION IN 2018

Marketable phosphate rock production totalled an estimated 207 million tonnes in 2018, derived from 38 countries, 15 of which supplied over 2.0 million tonnes. Following the largest merchant sales of this century in 2017, internationally traded phosphate rock volumes increased further to an estimated 32.8 million tonnes in 2018, stemming largely from improved rock demand in Mexico and

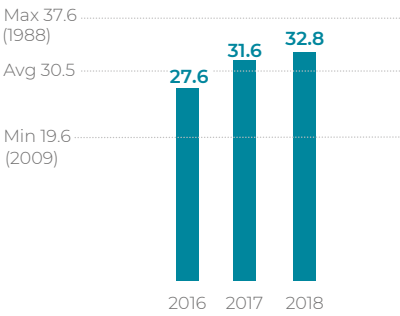
for direct application in Indonesia. Most of the additional volumes originated from Peru, where production recovered from a force majeure situation in 2017, and Syria, which re-entered the market following a two-year hiatus. Mexico imported much more rock, exclusively from Morocco, helping to maintain exports from the latter above 11.0 million tonnes for the second consecutive year.

PHOSPHATE ROCK MARKET DEVELOPMENTS IN 2018

Global phosphate rock capacity and production, mln t



Global phosphate rock trade, mln t



OTHER FERTILIZERS

AMMONIA

The recovery in the ammonia market has been less pronounced than in the urea market. Ammonia's supply/demand fundamentals remained weak, and the addition of 1.4 million tonnes of new capacity in the USA and Indonesia kept the market somewhat oversupplied. However, high energy prices pushed up average prices for the year by USD 20/tonne over 2017 values at FOB Yuzhnyy and FOB Middle East.

Rising prices in the oil and seaborne LNG markets put upward pressure on Europe's gas markets throughout the year, pushing prices up from an average of USD 5.75/MMBtu in 2017 to almost USD 8.00/MMBtu in 2018. This level of pricing forced Ukraine to cease exporting ammonia and even some of the EU's nitrate producers to cease ammonia production and switch to upgrading imported merchant ammonia. This helped to offset the fall in US ammonia imports that resulted from the ongoing expansion of US ammonia production.

The US reduced ammonia imports by around 0.9–1.0 million tonnes in 2018, with the full, stable operation of the Dyno Nobel plant in Louisiana and the opening of the newly completed Yara/BASF plant in Texas. This ongoing reduction in ammonia imports from around 5.2 million tonnes in 2015 to 2.8 million tonnes in 2018 is forcing the US's main import supplier, Trinidad, to look further afield to Morocco and the Asia-Pacific region for new export opportunities, thus lowering Caribbean prices and increasingly challenging Black Sea exporters for business.

China's regulation-triggered capacity rationalisation is increasing the country's ammonia import requirement, which almost reached 1.0 million tonnes in 2018. Meanwhile, in Asia, higher oil prices helped drive a recovery in downstream petrochemical prices (including acrylonitrile and nylon), significantly boosting industrial ammonia demand from South Korea, Japan and Taiwan. At the same time, the ramp-up of an explosives plant in Western Australia constrained export availability from Australia.

POTASH

23%

GROWTH OF PRICES FOR POTASH IN BRAZIL

Global MOP deliveries in 2018 were estimated marginally higher year-on-year by CRU at around 67 million tonnes. Like in 2016 and 2017, Indian and Chinese MOP contract negotiations dragged on, this time through to the end of Q3 2018. Delayed contractual agreements, for China particularly, resulted from inventory carry-over from high contract volumes the previous year and increasing global spot prices, while domestic producers raised production and further unwound stocks. Brazilian spot prices reached a three-year high in nominal terms, increasing by nearly 23% from the beginning of the year to reach USD 353/tonne by the end of 2018 on a CFR basis.

Demand in Brazil remained robust, and soybean in particular benefited from the United States-China trade war, although it has so far had a limited impact on US MOP demand. Despite continued voluntary idling of established capacity in Canada, K+S Canada ramped up new export-oriented supply and benefited most from the contract delays in China. Combined, the country's producers reached record high output of 21 million tonnes. Slowing demand growth across South-east Asia towards the end of the year, reflecting a 10-year low in Malaysian palm oil prices, dry summer weather conditions in Europe and muted supply from new capacity in Russia and Turkmenistan helped balance the market.

UREA

50%

DECREASE IN UREA EXPORTS FROM CHINA

The global urea market is now two years into its recovery phase. Tighter market conditions in 2018 allowed the recovery to gain pace, with the Middle Eastern FOB benchmarks breaking USD 300/tonne for the first time since 2015. On average, the main FOB Middle East benchmark increased by USD 45/tonne last year and, factoring in the improvement in 2017, annual average prices are now USD 70/tonne above 2016 levels.

The rally in prices was driven mostly by the ongoing rationalisation of China's huge domestic urea industry. The strict enforcement of environmental regulations is significantly restricting Chinese operating rates and in doing so is reducing China's export availability. Full-year exports from China more than halved in 2018, falling from 4.6 million tonnes to 2.1 million tonnes.

China was not the only country to rationalise urea production. Kuwait's Petrochemical Industries closed its 1.1 million tonnes/year urea plant at Shuaiba, and Petrobras is in the process of closing two loss-making plants in Brazil with a combined capacity of 1.1 million tonnes/year. Together with the reduction of Chinese exports, these closures helped to offset the 3.0 million tonnes of new capacity that started production, including new plants in Azerbaijan, Turkmenistan, Malaysia and the USA.

The demand narrative was also positive in 2018. Consumption increased in India, the USA and Brazil, more than offsetting consumption declines in China and Turkey. India in particular was a major driver of pricing in H2 2018, with decent growing conditions driving an increase in tender activity. Limited Chinese availability and increased urea purchases from India and Brazil pushed the average H2 2018 Middle East benchmark to just over USD 300/tonne.

Energy markets also played a role in driving up prices. Tight oil and LNG markets pushed EU gas prices up to USD 10/MMBtu in Q3 2018, raising Europe's marginal cost of production and driving Ukrainian exporters out of the traded market. Ukrainian urea exports were reduced by around 1.0 million tonnes to just 450,000 tonnes in 2018.

The urea market faced headwinds as the year ended, triggering a sharp downwards adjustment. A collapse in the energy markets forced EU gas prices down to USD 7.00/MMBtu, lowering producer costs at the margin. Meanwhile, currency and credit crises in Turkey and dry weather conditions in Germany and France reduced Mediterranean buying significantly.

As the market moved into the new year, however, it found stability at USD 285/tonne. And with India coming back to the market for yet another tender and Chinese availability looking severely limited, sentiment remains positive for urea.

STRATEGY

GOALS OF THE STRATEGY TO 2020

PHOSAGRO INTRODUCED ITS STRATEGY TO 2020 IN 2015 AND UPDATED ITS GOALS IN 2017. IN ADDITION TO PROVIDING AN OVERVIEW OF THE LAST 12 MONTHS, WE WOULD ALSO LIKE TO PROVIDE MORE DETAILS ABOUT THE COMPANY'S CURRENT CONDITION

Some of our key strategic achievements include:

- Strengthened the Company's sustainable low cash-cost position by modernising existing facilities, enhancing vertical integration, optimising logistics and streamlining the corporate structure.
- Increased fertilizer production by 53% over five years to 9.0 million tonnes for FY 2018.
- Achieved the highest level of phosphate rock production in 25 years at Kirovsk branch of JSC Apatit.
- Expanded our product portfolio from 19 to 39 grades of fertilizers.
- Achieved an industry-leading EBITDA margin of 32% for FY 2018.
- Delivered a record high cash flow of RUB 21.3 billion for FY 2018.
- Paid out 90 RUB billion in dividends for 2014–2018.



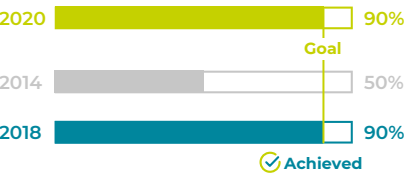
1

DIRECT ACCESS TO PRIORITY MARKET

We have built an end-to-end distribution chain that captures value all the way to regional distributors and customers

✓ Achieved

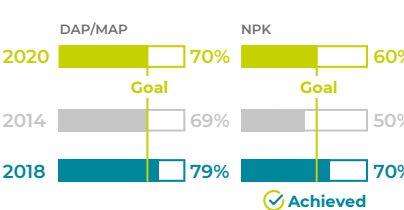
Goal: Increase share of direct sales in all PhosAgro sales



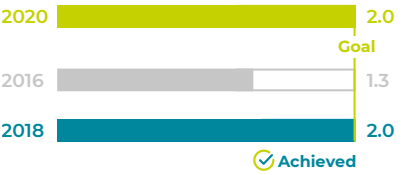
Goal: Total sales



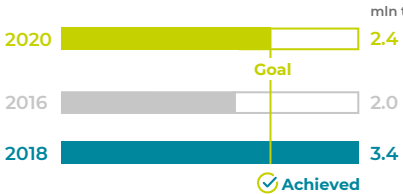
Goal: Domestic market share



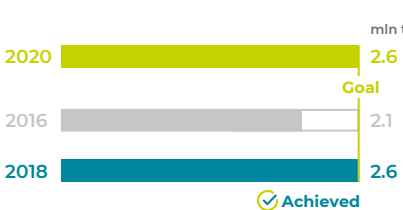
Goal: Growth in total sales to Latin America



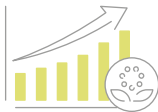
Goal: Total sales to Europe



Goal: Total sales to Russia



2

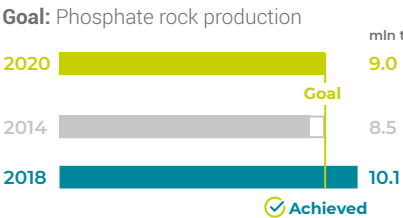


PRODUCTION CAPACITY GROWTH AND ENHANCED SELF-SUFFICIENCY

Upgrading mid-stream capacities, we were able to expand downstream output and become less vulnerable to feedstock price inflation

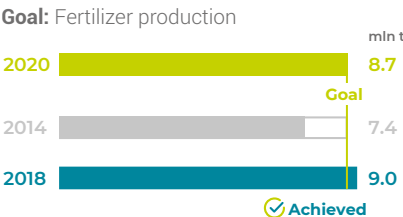
✓ Achieved

Goal: Launch new 500 ths tonnes/year granulated urea line in 2017



Goal: Modernisation of Benefication Plant No 3

Goal: Increase PhosAgro self-sufficiency in ammonia to 100% at JSC Apatit in 2020



➡ On track

Goal: Increase PhosAgro self-sufficiency in ammonium sulphate to 100% at JSC Apatit in 2020

3

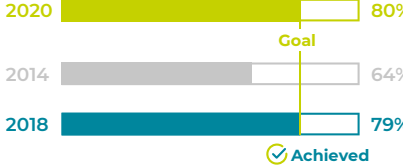


INCREASING OPERATING EFFICIENCY

The key to our competitive advantage and ability to provide pure nutrients is maintaining low production costs

✓ Achieved

Goal: Reduce mining cash cost by increasing share of underground mining up to 80%

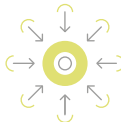


Goal: Capex/EBITDA target ratio of 50%

Goal: One of the lowest cash costs in the industry

UNDER OUR STRATEGY TO 2020, WE INVESTED USD 500 MILLION ANNUALLY, OR ON AVERAGE 50-60% OF EBITDA FOR THE SAME PERIOD. WHILE ACHIEVING ALL KEY STRATEGIC MILESTONES, WE MAINTAINED A COMFORTABLE LEVERAGE RATIO WHILE PAYING OUT DIVIDENDS IN LINE WITH THE DIVIDEND POLICY

4



CONSOLIDATION

Merging our production subsidiaries into a single entity gives us greater control over the assets and the ability to deliver the greatest value to our shareholders.

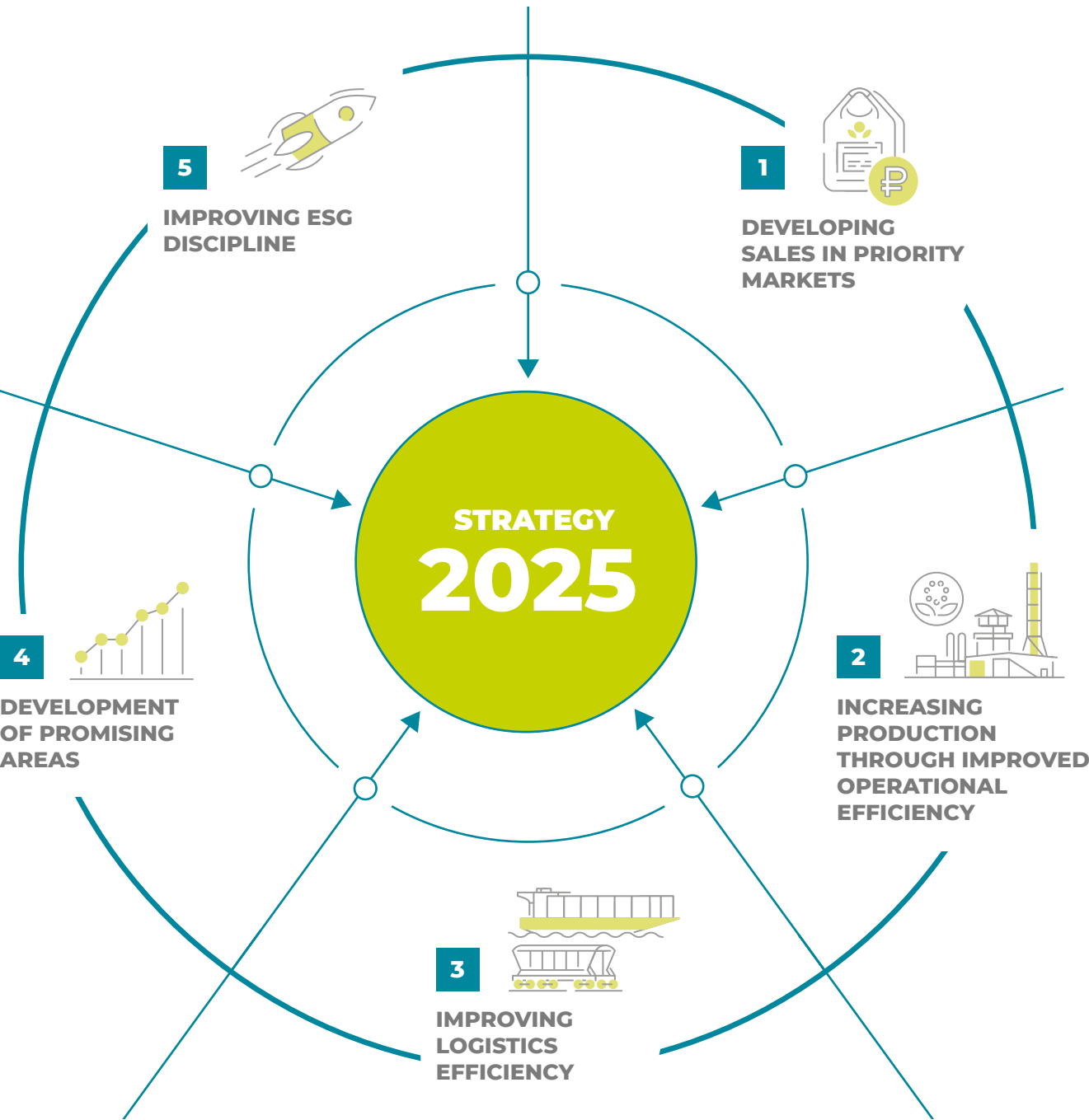
➡ On track

Goal: Merge all of our production facilities into a single legal entity

STRATEGY
continued

STRATEGY TO 2025

In 2018, PhosAgro completed all key milestones in its Strategy to 2020. The Management Board and the Board of Directors adopted a new Strategy to 2025 in March 2019.



THE STRATEGY TO 2025 AIMS TO FURTHER EXPAND PHOSAGRO'S PRESENCE IN ITS PRIORITY DOMESTIC AND PREMIUM EXPORT MARKETS WHILE STRENGTHENING ITS POSITION AS A PRODUCER OF PURE PHOSPHATE-BASED FERTILIZERS WITH LOW LEVELS OF POTENTIALLY HARMFUL HEAVY METALS AND ONE OF THE LOWEST CASH COSTS OF PRODUCTION

Developing sales in priority markets

The Company will continue to develop its own distribution network both in Russia and in export markets.

Starting from 2020, the Company plans to implement end-to-end digitalisation of logistics and to introduce elements of precision farming technology, which will enable Russian farmers to achieve an even greater impact from the use of plant mineral nutrition systems.

PhosAgro will continue to expand its presence in the premium markets of Europe and Latin America, as well as other markets where the Company can achieve the best netback prices, while also increasing customer awareness about the safety of the phosphate-based fertilizers produced by PhosAgro.

Increasing production through improved operational efficiency

As part of its Strategy to 2025, the Company will focus on work in three priority areas: expanding capacity, improving operational efficiency and increasing self-sufficiency in key inputs.

As part of a programme to modernise existing and build new production capacities using BATs, as well as innovative and digital solutions, PhosAgro plans to increase the production of high-quality fertilizers and feed phosphates that stand out for their naturally low levels of potentially harmful heavy metals from 9 million tonnes in 2018 to 11.5 million tonnes by 2025.

The number of fertilizer grades produced by PhosAgro is due to increase from 39 in 2018 to 50, including new high-performance grades with bio-additives.

PhosAgro already passed the peak of its investment cycle with the completion of its key capital-intensive project under its Strategy to 2020, i.e., the construction of high-tech ammonia and granulated urea facilities. The total investment in these facilities amounted to RUB 65 billion. These projects now generate a stable cash flow, allowing for a balanced payment of decent dividends, as well as implementation of investment, social and charitable programmes.

Improving logistics efficiency

Having a logistics system and sales infrastructure in place in priority markets will enable the Company to continue creating value throughout the entire supply chain all the way to end customers. To achieve this, the Company will focus on expanding the capacity of its own railway and port infrastructure, as well as increasing and upgrading its fleet of railcars, including through the use of new rolling stock management tools to reduce transport costs.

Development of promising areas

We are continuously searching for ways to expand and enhance our business in new directions with new technologies. This includes continued work by our in-house R&D team at the NIUIF, which is working on new grades of fertilizers and crop nutrients with bio-additives. PhosAgro is also considering potential additional new

capacities, including further expansion of its ammonia production, purified phosphoric acid, water-soluble fertilizers and nepheline concentrate. These projects will be reviewed by the Board of Directors on the basis of their ability to create value for PhosAgro shareholders and other stakeholders, while also adhering to the Company's dividend policy and maintaining its solid financial position.

Improving ESG discipline

PhosAgro has already created significant value for shareholders and other stakeholders through successful investments in sustainable increases in efficiency and production capacity, while also maintaining a solid financial position, paying out competitive dividends and undertaking a wide range of social and environmental projects. We have also achieved significant progress in governance and transparency, thanks in large part to an optimal corporate structure and an expanded Board of Directors with a majority of independent directors.

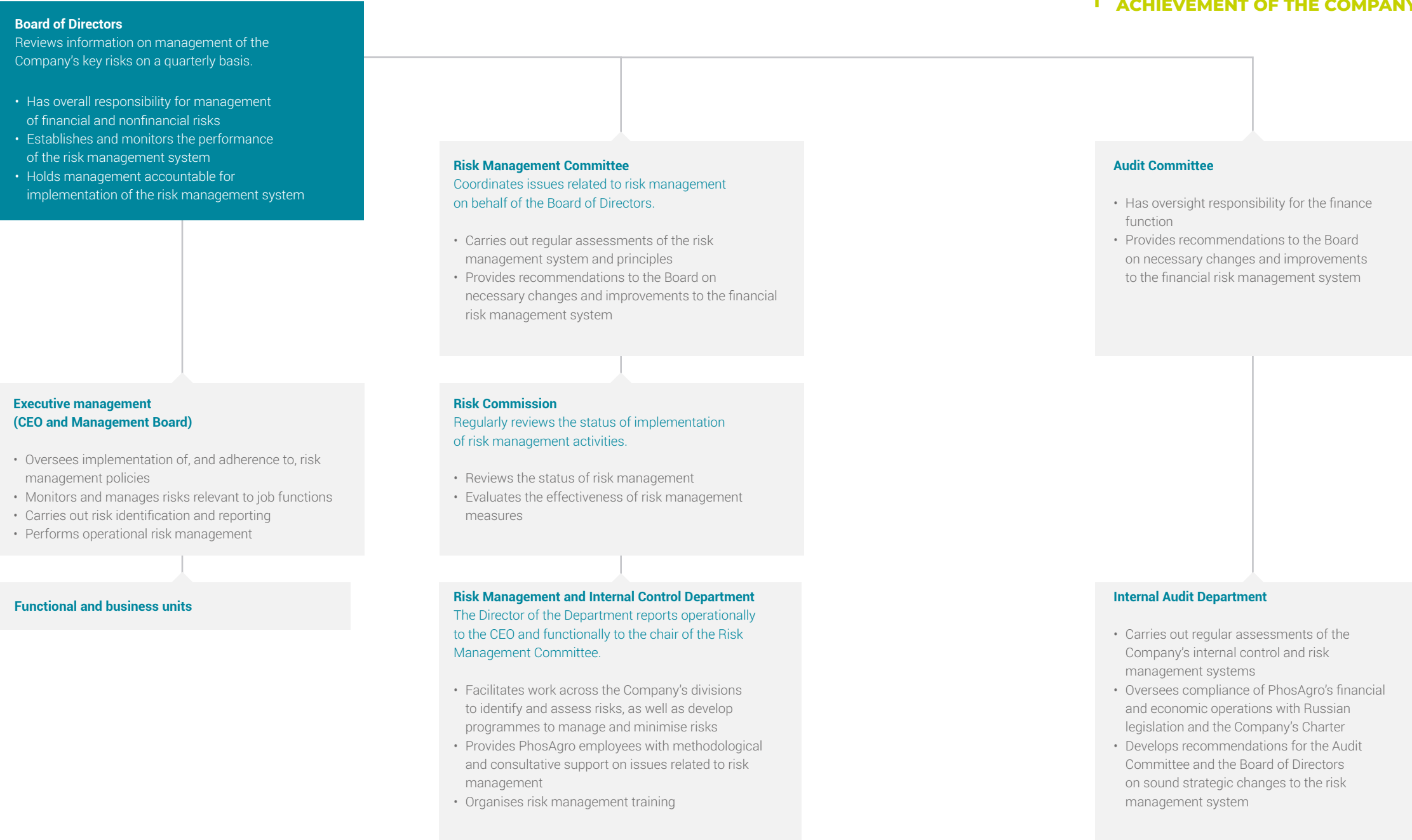
The Strategy to 2025 that the Board of Directors approved aims to further strengthen PhosAgro's position as a producer of environmentally safe phosphate fertilizers with among the lowest costs in the industry, while continuing to expand production capacities and ensure the long-term sustainability of our operations globally. The Board of Directors have full confidence that this is a strategy that will prepare PhosAgro for the future, and that it will create significant, sustainable value for the Company's shareholders as well as other stakeholders, from employees to the farmers that use our crop nutrients on their fields.

MANAGING OUR RISKS

RISK MANAGEMENT SYSTEM

All PhosAgro employees, from mine and plant workers to the members of the Board of Directors, are constantly involved in the Company's risk management procedures.

KEY ASPECTS OF RISK MANAGEMENT AT PHOSAGRO



BASED ON OUR RISK APPETITE, WE CONTINUOUSLY MONITOR THE RISKS THE COMPANY ENCOUNTERS AND TRY TO ENSURE THAT ALL CHANGES HAVE A CONTROLLED IMPACT ON THE ACHIEVEMENT OF THE COMPANY'S GOALS

In 2018, the company continued to develop its risk management system, in particular:

- A project to integrate the risk management system into operational business processes at the Company's key production sites was successfully completed. This has made it possible to enhance the culture of risk management and internal control at production sites with the aim of decreasing the number of incidents and achieving operational targets.
- The Company's system for monitoring key risk indicators was expanded in order to more comprehensively monitor changes in the main risk areas and in the context of risk appetite.
- A risk management and internal control policy was approved by the Board of Directors, which contributed to further improvement of the Company's corporate governance systems.
- An independent external evaluation of PhosAgro's risk management system was carried out, which confirmed that it was at the level of other leading Russian companies and that it had made substantial progress in comparison with the previous evaluation conducted in 2016.

MANAGING OUR RISKS

continued

KEY RISKS

The risks outlined in this report that may impact the Company do not constitute an exhaustive list. The report aims only to identify the key risks.

STRATEGIC RISKS		
	Risk of inadequate strategic planning	Social and human resources risks
Description	<p>Risk of inadequate strategic planning associated with the adoption of an incorrect strategic decision and associated management decisions, resulting from an erroneous assessment of internal and external factors that have an impact on the Company's prospects for development and its ability to achieve its strategic objectives.</p>	<p>Social and human resources risks are those associated with the hiring, development and retention of employees, as well as risks in relations with local communities and the risk of adverse social situations in regions of operation.</p>
Mitigation	<p>PhosAgro has successfully implemented all key projects under its Strategy to 2020, and the Board of Directors approved the Strategy to 2025 in March 2019.</p> <p>The Company actively monitors both internal and external factors that could impact implementation of the strategy. PhosAgro also takes a systematic approach to assessing the potential costs and benefits of new strategic projects in order to facilitate optimal decision-making.</p>	<p>PhosAgro carries out independent and joint programmes aimed at attracting talented young specialists, including from other regions, developing employees' professional competencies and increasing employee motivation to ensure long-term retention.</p> <p>The Company has adopted a Human Resources Policy that identifies the main areas of personnel management that facilitate the achievement of the Company's business goals.</p>

PRODUCTION RISKS

Production risks	Workplace health and safety risks	Environmental risks
<p>Risks in the production process are negative events of a technical/industrial nature that lead to disruptions in the production process: downtime of production equipment, outages, incidents and accidents at production sites and production infrastructure facilities, failure to meet planned production volumes.</p>	<p>Workplace health and safety risks are related to injury, occupational illnesses, accidents and incidents at hazardous production facilities, as well as risks associated with discrepancies between the workplace health and safety elements of the risk management system and legal requirements.</p>	<p>Environmental risks cover the occurrence of potential damage to the environment as a result of the Company's activities.</p>
<p>PhosAgro aims to operate all types of equipment without breakdowns or unplanned stoppages and to take steps to limit the length of unplanned stoppages when they do occur. With this aim in mind, the Company invests in building new and upgrading existing production and power-generating equipment, schedules preventative maintenance of equipment and major overhauls, while using backup equipment and creating a reserve of components, accessories and spare parts. In addition, a programme to boost the quality and reliability of repair work carried out by suppliers is in place, while insurance covers the Company's hazardous production facilities and property.</p>	<p>PhosAgro ensures workplace health and safety in compliance with relevant legislation and global best practices in this area. To this end, the Company carries out training for staff and checks their knowledge related to workplace health and safety, promotes a culture of safety, ensures that all contractors adhere to workplace health and safety standards, carries out safety audits and inspections to ensure compliance with the relevant regulations and requirements of the OHSAS 18001 standard on the part of both Company enterprises and suppliers. The Company adopted a Strategy for Workplace Health and Safety that specifies targeted programmes to reduce the risks associated with various types of Company activities.</p>	<p>PhosAgro regularly analyses and assesses its impact on the environment. In an effort to limit its environmental impact, the Company is modernising its cleanup and storage system and is putting energy-efficiency programmes in place. The Company partners with UNESCO and the International Union of Pure and Applied Chemistry (IUPAC) to provide grants for research in the field of green chemistry with the aim of protecting the environment and human health through the implementation of energy-efficient processes and environmentally friendly technologies on the basis of innovative ideas.</p> <p>PhosAgro's investment projects make use of the best available technologies to reduce the unit costs of raw materials and energy, as well as emissions of regulated substances.</p>

MANAGING OUR RISKS

continued

OPERATIONAL RISKS

	Project risks	Risks of inefficiency and infringement of business processes	Taxation risks	Information security risks	Risks to economic security
Description	Project risks are related to exceeding planned budgets and timelines for the completion of new construction and modernisation projects, as well as the failure to achieve efficiency targets related to projects.	Risks associated with inefficiency or the intentional or unintentional infringement of the Company's business processes, including counterparty risk related to the supply chain.	Taxation risks are related to potential claims by the tax authorities that the Company has not correctly filed its tax return or made payments on time.	Risks in the field of information security are risks associated with losses caused to Company property and assets by means of unauthorised access to its information systems or by the disclosure of confidential information.	Economic security risks are related to losses caused to Company property and assets as a result of legal violations in the economic sphere committed by employees or third parties, including fraud and theft.
Mitigation	PhosAgro strives to adhere to project budgets and timelines and to take a unified approach to implementation with the help of project management tools. All projects go through a multi-step review and approval process. For large-scale and strategically important projects, a project office is set up. Fixed-price contracts are also used. The Company conducts regular monitoring of progress against project budgets and deadlines.	PhosAgro aims to support the efficient functioning of all of the Company's business processes and systems. To achieve this, the efficiency of business processes is regularly evaluated, bottlenecks are identified, and measures to improve efficiency or eliminate bottlenecks are developed and implemented. The Company also aims to minimise risk in its supply chain by choosing suppliers through competitive tender processes. For these purposes, PhosAgro uses multistage tender procedures and signs long-term supply contracts with its most reliable suppliers. The Company also carries out a number of measures to reduce the risks associated with disruptions to its business processes caused by failures of its IT infrastructure, cyberattacks and other external factors.	PhosAgro complies with tax legislation in the countries where it operates. Tax legislation, including planned changes, is monitored; law enforcement practices are analysed; clarifications are sought from government bodies regarding tax assessments; law firms, accountants and tax authorities are consulted on questions related to various tax-related laws.	The Company carries out various measures aimed at preventing unauthorised access to its information systems as well as disclosure of confidential information. Various technical and software solutions, including encryption, are used to control access to information resources and systems; access rights to information are regulated according to different user groups; there is a clear definition of what constitutes confidential information and how it should be handled; periodic audits are carried out to ensure strict compliance with the Company's confidentiality policy.	The Company takes measures aimed at preventing potential losses to its property and assets as a result of legal violations in the economic sphere. A system controlling access to the Company's administrative and production facilities is in place; a clear division of responsibility is established when it comes to concluding contracts or transactions; checks are carried out on all counterparties before contracts are executed; a hotline has been created to enable the Company to receive feedback from employees. Moreover, additional oversight checks are carried out by various departments within the Company.

MANAGING OUR RISKS

continued

REGULATORY RISKS			REPUTATIONAL RISKS		
	Compliance with legal and regulatory requirements	Corruption risks	Reputational risks		
Description	Compliance with legal and regulatory requirements covers the risk of the untimely receipt/extension of licences, as well as risks related to changes in legislation that could lead to an increase in the cost of doing business, the implementation of restrictive measures by regulatory bodies, a reduction in investment appeal and/or changes in the competitive environment.	Corruption risks associated with losses resulting from penalties levied against the Company by state authorities as a result of non-compliance or inadequate compliance on the part of the Company or its employees with the requirements of applicable anti-corruption legislation.	Reputational risks cover damage to the Company's business reputation as a result of unauthorised disclosure in the media of information about the Company's operations, financial results, upper management, etc.		
Mitigation	The Company ensures full compliance in its activities with applicable legislation. In order to ensure that it receives information about potential legislative changes in a timely manner, the Company closely tracks initiatives at the government and regulatory level and takes part in discussions of legislative initiatives and preparation of recommendations through professional associations. The Company acts in a timely manner in preparing and submitting documents to receive or prolong the licences needed to carry out its business.	The Company ensures compliance on the part of its enterprises and partners with the requirements of relevant anti-corruption legislation. It conducts training focused on combatting corruption and on how to apply anti-corruption legislation in practice, and a principle of zero tolerance is communicated to all employees and counterparties with respect to corruption, and they are warned that they will be held accountable for any violation of anti-corruption legislation. The Company is a member of the Anti-Corruption Charter of Russian Business.	The Company is transparent and discloses all material facts and developments, while also having adopted an information policy and media engagement policy. The Company publishes information about its business on its website and in the media, provides comments in response to media enquiries and regularly monitors all relevant coverage in both Russian and international media.		

About PhosAgro	Strategic Report	Business Review	Sustainability Report	Corporate Governance	Financial Report	Additional Information
FINANCIAL RISKS						
Credit risks		Currency risks		Marketable goods risks		
Credit risks resulting in potential financial losses caused by the failure of buyers, commercial contractors, suppliers, banks, insurance companies, clearing centres or other financial contractors to fulfil their financial obligations to the Company in full and on time.		Currency risks resulting in potential financial losses caused by unfavourable changes in exchange rates with respect to the Company's base currency.		Marketable goods risks cover possible losses associated with unfavourable changes in the market prices for mineral fertilizers and other products, as well as increases in the price of the main raw materials and equipment that the Company purchases.		
The Company has adopted policies on managing credit risk that employ different methods of managing and reducing credit risk, including by completing deliveries after full or partial prepayments, with full or partial insurance of credit risk and by using letters of credit. Delivery without prepayment and insurance is only permitted for long-established clients. Providing advance payments to suppliers and contractors is only considered after the counterparties have been tested for reliability, and also after the provision of bank guarantees in the event that the sum of the advance payment exceeds established internal limits. The Company works with banks, other financial organisations and insurance companies with a high level of financial stability and that meet the criteria set out by the Company's treasury policy.		In the current environment of volatility with respect to the price of oil and fluctuations in the rouble exchange rate against major currencies, the Company aims to align the currency structure of its debt financing with the currency structure of its sales. Most of the Company's debt is denominated in US dollars as a natural hedge against primarily USD-denominated sales. The Company carefully tracks analyst forecasts and factors that can influence the rouble exchange rate against major currencies. Where needed, the Company is able to use full or partial hedging instruments against its currency positions.		In the environment of volatile prices for its core products, the Company is continually optimising its sales structure according to fertilizer brands and regional sales focus in order to maximise margins, while also increasing the share of fertilizer sales to end users, increasing production efficiency and providing add-on services to customers such as packaging, blending and storage.		
The Company monitors all covenants applicable to existing loans on a regular basis.				In order to reduce the cost of raw materials and equipment, the Company concludes tenders among multiple suppliers, conducts long-term supply contracts and develops lasting relationships with its suppliers.		

INTERNAL AUDIT

Internal control body		
REVIEW COMMITTEE	AUDIT COMMITTEE OF THE BOARD OF DIRECTORS	BOARD OF DIRECTORS
Appointed by		
General Shareholders' Meeting	Board of Directors	General Shareholders' Meeting
Reports to		
General Shareholders' Meeting	Board of Directors	Shareholders
Functions		
Prepares a report on the results of the Company's operations for the prior year ahead of the Annual General Shareholders' Meeting and gives its opinion on whether the Company's financial statements are true and accurate.	Improves the efficiency and quality of the work of the Board of Directors in the area of internal control. Considers issues and provides recommendations to the Board of Directors in areas like: <ul style="list-style-type: none">Internal and external audits;The accuracy and efficiency of internal control procedures;Management accounting and financial reporting;Risk management procedures and systems;How risks are reflected in the Company's reporting.	Determines how the internal control system operates and approves various actions and policies relating to it. Reports annually to the General Shareholders' Meeting on the reliability and efficiency of PhosAgro's internal control system. Approves the appointment and dismissal of the Director of Internal Audit.
Monitors compliance with current legislation, the Company Charter and internal regulations.	Supervises the Internal Audit Department.	

Internal control body		
CHIEF EXECUTIVE OFFICER	INTERNAL AUDIT DEPARTMENT	EXTERNAL AUDITOR
Appointed by		
Board of Directors	Board of Directors	Contract based on tender procedures
Reports to		
Board of Directors and General Shareholders' Meeting	Functional: Audit Committee	Audit Committee
Functions		
Functioning of PhosAgro's internal control system.	Provides an independent and objective assessment of the Company's internal control and risk management systems.	Verifies the compliance, in terms of accuracy and completeness, of the Company's annual financial statements with IFRS.
Implements internal control procedures and ensures that they are put into practice.	Assists top management in developing and monitoring the implementation of procedures and measures to improve the risk management, internal control and corporate governance systems.	Inspects the Company's financial and commercial operations and its internal control systems.
Promptly informs the Board of Directors of any significant risks faced by the Company or any major weaknesses in the Company's internal control system.	Coordinates with the Company's external auditors and other third parties.	Prepares a report that is submitted to the Audit Committee at least once a year.
Tells the Board what measures have been or will be taken to address issues and the results of these actions.	Conducts internal audits of subsidiaries in line with established procedures.	In case of a disagreement between the Company's management and the independent auditor, the Audit Committee oversees the resolution of the disagreement.
	Prepares and presents information about the internal audit function's operations to the Board of Directors, Audit Committee and General Shareholders' Meeting.	JSC KPMG is currently PhosAgro's external auditor.
	Verifies compliance of management and employees with legislation and internal regulations on insider information.	

52	Operational Review
58	Financial Performance

03

BUSINESS REVIEW

A YEAR OF INDUSTRY-LEADING
PERFORMANCE

51% CAPEX TO EBITDA
RATIO



OPERATIONAL REVIEW

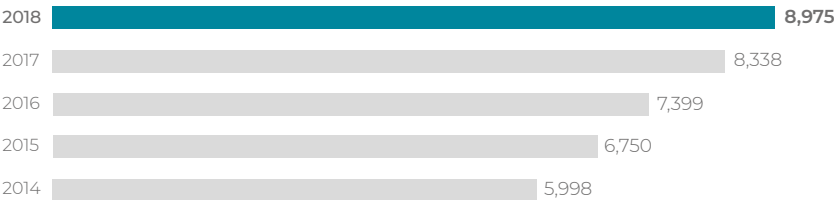


Mikhail Rybnikov
First Deputy CEO of PhosAgro

Looking back at 2018, PhosAgro saw the positive impact of the successful implementation of its major investment projects under its Strategy to 2020. Our new ammonia and granulated urea lines, combined with further debottlenecking and modernisation of existing capacities, helped PhosAgro to deliver yet another year of growth in fertilizer output, which rose by 7.6% year-on-year to 9 million tonnes.

↑ **8,975^{KT}**
fertilizer produced in 2018

Fertilizer production, kt



This represents an impressive 50% increase in our fertilizer output capacity compared to the 6.0 million tonnes produced in 2014. Moreover, we have significantly improved our ability to address demand from farmers growing a wide variety of crops in different soil and climatic conditions thanks to the 39 grades of crop nutrients that our facilities now produce.

We were able to achieve these impressive results thanks to the world-class assets that form the core of PhosAgro's business. At Apatit we mine apatite-nepheline ore that is unique for its high nutrient content and extremely low levels of potentially harmful heavy metals like cadmium. Thanks to investments in the efficiency of our upstream operations, we were able to deliver sustainable cost savings on mining and processing, and our vertical integration



↑ **7.6%**

INCREASE IN FERTILIZER PRODUCTION IN 2018 COMPARED TO 2017

39^{GRADES}

OF CROP NUTRIENTS PRODUCED BY PHOSAGRO

↑ **50%**

INCREASE IN FERTILIZER OUTPUT CAPACITY SINCE 2014

means that PhosAgro's downstream production facilities can efficiently produce fertilizers that are naturally free of heavy metals and other contaminants.

Looking ahead, we plan to continue to invest in further strengthening our low cash-cost position by investing in further debottlenecking and efficiency in our existing business. At the same time, we are building new mid-stream capacities that will improve

PhosAgro's self-sufficiency in key inputs with modern and efficient production units for sulphuric and nitric acid. This in turn will enable us to continue to ramp up production of our fertilizer end products, offering shareholders further sustainable growth in cash flows and profitability, and farmers around the world greater access to our pure and high-quality crop nutrients.

OPERATIONAL REVIEW

continued

PHOSPHATE SEGMENT — UPSTREAM

The Kirovsk branch of Apatit mines apatite-nepheline ore that is processed into phosphate rock and nepheline concentrate.

The downstream operations in our phosphate segment take place at Apatit (formerly PhosAgro Cherepovets), the Balakovo branch of Apatit (formerly Balakovo Mineral Fertilizers) and Metachem. Apatit and the Balakovo branch of Apatit produce phosphate-based fertilizers, and the Balakovo branch of Apatit also produces feed phosphate (MCP). Metachem produces PKS and industrial phosphates such as sodium tripolyphosphate (STPP).

Upstream
We extracted 35.3 million tonnes of apatite-nepheline ore in 2018 and produced 10.1 million tonnes of phosphate rock, up by 5.5% from 9.5 million tonnes in 2017. This marks the highest annual phosphate rock production output in the last 25 years for the Kirovsk branch of Apatit.

Intra-Group sales of phosphate rock amounted to 70.5% (7.1 million tonnes) in 2018, compared to 71.3% (6.8 million tonnes) in 2017.

We sold 11.3% of the phosphate rock we produced to domestic external customers and 18.0% to international customers,

compared with 9.8% and 18.8%, respectively, in 2017. Prayon (Belgium) and Yara (Norway) accounted for most of the exports.

In 2018, nepheline concentrate production and sales decreased by 1.2% and 7.4% year-on-year, respectively.

PhosAgro’s upstream subsidiary, the Kirovsk branch of Apatit, holds five mining licences and two licences for geological exploration, exploration and production, which allow it to conduct exploration and mining activities at six apatite-nepheline ore mines and to conduct exploration activities at two deposits.

5.5%
INCREASE IN
PHOSPHATE ROCK
PRODUCTION IN 2018
COMPARED TO 2017

10.1 MLN T
OF PHOSPHATE ROCK
PRODUCED SET 25-YEAR
RECORD

PRODUCTION AND SALES VOLUMES — APATIT MINE AND BENEFICIATION PLANT

	Production volume, kt			Sales volume,* kt		
	2018	2017	Change, y/y	2018	2017	Change, y/y
Phospate rock	10,067	9,540	5.5%	2,964	2,732	8.5%
Nepheline concentrate	986	998	(1.2%)	983	998	(1.5%)

* Not including Intra-Group sales.

PHOSAGRO ORE RESERVES AS OF 1 JANUARY 2019

Deposit	Resources, kt (Categories A+B+C1)	Average P ₂ O ₅ content
Kukisvumchorr	386,855	14.20%
Yukspor	484,791	14.11%
Apatitovy Cirque	100,641	14.11%
Rasvumchorr Plateau	314,157	13.03%
including the Plot Plateau	1,061	17.06%
Koashva	590,008	16.88%
Njorkparhk	54,703	13.35%
Iyolitovy otrog	134	19.4%
Total	1,931,289	14.78%

LICENCES



Kirovsky mine
(Kukisvumchorr and Yukspor deposits)
31 December 2025

Vostochny mine
(Koashva deposit)
31 December 2019

Vostochny mine
(Njorkparhk deposit)
31 December 2063

Rasvumchorrsky mine
(Apatitovy Cirque and Rasvumchorr Plateau deposits)
1 January 2024

Tsentralny mine
(Rasvumchorr Plateau deposit)
31 December 2020



Plot Plateau
14 December 2040

Iyolitovy otrog deposit
1 February 2024

OPERATIONAL REVIEW

continued

PHOSPHATE SEGMENT — DOWNSTREAM

Performance

In 2018, PhosAgro's output of phosphate-based products was up by 3.8% year-on-year to 6.9 million tonnes, primarily driven by higher NPK production (up by 24% year-on-year), which was made possible by the successful modernisation of mid-stream capacities (both phosphoric and sulphuric acid) in Balakovo.

Sales of phosphate fertilizers rose by 2.3% year-on-year to 6.6 million tonnes in FY 2018. The strongest growth was in North America, where sales rose by 62% year-on-year to 0.8 million tonnes due to a deficit of phosphates following the closure of capacities in Florida. Shipments to Latin America increased by 6% year-on-year to 1.2 million tonnes in FY 2018 thanks to our close work with end customers. Sales to Europe and Russia rose by 1% year-

on-year in each region to 1.6 million and 1.9 million tonnes, respectively, driven by our strategic approach to move deeper into the distribution chain and expand our on-the-ground presence with new local offices.

Outlook

We expect to benefit from the completion of several major investment projects that helped us to achieve sustainable cost savings in our upstream operations, including a new conveyer system for removing ore from open pit mines and the overhaul of Beneficiation Plant No 3. We are likewise on track to finish upgrades to Beneficiation Plant No 2 that will enable us to start processing off-balance-sheet ore that previously had too low nutrient content to be processed profitably.

PhosAgro is also committed to expanding overall fertilizer production capacity and self-sufficiency in key inputs like sulphuric and nitric acid, which we believe will enable PhosAgro to continue its sustainable growth, while strengthening our cost leadership among global peers.

↑ **3.8%**

YEAR-ON-YEAR INCREASE
IN PRODUCTION OF
PHOSPHATE-BASED
FERTILIZERS

↑ **9.1%**

INCREASE IN NPK
PRODUCTION
IN 2018 COMPARED
TO 2017

**PRODUCTION AND SALES VOLUMES —
PHOSPHATE-BASED FERTILIZERS AND MCP**

	Production volume, kt			Sales volume, kt		
	2018	2017	Change, y/y	2018	2017	Change, y/y
DAP/MAP	2,995.0	3,004.0	-0.3%	2,912.6	2,963.9	-1.7%
NPK	2,799.0	2,566.5	9.1%	2,664.6	2,488.8	7.1%
NPS	419.0	423.4	-1.0%	423.5	409.8	3.3%
APP	216.0	155.4	39.0%	209.4	170.7	22.7%
MCP	356.0	354.4	0.5%	347.2	350.4	-0.9%
PKS	67.0	99.8	-32.9%	77.6	101.2	-23.3%

NITROGEN SEGMENT

Our nitrogen segment includes the assets of the JSC Apatit, which produces ammonia, ammonium nitrate and both granulated and prilled urea.

Highlights

- Nitrogen fertilizer production increased 22.4% year-on-year to 2.1 million tonnes
- Nitrogen fertilizer sales were up 35.9% and reached 2.2 million tonnes
- 2018 was the first full year in which our new ammonia and granulated urea lines were fully functional

Performance

Urea production increased by 28.4% year-on-year to 1,590 kt in 2018 on the back of the new urea plant commissioned in 2017, while sales increased by 40.4% year-on-year to 1,600 kt.

The majority of our urea sales were in the spot market. We believe that this balance ensures a significant degree of stability in our urea sales volumes and prices, while at the same time enabling us to benefit from the flexibility that spot sales provide.

The ammonia we produce is used internally for the production of phosphate-based and nitrogen fertilizers. In 2018, ammonia production increased by 28.2% compared to 2017, as our new ammonia plant was fully

functional. This brought our self-sufficiency in ammonia from 78% in 2017 to 89% in 2018. Most of the ammonia we produced was consumed within the Group to support increased production of phosphate-based fertilizers, urea and ammonium nitrate in 2018.

In 2018, production of ammonium nitrate (AN) increased by 7.4%, while sales were up 25%.

↑ **22.4%**

YEAR-ON-YEAR INCREASE IN
PRODUCTION OF NITROGEN-
BASED FERTILIZERS

↑ **40.4%**

INCREASE IN UREA SALES
VOLUME IN 2018 COMPARED
TO 2017

**PRODUCTION AND SALES VOLUMES —
NITROGEN-BASED FERTILIZERS**

	Production volume, kt			Sales volume, kt		
	2018	2017	Change, y/y	2018	2017	Change, y/y
Urea	1,590.0	1,238.2	28.4%	1,600.3	1,139.8	40.4%
Ammonium nitrate	533.0	496.4	7.4%	595.3	476.0	25.1%

FINANCIAL PERFORMANCE



Alexander Sharabaiko,
CFO

“ In line with our Strategy to 2020, PhosAgro completed crucial investment projects in 2018 and delivered significant growth across all key financial metrics. Revenue rose by 29% year-on-year to RUB 233.4 billion, while EBITDA increased by 47% year-on-year to RUB 74.9 billion. The EBITDA margin remained at 32%, which is one of the highest levels in our industry.

32%
EBITDA MARGIN

With FX-denominated export sales accounting for 70% of revenue while the majority of operating costs are in RUB, PhosAgro's profitability benefited directly from the recovery in the global fertilizer market and the depreciation of the rouble against the US dollar. In addition, measures taken to control costs and timely upgrades to our mid-stream capacities enabled the Company to restrict cost of sales growth to 22% year-on-year amid volatility in prices for raw materials.

The completion of a major investment cycle in 2017 and the additional cash flows that our new capacities generated in 2018 drove free cash flow to a record high RUB 21.3 billion. As a consequence, our net debt/LTM EBITDA ratio as of 31 December 2018 declined to a comfortable 1.8x, compared to 2.4x a year earlier. In addition, our full-year adjusted net income almost doubled year-on-year to RUB 42 billion. As an indication of our confidence in the Company's financial position over the long term, the Board of Directors has recommended a final dividend that brings the

total annual payout ratio to a generous 56.8% of 2018 IFRS net profit.

We believe that the boost to EBITDA and cash flow from our new production capacities is sustainable in 2019. We are continuing to invest in modernisation and upgrades at our production units to further strengthen our cash-cost advantage, while maintaining attractive dividends for our shareholders and investing in important social programmes for the local communities where we operate. With phosphate-based fertilizer markets showing signs of recovery in 2019, we are optimistic about our ability to deliver value for our investors in the year ahead. PhosAgro's 2018 revenue amounted to RUB 233.4 billion (USD 3.7 billion), increasing 29% year-on-year, driven by higher fertilizer sales volumes and a weaker rouble. Revenue from phosphate-based products amounted to RUB 187.0 billion, a 23% increase year-on-year. At the same time, both domestic and export revenue demonstrated strong growth of 15% and 27%, respectively, year-on-year. Revenue from the nitrogen fertilizers segment

233.4 RUB BLN
REVENUE IN 2018

amounted to RUB 37 billion, a 65% year-on-year increase supported by both higher domestic and export sales.

The geographic revenue split was in line with PhosAgro's historic performance: our priority domestic market accounted for 30% of total sales, while export markets brought in the remaining 70%. PhosAgro's priority export markets, Europe and Latin America, accounted for approximately 35% and 27% of 2018 revenue, respectively. North America brought in 17% of 2018 revenue (10% in 2017), with revenue in monetary terms more

than doubling year-on-year due to higher imports following the shuttering of key North American capacities. The remaining 21% of PhosAgro's 2018 revenue came from Asia (including India), the CIS, Africa and Australia.

Gross profit grew by 38% year-on-year to RUB 109.5 billion (USD 1.7 billion), and the gross margin rose by 3.0 p.p. year-on-year to 47%. Gross profit and margin performance for the phosphate-based and nitrogen-based segments were as follows:

- The phosphate-based segment saw a 25% year-on-year increase in gross profit to RUB

88.0 billion (USD 1.4 billion), with a gross margin of 47%, compared to 46% in 2017

- Gross profit for the nitrogen-based segment increased by 132% year-on-year to RUB 20.6 billion (USD 328 million). Gross margin for the segment increased by 17 p.p. year-on-year to 56%, driven by the first full year of operations of PhosAgro's new ammonia and urea units

REVENUE BREAKDOWN BY KEY PRODUCTS
RUB mln

	FY 2018	FY 2017	Change y/y
DAP/MAP	77.9	62.2	25.3%
NPK(S)	60.9	47.1	29.2%
Phosphate rock	22.1	21.2	4.4%
Nitrogen-based	37.0	22.5	64.5%

FY 2018 FINANCIAL AND OPERATIONAL HIGHLIGHTS
RUB mln or %

	FY 2018	FY 2017	Change y/y
Revenue	233,430	181,351	+ 29%
EBITDA	74,908	50,796	+47%
EBITDA margin	32%	28%	+4 p.p.
Net income	22,135	25,331	-13%
Net income adj	41,748	21,190	+97%

	31 December 2018	31 December 2017	
Net debt	135,330	119,985	
ND/LTM EBITDA	1.81x	2.36x	
Sales, kt	FY 2018	FY 2017	Change y/y
Phosphate-based	6,635	6,485	2.3%
Nitrogen-based	2,196	1,616	35.9%
Phosphate rock	2,964	2,732	8.5%

FINANCIAL PERFORMANCE

continued

PhosAgro’s EBITDA in 2018 increased by 47% year-on-year to RUB 74.9 billion (USD 1.2 billion), while the EBITDA margin grew by 4 p.p. to 32%, compared to 28% in 2017. Net profit (adjusted for non-cash FX items) amounted to RUB 41.8 billion (USD 666 million) in 2018, a 97% increase compared to the year before.

During 2018, the rouble depreciated by nearly 7% year-on-year (the average RUB/USD foreign exchange rates for 2018 and 2017 were RUB 62.7 and RUB 58.4, respectively), which had a net positive impact on PhosAgro’s financial results, as prices for most of the Company’s products are denominated in USD, while costs are primarily RUB-based.

Cash flow from operating activities increased by almost 100% year-on-year to RUB 59.7 billion (USD 952 million), compared to RUB 30 billion (USD 514 million) in 2017.

Gross debt (including finance lease liabilities) as of 31 December 2018 increased by 18% to RUB 144 billion (USD 2.1 billion). Net debt as of 31 December 2018 stood at RUB 135 billion (USD 1.9 billion). Most of the Company’s debt is denominated in USD and

thus is naturally hedged by primarily USD-denominated sales. The net debt to LTM EBITDA ratio decreased to 1.81x as of 31 December 2018, down from 2.36x as of 31 December 2017.

- Cost of sales grew by 22% year-on-year in 2018 to RUB 124 billion (USD 1.97 billion). The key factors behind the growth were:
- Spending on materials and services grew by 18% year-on-year to RUB 36.5 billion (USD 584 million) driven by a 9% year-on-year increase in overall production and 12% year-on-year PPI inflation;
 - D&A was up significantly by 43% year-on-year to RUB 19.0 billion (USD 304 million) as a result of the commissioning of new ammonia and urea plants, the modernisation of Beneficiation Plant No 3 and increased capitalised depreciation due to higher operational activity;
 - Spending on salaries and social contributions increased by 8% year-on-year to RUB 12.2 billion (USD 196 million) mainly due to salary indexation (an increase of almost RUB 500 million), overall fertilizer production and an increase of around RUB 150 million in medical services and meals;
 - Spending on natural gas rose by 32% year-on-year to RUB 12.1 billion (USD 195

124 RUB BLN

COST OF SALES IN 2018

COST OF SALES
RUB mln

	FY 2018	FY 2017	Change y/y
Materials and services	36,493	30,869	18%
Depreciation and amortisation	18,936	13,242	43%
Natural gas	12,096	9,154	32%
Salaries and social contributions	12,209	11,265	8%
Sulphur and sulphuric acid	10,682	6,120	75%
Potash	10,238	8,279	24%
Chemical fertilisers for resale	6,287	4,932	27%
Electricity	5,474	5,451	0%
Ammonium sulphate	3,015	2,287	32%
Ammonia	4,195	6,287	-33%
Fuel	3,775	3,264	16%
Heating energy	564	667	-15%
Total	123,964	101,817	22%

- million) driven by higher gas purchases as a result of the first full year of operations of our new ammonia plant;
- A year-on-year increase in expenditure on sulphur and sulphuric acid of 75% to RUB 10.7 billion (USD 171 million) due to 73% growth in the purchase price of sulphur;
 - Potash costs increased by 24% year-on-year to RUB 10.2 billion (USD 163 million) on the back of an 18% increase in the purchase price and 5% growth in purchased volumes (thanks to the greater share of NPKs with high potash content);
 - Electricity costs remained almost flat and amounted to RUB 5.5 billion (USD 88 million);
 - A 33% year-on-year decrease in spending on purchased ammonia to RUB 4.2 billion (USD 67 million) was mainly due to additional volumes of our own production following the launch of the new 760 thousand tonnes/ year ammonia plant at Apatit in Cherepovets;
 - Fuel costs grew by 16% year-on-year to RUB 3.8 billion (USD 61 million) on the back of a 30% increase in purchase prices for heating oil and diesel. However, an 11% decline in overall consumption level partially offset this growth;
 - Spending on ammonium sulphate increased by 32% year-on-year to RUB 3.0 billion (USD 49 million) due to 21% growth in consumption (thanks to a higher share of NPS and NPK grades with high ammonium sulphate content) and a 9% increase in the purchase price.

Administrative expenses increased by 6% year-on-year to RUB 14.9 billion (USD 240 million) in 2018, primarily due to a 5% increase in personnel costs to RUB 8.3 billion (USD 135 million) and a 32% increase in D&A, which was partially offset by a 9% decrease in professional services expenses.

- In 2018, selling expenses increased by 37% year-on-year to RUB 34.4 billion (USD 547 million). The main factors behind this growth were:
- Freight, port and stevedoring expenses grew by 57% year-on-year to RUB 17.3 billion (USD 277 million) primarily due to a 23% year-on-year increase in export sales of rock and fertilizers. Additional pressure came from the depreciation of the rouble by 7% year-on-year on average, as the majority of freight and stevedoring tariffs are still denominated in USD;
 - Russian Railways infrastructure tariff and operators’ fees grew by 13% year-on-year to RUB 10.4 billion (USD 166 million), driven by a change in shipment structures and indexation of railway tariffs;
 - Spending on customs duties grew by 61% year-on-year to RUB 1.4 billion (USD 22 million), triggered by increased deliveries under DDU terms.

7%

GROWTH OF SPENDING ON CAPEX COMPARED TO 2017

CASH SPENT ON CAPEX IN 2018 AMOUNTED TO RUB 38.4 BILLION (USD 613 MILLION), AN INCREASE OF 7% YEAR-ON-YEAR. THE MAIN CAPEX SPENDING WAS ON SCHEDULED MAINTENANCE AND DEVELOPMENT OF THE UPSTREAM BUSINESS, AS WELL AS ON CONSTRUCTION OF NEW SULPHURIC AND NITRIC ACID PLANTS

64	Management approach
72	Environmental review
88	Health and safety review
98	People development
112	Business conduct review
116	Stakeholder engagement
130	Social investment

04

SUSTAINABILITY REPORT

DEMONSTRATING COMMITMENT
TO ESG PRINCIPLES

**PHOSAGRO JOINED THE UN GLOBAL
COMPACT AND FOCUSED ON
CONTRIBUTING TO THE ACHIEVEMENT
OF 10 OF ITS GOALS**



MANAGEMENT APPROACH

Unprecedented population growth in the 20th century put immense pressure on limited natural resources and continues to have an impact on every sphere of life. Being a global leader in fertilizer production, PhosAgro sees itself as an essential contributor to the production of healthy food and, as a result, to human well-being. Therefore, our management team decided in 2018 to demonstrate our commitment by supporting the implementation of 10 of the UN Global Compact’s Sustainable Development Goals.

ABOUT THIS INTEGRATED REPORT

This sustainability report provides an overview of the Group’s policies and performance in 2018 in key areas, including human rights, health and safety, the environment, human capital management and community engagement, as well as an outline of how PhosAgro contributes and complies with 10 of the UN Sustainable Development Goals in numerous other ways.

Alongside our corporate values, including our concern for the environment and careful use of natural resources, fair competition, dialogue, compliance, stewardship and effectiveness, the 10 Sustainable Development Goals that the Company supports help inform our sustainability policies. These values are supported and agreed by the management and implemented across the Group. We benchmark our performance against the most up-to-date regulatory requirements through regular monitoring and auditing.

Being a producer of environmentally friendly phosphate-based fertilizers, we take part in a variety of initiatives in an effort to improve the environment, address and monitor matters related to corporate social responsibility, support young scientists all around the world, and share knowledge with our partners about the best way to apply our fertilizers.

WE CONSIDER SUSTAINABLE DEVELOPMENT TO BE ONE OF OUR KEY STRATEGIC PRIORITIES



IN 2018, PHOSAGRO CREATED A WORKING GROUP ON SUSTAINABLE DEVELOPMENT THAT IDENTIFIED THE COMPANY’S MATERIAL TOPICS

IDENTIFICATION OF MATERIAL TOPICS

In 2018, PhosAgro created a Working Group on Sustainable Development that identified several material topics based on a survey of its members and a benchmark analysis of business practices in the industry. The process of identifying and assessing these topics has not yet been formalised within the Company, but PhosAgro intends to develop clear procedures for doing so that are aligned with best market practices. The process for identifying these topics, which will provide the basis for internal procedures in the future, is presented below.

Assessments will consist of three main parts: analysing open sources, collecting stakeholder feedback and producing a list of material issues, and it will be completed in accordance with GRI standards.

The selection of material topics will be carried out in the following three stages:

- 1. Analysis of open sources**
- Analysis of industry trends and risks;
 - Analysis of publicly available information about the Company;
 - Comparison with material topics disclosed by competitors and global metals and mining companies;
 - Alignment of the preliminary selection of material topics with UN Sustainable Development Goals that are relevant to the Company.

At the end of the first stage, the Company plans to compile a preliminary list of material topics.

- 2. Collecting stakeholder feedback**
- Q&A session with representatives from operational enterprises involved in the management of sustainability issues;
 - Stakeholders opinion survey;
 - Analysis of internal and external stakeholder survey results.

By the end of the second stage, the Company aims to have a more specific list of material topics

- 3. Drawing up a list of material topics**
- Approval of the list of material topics specified by the Working Group on Sustainable Development;
 - List of material topics submitted to the Board of Directors for evaluation.

See below for the list of material topics approved by the Company’s working group on Sustainable Development to be disclosed in this integrated report.

Category	Related risk	Topic	
Economic	<ul style="list-style-type: none">• Risk of inadequate strategic planning• Production risks• Risks of inefficiency and infringement of business processes• Corruption risks	<ul style="list-style-type: none">• Economic performance• Market presence• Indirect economic impact• Anti-corruption	 On pages 102–104, 112–115, 213
Environmental	<ul style="list-style-type: none">• Compliance with legal and regulatory requirements• Environmental risks	<ul style="list-style-type: none">• Water• Emissions• Energy• Effluent and waste	 On pages 72–87
Social	<ul style="list-style-type: none">• Reputational risks• Workplace health and safety risks• Social and human resources risks	<ul style="list-style-type: none">• Occupational health and safety• Employment• Training and education	 On pages 88–111

MANAGEMENT APPROACH

continued

REPORT BOUNDARIES

This report includes information and data from our operational enterprises over the course of 2018.

ASSETS INCLUDED IN THE REPORT BOUNDARIES*

Name of enterprise	Referred to in this integrated report as
JSC Apatit	Apatit
Kirovsk branch of JSC Apatit	KB of Apatit
Balakovo branch of JSC Apatit	BB of Apatit
JSC Metachem	Metachem

* Unless otherwise specified.



SUPPLY CHAIN MANAGEMENT

Suppliers are important PhosAgro stakeholders, as they play a role in helping the Company's operations run smoothly.

In order for PhosAgro to guarantee safe and sustainable production and maintain its reputation as a responsible fertilizer manufacturer, it is indispensable that high-quality raw materials be supplied in a timely manner.

PhosAgro strives for long-term cooperation with suppliers and workers from only those organisations that fully comply with federal,

regional and local regulations. We strive to build relationships only with those that share our values and support us in our environmental initiatives, in developing a better social environment and in ensuring safe working conditions.

The raw materials used to produce mineral fertilizers are one of the most important elements of production. In order to ensure the quality of these raw materials, PhosAgro applies the principles of supply chain management, which consist of planning, implementing and controlling the inflow

of raw materials and obtaining relevant operational information so as to facilitate the running of an efficient service. Each of the designated stages is closely supervised by the Company's employees.

In addition to the attention given to environmental issues and to the continuous work on initiatives in this domain, PhosAgro imposes strict requirements on the quality of raw materials supplied. The Company controls the input of raw materials at multiple production stages. The production of fertilizers under the PhosAgro brand is only

possible when the Company has complete confidence in the quality of its raw materials. Thanks to the continuous improvement of the Company's production processes, we can guarantee that our products are of very high quality.

Another key element of the Company's business processes is logistics. The production of fertilizers requires the transportation of significant amounts of materials, raw materials and finished

products. PhosAgro cooperates only with reliable and licensed transport companies.

Ensuring workplace health and safety and guaranteeing the safety of work processes are also important aspects of our work. As part of tender procedures, a supplier must provide information regarding social protections, including the protection of human rights, fair working hours, etc.

CONTACT INFORMATION

The Company takes feedback from stakeholders on the completeness, objectivity and materiality of the information disclosed in its sustainability reports into careful consideration. This helps us improve both our management of sustainability performance and our non-financial reporting processes. We are also open to your queries and suggestions concerning the integrated report. Any questions or recommendations can be emailed to: ir@phosagro.ru

MANAGEMENT APPROACH

continued

SUSTAINABILITY APPROACH

Sustainable development is considered a strategic priority at PhosAgro. We strive to maximise the value we create not only from a commercial standpoint but also in terms of our environmental and social activities to the long-term benefit of all of our stakeholders.

PHOSAGRO SUSTAINABILITY STRATEGIC OBJECTIVES

- 1

Sustainable growth to ensure productive operations and efficiency across all aspects of our business
- 2

Maintain stringent health and safety performance standards and achieve a zero injury rate with a world-class safety culture
- 3

Mitigate the environmental footprint of our production activities
- 4

Be a reliable partner for local communities where we operate and maintain a dialogue with all stakeholders, consistently taking their interests into account when making decisions
- 5

Contribute to the UN Sustainable Development Goals



PHOSAGRO CONTINUOUSLY STRIVES TO IMPROVE ITS SUSTAINABILITY PERFORMANCE IN ORDER TO MINIMISE ITS NEGATIVE IMPACT AND TO BUILD VALUE AT EVERY STAGE OF ITS OPERATIONS

AS A WORLD-CLASS INTEGRATED PRODUCER OF PHOSPHATE-BASED FERTILIZERS, WE UNDERSTAND THAT WE HAVE A SUBSTANTIAL IMPACT ON THE ENVIRONMENT, AS WELL AS ON VARIOUS GROUPS OF STAKEHOLDERS

PRIORITY AREAS

Social

- Assisting regional authorities and local governments in creating modern social infrastructure in the cities where we operate
- Developing and implementing projects for children and young people
- Supporting vulnerable segments of the population
- Providing stable employment and developing safe working conditions
- Offering fulfilling job opportunities, training and developing a team of professionals
- Observing human rights

Environmental

- Reducing volumes of waste, emissions and discharges of pollutants and resource usage on a per-unit basis by investing in new, more efficient technologies
- Ensuring that we act as a conscientious neighbour and maintain a constructive dialogue with local stakeholders about our environmental impact
- Preservation of natural ecosystems in the regions where the Company operates, rational use of natural resources and implementation of programmes for restoring environmental capacity

Economic

- Paying taxes and other fees to governments at regional and federal levels
- Providing business prospects for local suppliers and encouraging development of local partners
- Maintain long-term financial stability
- Doing business in accordance with legal requirements and business integrity principles

CORPORATE DOCUMENTS REGULATING SUSTAINABILITY-RELATED ACTIVITIES

PhosAgro has a wide range of internal standards and policies that regulate the Company's approach to sustainability management. Together these provide the necessary governance framework for the Company's sustainability performance.

Health, safety and environment	People and economic stability	Stakeholder engagement and local communities
<ul style="list-style-type: none">Quality, environmental and industrial safety policy;Environmental safety policy;Quality management system standard concerning production and consumption waste management;Occupational health and safety management system certificate OHSAS 18001;Quality management system certificates ISO 9001 and 14001.	<ul style="list-style-type: none">Hotline terms and conditions of use;Code of ethics;Anti-fraud and anti-corruption policy;Personnel management policy.	<ul style="list-style-type: none">Charity policy;Policy on interaction with state authorities.

MANAGEMENT APPROACH

continued

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

As a supplier of essential crop nutrients that are used in more than 100 countries around the world, PhosAgro plays an important role in global food security. We contribute to the UN Sustainable Development Goals (SDGs) in numerous other ways, and while recognising the importance of all 17 SDGs, PhosAgro focuses on 10 of them.

In 2018, PhosAgro formed a Working Group on Sustainable Development that presented the SDGs to the Company's senior management. Members of the working group discussed the role of the business in attaining the SDGs and identified the Goals that are most relevant for the Company's business and that PhosAgro is capable of contributing the most to through its operational activities and corporate social responsibility initiatives.



PHOSAGRO'S CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS



2. Zero Hunger

- Guarantor of Russia's food security: one in every 3 tonnes of fertilizer supplied to the Russian market is produced by PhosAgro;
- Participant in a joint project with the UN Food and Agriculture Organization called "Development of Sustainable Agriculture through the Implementation of the Global Soil Doctors Programme and the Creation of the Global Soil Laboratory Network".



3. Good Health and Well-being

- Producer of safe and pure fertilizers with close to zero harmful impurities: PhosAgro's phosphate-based fertilizers meet EU standards for all regulated elements and qualify for recently-introduced "green labels" for fertilizers.
- Producer of phosphate rock that, with its high P₂O₅ content and low level of harmful impurities, is one of a kind, occupying the top spot in ratings of phosphate raw materials.



4. Quality Education

- Sponsors and plays a role in the International Centre for Education in Mining Engineering. Founder and sponsor of a joint grant programme with UNESCO and IUPAC for young scientists working in the field of chemistry;
- Participant in a joint programme with the Russian Ministry of Agriculture and the UN Food and Agriculture Organization to train farmers in the application of more effective solutions in the field of sustainable agriculture (especially in terms of soil fertility);
- Established various PhosAgro School and PhosAgro College projects.



6. Clean Water and Sanitation

Our long-term investment programmes include the implementation of cutting-edge technologies for environmental protection. In 2018, for example, Metachem introduced a zero-discharge production system that ensures that no waste water is discharged into natural bodies of water.



7. Affordable and Clean Energy

Implementation of investment projects aimed at maximising self-sufficiency in terms of electricity and heat by recovering steam generated in the production of sulphuric acid.



8. Decent Work and Economic Growth

As a result of the implementation of promising investment projects for the development of production facilities at the Kirovsk and Balakovo branches of Apatit, more than 500 jobs for highly skilled workers will be created at Apatit's Cherepovets facility and at Metachem. Implementation of corporate programmes in the areas of health, improved working conditions, housing and the social safety net.



9. Industry, Innovation and Infrastructure

We support scientific research aimed at the development of green chemistry technologies, including in the field of crop nutrients.



11. Sustainable Cities and Communities

Social responsibility projects in the regions where the Company operates: PhosAgro Schools and the Education, Health and Spirituality for Russia's Children (DROZD) youth movement. The development of tourism infrastructure in the Murmansk region, the construction of residential housing in the regions where the Company operates.



12. Responsible Production and Consumption

A participant in the Safe Phosphates campaign, which is aimed at sharing knowledge and solving problems associated with harmful elements, i.e., heavy metals found in phosphate-based fertilizers. The mission of the campaign is to improve understanding of potential risks and to promote solutions that make the most of choosing healthier fertilizers to support food security and sustainable agriculture.



17. Partnerships for the Goal

PhosAgro has been developing the Green Chemistry for Life programme together with UNESCO. In addition, the Company is developing a partnership with the UN's Food and Agriculture Organization.

ENVIRONMENTAL REVIEW



2018 HIGHLIGHTS



KEY EVENTS



PhosAgro signed a cooperation agreement in the field of sustainable soil management with the United Nations Food and Agriculture Organization (FAO)



Irina Bokova, the former Director-General of UNESCO, became one of PhosAgro's independent directors and is contributing to the Company's sustainability activities

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



6. Clean Water and Sanitation



7. Affordable and Clean Energy



9. Industry, Innovation and Infrastructure



12. Responsible Consumption and Production

ENVIRONMENTAL REVIEW

continued

MANAGEMENT APPROACH

2018 was another year of adhering to the highest standards and contributing to environmental protection.

Effective management of the Company's environmental footprint is a key factor in PhosAgro's ability to meet its goal of being a long-term sustainable business and in balancing its obligations to all stakeholders.

PhosAgro strives to develop its extensive resource base and produce fertilizers both safely and in an environmentally friendly manner in order to ensure sustainable growth of agricultural production worldwide. We have in place environmental management practices that ensure our compliance with applicable regulations, and that help to reduce the impact of our operations on the environment. The Group is committed to continuous improvement in this area and targets a reduction in environmental impacts from its operations.

In addition to internal guidelines, PhosAgro adheres to Russian regulatory requirements and is guided by EU environmental protection directives and international agreements, including the Basel Convention and the Helsinki Convention.

POLICY HIGHLIGHTS

Our environmental policy and goals entail implementation of strategic plans for our enterprises and form the basis for PhosAgro's environmental protection management system.

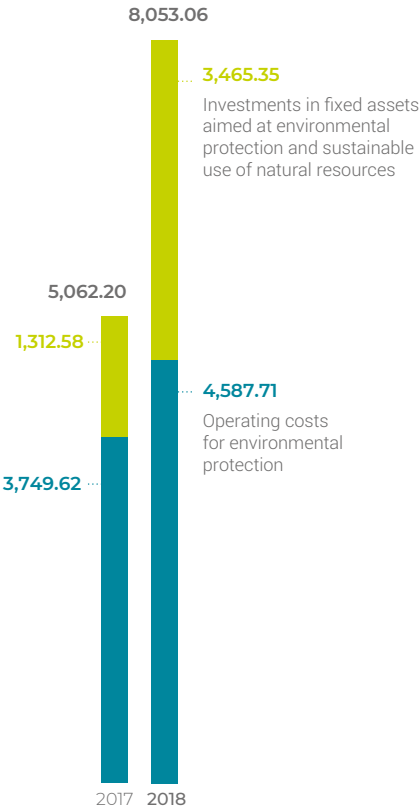
- The Company undertakes the following activities to achieve this goal:
- compliance with legal requirements and other responsibilities assumed by PhosAgro in the area of environmental protection;
 - application of the best available technologies at production facilities;
 - minimising environmental risks at all stages of investment projects;
 - conservation of resources and measures to prevent climate change and possible damage to the environment;
 - interaction with stakeholders on environmental issues;
 - improvement of management systems to increase effectiveness and efficiency.

We monitor our progress in terms of fulfilling our environmental obligations and achieving our objectives on a systematic basis, so that the CEO can make informed decisions about identified opportunities for improvement.

PhosAgro invests considerable resources into upgrading facilities and implementing new technologies that comply with the most stringent environmental regulations. Existing production facilities are expanded and new facilities established in accordance with environmental protection laws and the best available technologies. At the same time, we have seen a steady reduction in specific emissions.

PHOSAGRO'S MAIN ENVIRONMENTAL PROTECTION AIM IS TO REDUCE ITS NEGATIVE IMPACT ON THE ENVIRONMENT

Spending on environmental protection, RUB mln



MAIN HIGHLIGHTS

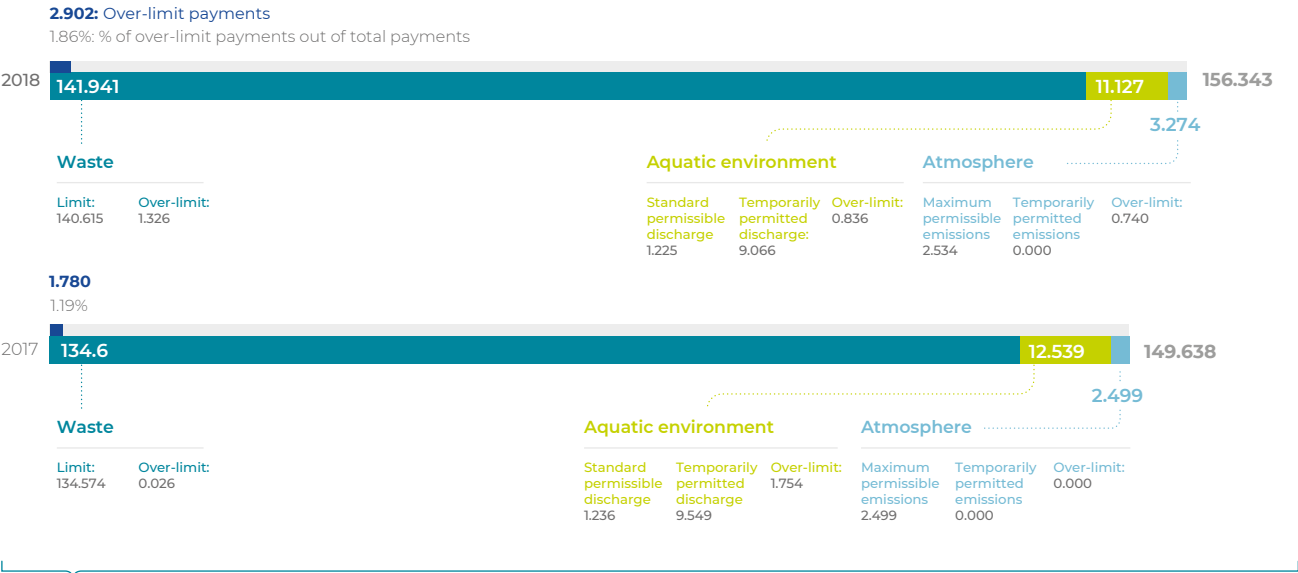
- We adopted KPIs in 2016 and made every effort to meet them in the subsequent two years. The main KPIs for the Company's environmental function are:
- Possession of all necessary environmental permits for key production assets and subsidiaries
 - The amount of environmental investments and financing of environmental activities aimed at preserving and restoring the natural-resource potential and biodiversity of the regions where we operate
 - The size of payments for environmental impact, including over-limit payments, which is a key indicator of the Company's overall environmental impact

- Possession of all necessary permits at key production assets to ensure their compliance with environmental legislation
- Reduction of over-limit payments for environmental impact in year-on-year terms

Key 2018 highlights

Over-limit payments accounted for 1.86% of all payments for the Company's environmental impact.

Payments for environmental impact, RUB mln



Over-limit payments in 2018 for the atmospheric impact associated with the extension of the time frame for conducting a sanitary and epidemiological assessment of the draft standards on permissible emissions at the Kirovsk branch of Apatit.

An over-limit payment for waste disposal associated with a change in the waste classification at Metachem; new types of waste were identified.

ENVIRONMENTAL REVIEW

continued

SYSTEM HIGHLIGHTS

MANAGEMENT AND REPORTING

JSC Apatit's management system covers the main levels of management and all stages of production from development to product release. It also establishes uniform requirements for the management of the enterprise's production activities, which influences the quality and competitiveness of its product, as well as environmental safety.

IMPLEMENTATION OF THE PRINCIPLES OF A SYSTEMATIC APPROACH TO INTERNATIONAL STANDARDS IN THE FIELD OF ENVIRONMENTAL PROTECTION MAKES A SIGNIFICANT CONTRIBUTION TO THE ENVIRONMENTAL COMPONENT OF THE SUSTAINABLE DEVELOPMENT OF THE ENTERPRISE AND THE COMPANY AS A WHOLE

Presenting the Company's activities as a set of processes can improve the enterprise's efficiency by optimising internal and external interactions. Compliance with environmental standards is achieved by continuously monitoring the quality of raw materials, preventing critical excesses at all stages of the production process, continuously measuring the parameters of the production process, monitoring and automating the production process and conducting rapid analysis of working environments.

We systematically monitor, measure and evaluate not only the intended results in the area of environmental protection, but we also assess efforts aimed at preventing the occurrence of repeated and potential inconsistencies. The results of the monitoring are used to identify and assess environmental issues, to determine risks and opportunities and to develop and implement measures to manage and respond to risks.

Company management has delegated to the chief environmental officer responsibility for the overall management, organisation and coordination of work on the development, implementation, operation and continuous improvement of the environmental management system. At each of the Group's production sites, the work of monitoring the implementation of environmental protection measures, ensuring compliance with regulatory requirements and preparing reports is carried out by experts from the Company's departments for environmental monitoring and environmental management. The distribution of responsibility and authority within the environmental management system is determined by regulatory documents, including Company standards, regulations on structural units, job descriptions, production instructions, etc. These documents regulate — as they are intended to — requirements on the implementation of various activities and workplace safety.

The journey of phosphate-based fertilizers, our main product, begins at our Kirovsk branch of the JSC Apatit mine on the Kola Peninsula in north-west Russia, where we extract unique apatite-nepheline ore that contains almost no harmful heavy metals.

This high-quality raw material is a key input for our downstream production sites, which make some of the world's purest and safest phosphate-based fertilizers that farmers use to grow the food that ends up on our plates.

The technological processes involved in producing ammonia, mineral fertilizers and inorganic acids and those used in the production of mineral fertilizers correspond to the best available technologies used in the Russian Federation and can reduce any adverse impact on the environment, cut down on water consumption and improve both energy and resource efficiency.

At all stages of production, indicators are monitored regarding the following types of environmental impact: monitoring of atmospheric emissions at the source, monitoring of the air near areas of sanitary protection, monitoring of waste-water discharge into bodies of water, monitoring and keeping records on areas used to store production and consumption wastes for all of the Company's assets, including the activities of contractors. Monitoring is carried out on the basis of environmental monitoring programmes adopted at every one of the Company's production assets. The results of environmental monitoring are submitted to the territorial bodies for state environmental monitoring (Rosprirodnadzor) in the regions where the Company operates. If the results of environmental monitoring indicate deviations from norms, then, as a rule, corrective measures of an organisational and technical nature are developed. The results of environmental monitoring are used as the basis for investment decisions and in financial planning for the implementation of

activities aimed at reducing the impact of production activities, as well as to monitor the effectiveness of implemented activities.

Requirements for contractors and suppliers of works and services in the area of environmental safety have been developed and are available at all of the Company's tender sites.

PhosAgro management receives weekly updates on all ongoing environmental issues, and quarterly reports are produced for the Chairman of the Health, Safety and Environment Committee of the Board of Directors. On a quarterly basis, the Board receives updates on any expenses or payments the Company has made for its environmental impact. In addition, the Board of Directors receives annual and semi-annual updates on PhosAgro's environmental protection initiatives and current environmental performance.

ENVIRONMENTAL PRINCIPLES

- 1

Reducing the amount of disturbed territory when developing new territories: optimising the development of new territories in project documentation
- 2

Conserving biodiversity, such as freshwater ecosystems and spawning streams: construction of treatment facilities and the adoption of measures to replenish biological resources; preservation of wildlife migration routes
- 3

Implementing a comprehensive programme for financing major conservation measures and initiatives for the conservation of biodiversity
- 4

Refusing to carry out works in specially protected natural areas or conservation areas, World Natural Heritage sites, wetlands of international importance (sites protected by the Ramsar Convention): prohibiting employees, including contractors, from hunting or fishing in areas where the Company is implementing projects
- 5

Confirming that the Company's activities are in compliance with legislative requirements and standards in the field of environmental safety: requirements for conducting regular external environmental audits
- 6

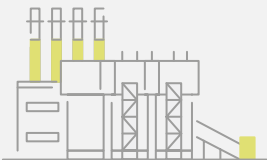
Carrying out a comprehensive environmental impact assessment for a project from the construction stage to the decommissioning stage within the scope of implementation of said project and any affiliated projects
- 7

Holding all partners in the supply chain responsible for their environmental impact: the Company has certain environmental requirements for suppliers of products and services and for contractors that are published on open tender sites and are one of the fundamental criteria for choosing suppliers and contractors. Environmental and industrial monitoring of contractors is carried out on a mandatory basis, including the filing of oversight reports and the submission of state statistical reports

ENVIRONMENTAL REVIEW

continued

KEY ENVIRONMENTAL MEASURES AT THE COMPANY’S ENTERPRISES IN 2018



Kirovsk branch of JSC Apatit

- Dust-suppression measures are being taken at tailings.
- A special-purpose programme is also being implemented to reduce the volume of waste produced and to improve the quality of waste at the Kirovsk branch of Apatit.



Balakovo branch of JSC Apatit

Measures taken at the Balakovo branch of Apatit in 2018 were aimed at preserving natural capital assets and implementing obligatory measures aimed at compliance with regulations on environmental protection.



JSC Metachem

- Since July 2018, JSC Metachem has been operating a closed-loop water-recycling system, making it impossible to release waste water into the Volkhov River.
- More than RUB 152 million was spent in order to ensure the uninterrupted operation of gas cleaning equipment.



JSC Apatit

- Pursuant to Decree of the President of the Russian Federation No 204 of 7 May 2018 on the National Goals and Strategic Objectives for the Development of the Russian Federation for the Period up to 2024, JSC Apatit has been taking measures to reduce emissions of air pollutants in the city of Cherepovets. The goal is to reduce atmospheric emissions to 2,690 tonnes by 2024.
- In 2018, measures were successfully implemented to revamp facilities for the production of 660/3-type sulphuric acid and to re-equip the recuperative heating stage for tail gas from Unified Acid Line 7 and the production of nitric acid aimed at reducing emissions of sulphur dioxide, nitrogen oxides, ammonia and carbon monoxide to a combined total of 990 tonnes.
- JSC Apatit is involved in a federal project called “Preservation and Prevention of Pollution in the Volga River”, which involves measures aimed at reducing the volume of waste water released into the river.

LEGISLATIVE AND ADMINISTRATIVE FRAMEWORK

None of PhosAgro’s enterprises use ozone-depleting substances in the production process. A small amount (not more than 250 kg/year) of carbon tetrachloride (CCl₄) is used for some laboratory testing processes. We do not undertake cross-border hazardous waste transportation, and our production sites are not situated in protected areas. Hence, there are no significant restrictions on our operations.

AWARDS

As of the end of 2018, PhosAgro Group was the top-ranked producer of mineral fertilizers in the CIS according to the Fertilizer Daily industry portal.

JSC Apatit received an award — an opportunity to undertake a national project aimed at improving enterprise management systems in Russia—from the government of the Russian Federation for its product quality. This prize has been awarded since 1996 by Russia’s Prime Minister to companies and organisations that have implemented best practices in terms of the application of advanced management tools and practices. JSC Apatit stands out in terms of its implementation of lean production, its use of innovative technologies and the outstanding quality of its integrated management systems, as well as its automation of business processes. In addition, the Company pays a great deal of attention to issues related to the environmental impact of production, an important criterion for the award.



PERMITS AND CERTIFICATES

The Company’s production sites hold all necessary licences and permits related to environmental protection.

We also undertake regular internal and external audits to assess our compliance and obtain certification, together with exposure assessments, international format safety data sheets and recommendations for safe handling that are developed in compliance with the requirements of European Regulation No 1272/2008 on classification, labelling and packaging of substances and mixtures, and No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the development of exposure scenarios.

In addition to observing Russian environmental law, we adhere to international standards relevant to our business to guide our approach. In 2018, JSC Apatit and its subsidiary, the Balakovo branch of Apatit, successfully passed inspections for compliance with the ISO 9001:2015 and ISO 14001:2015 international standards.

For the first time, it was confirmed that JSC Apatit’s production and sale of feed additives are in compliance with the requirements of the GMP+ B1 Production, Trade and Services standard.

The Balakovo branch of Apatit passed a witness audit for compliance of its monocalcium phosphate feed production with the GMP+ international standard. The GMP+ standard describes the requirements for a management system for the production of feed and feed ingredients, so as to ensure the safety of feed product. The GMP requirements apply to the entire production process from feed production right up to the consumer’s receipt of the product.

ENVIRONMENTAL REVIEW

continued

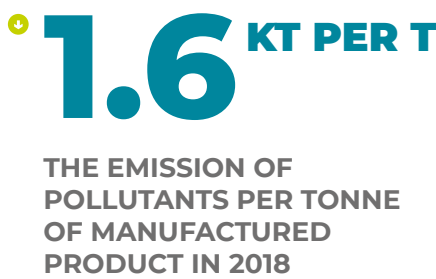
IMPACT OF COMPANY ENTERPRISES ON THE ENVIRONMENT IN 2018

EMISSIONS INTO THE ATMOSPHERE

In 2018, gross emissions from the Group's production facilities amounted to 32,225 tonnes, which was 258 tonnes, or 1%, lower than in 2017. JSC Apatit, the Balakovo branch of JSC Apatit and JSC Metachem were able to achieve such a reduction through the successful implementation of a number of measures aimed at reducing their adverse impact on the atmosphere.

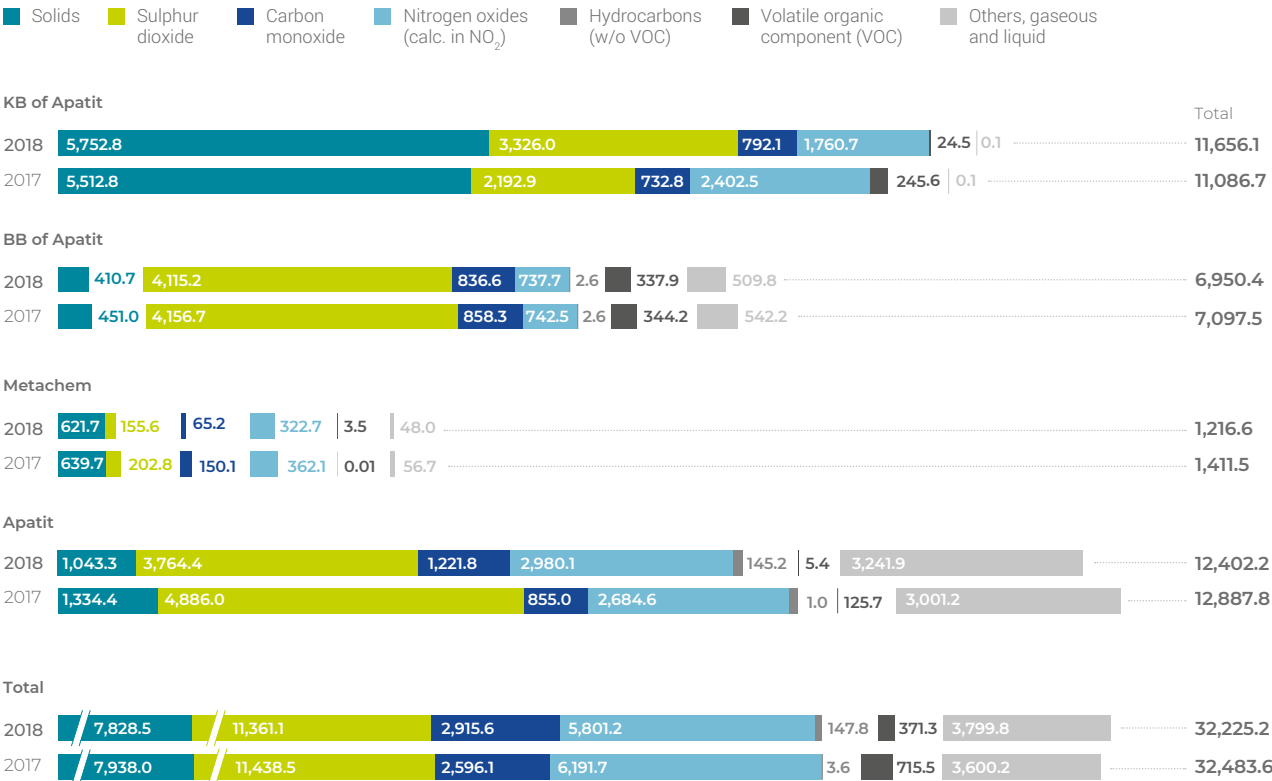
Increase in emissions of pollutants at the Kirovsk branch of JSC Apatit: solid substances and sulphur dioxide, is a result of increased production of apatite concentrate in 2018.

The emission of pollutants per tonne of manufactured product in 2018 was down 6% compared to 2017, amounting to 1.6 kg of emissions per tonne of product compared to 1.7 kg per tonne the year before.*



* For JSC Apatit, the Balakovo branch of JSC Apatit and JSC Metachem, specific emissions are given per tonne of fertilizer. For the Kirovsk branch of JSC Apatit, specific emissions are given per tonne of concentrate.

Emissions of NOx, SOx and other significant pollutants in 2018, t



WASTE

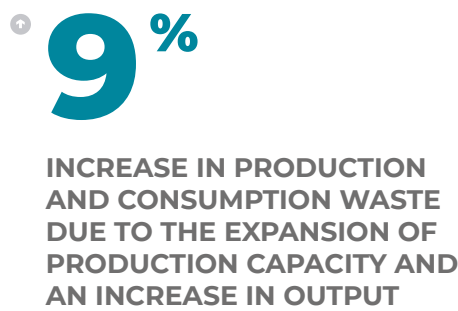
In 2018, the total volume of waste generated amounted to 99.1 million tonnes. Approximately 90% of this volume was created at JSC Apatit, where the total volume of production and consumption waste increased by 9% compared to the previous year due to the expansion of production capacity and an increase in output.

Most of the Group's waste (around 63%) is a predominantly non-hazardous composite of

overburden rock at the Kirovsk branch of JSC Apatit.

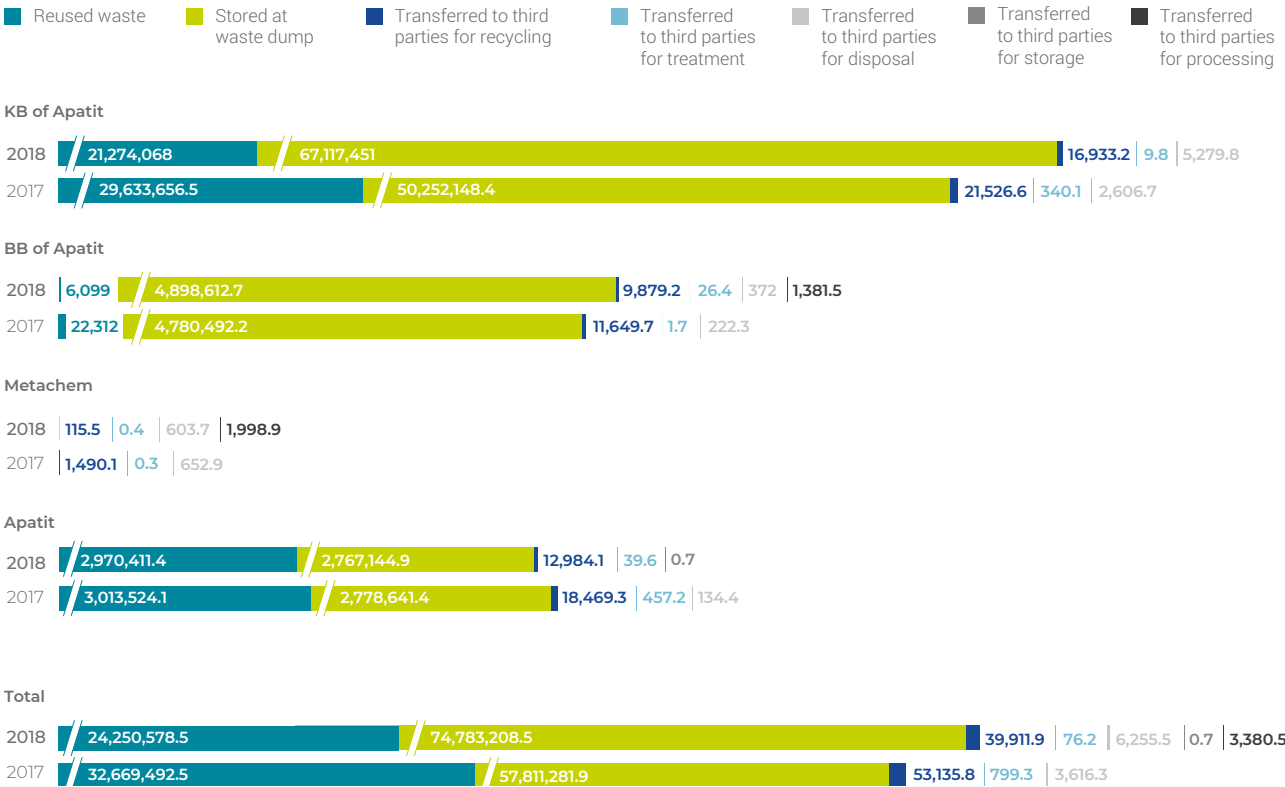
Specific waste generation in 2018 was 4.9 tonnes per tonne of product. This 4% increase compared to 2017 is a result of an increase in the production of apatite concentrate in 2018 as well.*

There was no change from 2017 to 2018 in the amount of phosphogypsum produced.



* For JSC Apatit, the Balakovo branch of JSC Apatit and JSC Metachem, specific waste is given per tonne of fertilizer. For the Kirovsk branch of JSC Apatit, specific waste is given per tonne of concentrate.

Waste, t



ENVIRONMENTAL REVIEW

continued

WASTE

WASTE GENERATION BY HAZARD CLASS, T

	Kirovsk branch of JSC Apatit		Balakovo branch of JSC Apatit		JSC Metachem		JSC Apatit		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Hazard Class 1	0.4	0.2	2.7	2.1	0.3	0.4	6.5	4.7	9.9	7.5
Hazard Class 2	9.5	0.0	0.7	0.0	0.0	0.0	0.2	1.3	10.4	1.3
Hazard Class 3	390.3	237.4	260.2	38.0	26.5	0.0	655.1	981.2	1,332.1	1,256.6
Hazard Class 4	2,829.3	6,710.5	154,583.8	123,472.4	494.1	594.9	95,489.6	45,581.4	253,396.8	176,359.2
Hazard Class 5	79,907,048.7	88,406,793.5	4,647,047.5	4,786,328.1	1,517.8	2,123.2	5,714,759.1	5,751,953.2	90,270,373.1	98,947,198
Total	79,910,278.3	88,413,741.6	4,801,894.9	4,909,840.6	2,038.7	2,718.5	5,810,910.5	5,798,521.8	90,525,122.3	99,124,822.6

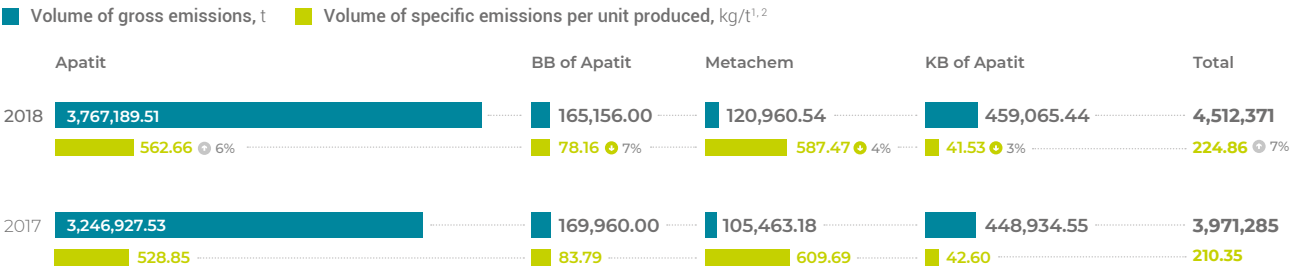
GREENHOUSE GAS

The increase in greenhouse gas emissions is due to the fact that our new ammonia production unit at JSC Apatit in Cherepovets

began operating at full capacity, as well as an increase in total production output.

In addition, we also managed to reduce our specific emissions (per tonne) at our other three sites.

Greenhouse gas emissions³



¹ For Apatit, the BB of Apatit and Metachem, specific emissions of greenhouse gases are given per tonne of fertilizer.

² For the KB of Apatit, specific emissions of greenhouse gases are given per tonne of concentrate.

³ The values of emissions and specific emissions differ from those reported in our 2017 integrated report due to a change in the data collection method and improvements in the method used to make the calculations.

WATER

Ninety-three per cent of the Company's waste water comes from the Kirovsk branch of JSC Apatit.

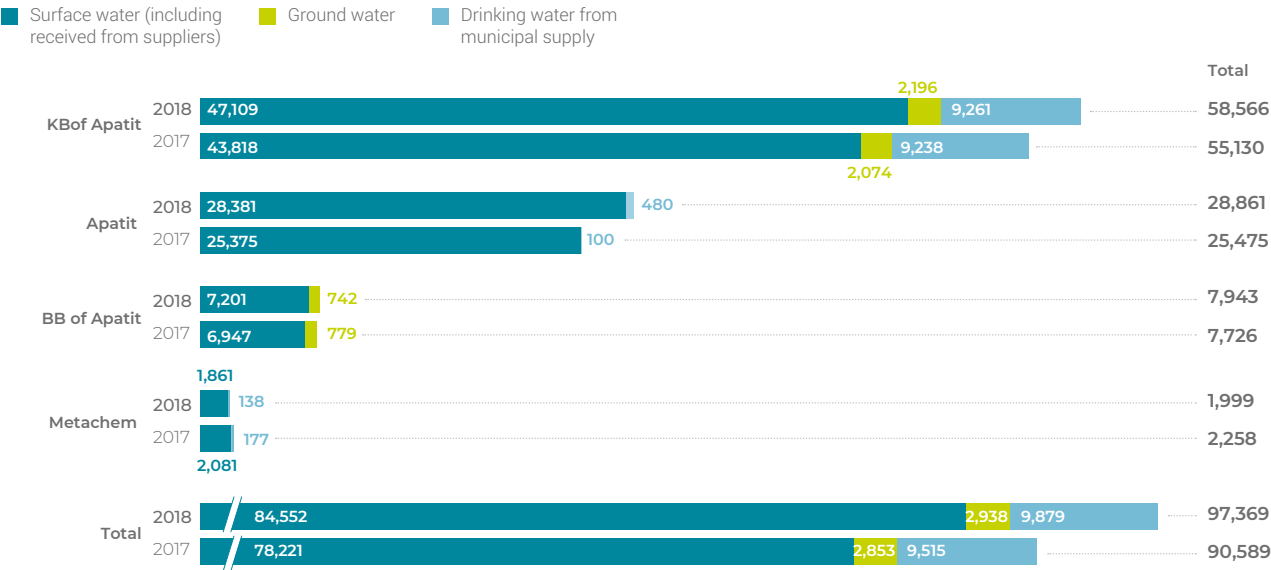
In 2018, the waste water discharged by PhosAgro's industrial enterprises decreased to 185.622 million cubic metres. This was the result of JSC Metachem's introduction of a closed-loop water-recycling system to avoid discharging waste water into the Volkhov River.

Of the total volume of unpurified waste water produced by the Kirovsk branch of JSC Apatit, 3% is discharged, while the remaining 97% is treated in accordance with regulatory documents – permits issued by Rosprirodnadzor for the discharge of pollutants. At our Cherepovets facility, waste water from Apatit's production activities is discharged without treatment.

No waste water is discharged at the Balakovo branch of JSC Apatit, and no waste water has been discharged at Metachem since July 2018.

In 2018, state environmental monitoring bodies issued two instructions, both of which were fully addressed.

Total water withdrawal by source¹, kt M³



Drainage, mln M³

	Kirovsk branch of JSC Apatit	Balakovo branch of JSC Apatit	JSC Metachem	JSC Apatit	Total
Waste-water discharge	171.787	0.000	0.141	13.694	185.622
Discharged without treatment (% of total waste-water discharge)	3%	–	0%	0%	3%

¹ The values of the water withdrawal for 2017 may be different from the similar values from the Integrated Report 2017 due to changes in data accounting method.

ENVIRONMENTAL REVIEW

continued

ENERGY EFFICIENCY

PhosAgro's production activities are energy-intensive, and we are constantly seeking ways to improve both productivity and the efficiency of resource consumption. A fundamental component of the Company's work in this area is developing a strong understanding of how our energy resources are used.

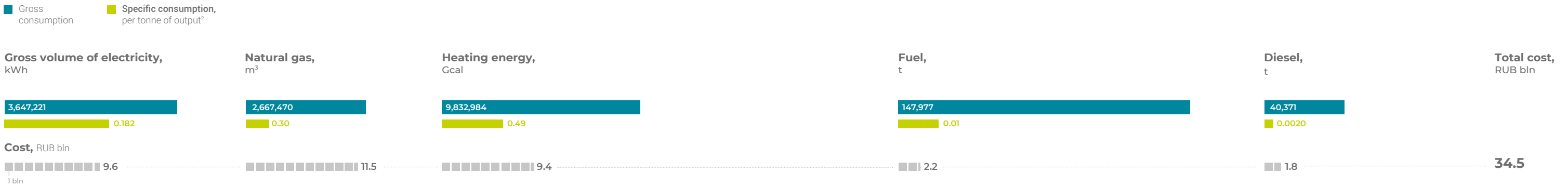
WE ARE CONSTANTLY
LOOKING FOR
OPPORTUNITIES TO
UPGRADE TECHNICAL
ASPECTS OF THE
COMPANY'S PRODUCTION
CAPACITIES AS A WAY TO
INNOVATE AND OPTIMISE
OUR MANUFACTURING
PROCESSES



- Our Group of companies concentrates on the following key areas:**
- Increasing energy efficiency;
 - Expanding our own power-generation capacities;
 - Waste-heat recovery — using the heat from gas-turbine exhaust gases for steam production;
 - Optimising energy resources.

Energy efficiency
In 2018, the operations of PhosAgro's production subsidiaries were 40.7% self-sufficient in electricity, which was achieved by recapturing heat from the production of sulphuric acid, as well as the use of a gas turbine power plant at the Cherepovets facility. In addition, the Company continues to implement programmes aimed at improving energy efficiency at all of the Group's enterprises.

PhosAgro Group energy consumption in 2018¹



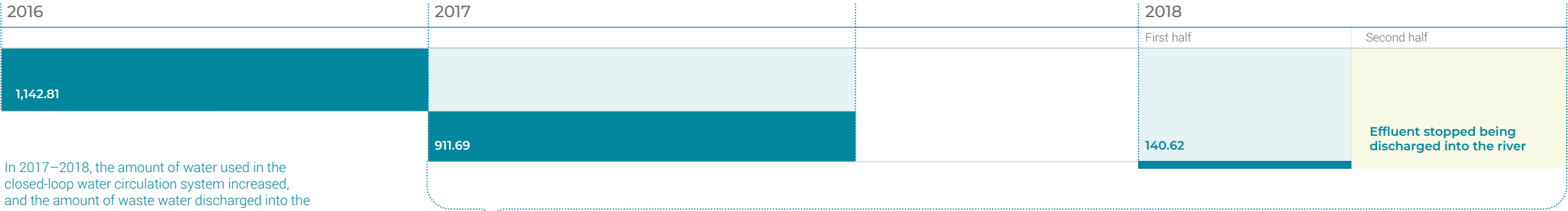
¹ A comparison of energy consumption and specific energy consumption was not carried out because of improvements to our data collection methods and changes in the method used to make the calculations.
² For JSC Apatit, the Balakovo branch of JSC Apatit and JSC Metachem, specific consumption is given per tonne of fertilizer. For the Kirovsk branch of JSC Apatit, specific consumption is given per tonne of concentrate.

METACHEM’S ENVIRONMENTAL INITIATIVES

The Company has been introducing new technologies and carrying out activities to protect the natural environment from the impact of its production operations.

TAKING CARE OF THE ENVIRONMENT IS ONE OF THE COMPANY’S DEVELOPMENT PRIORITIES. IN 2018, A ZERO-DISCHARGE PRODUCTION SYSTEM WAS INSTALLED AT JSC METACHEM

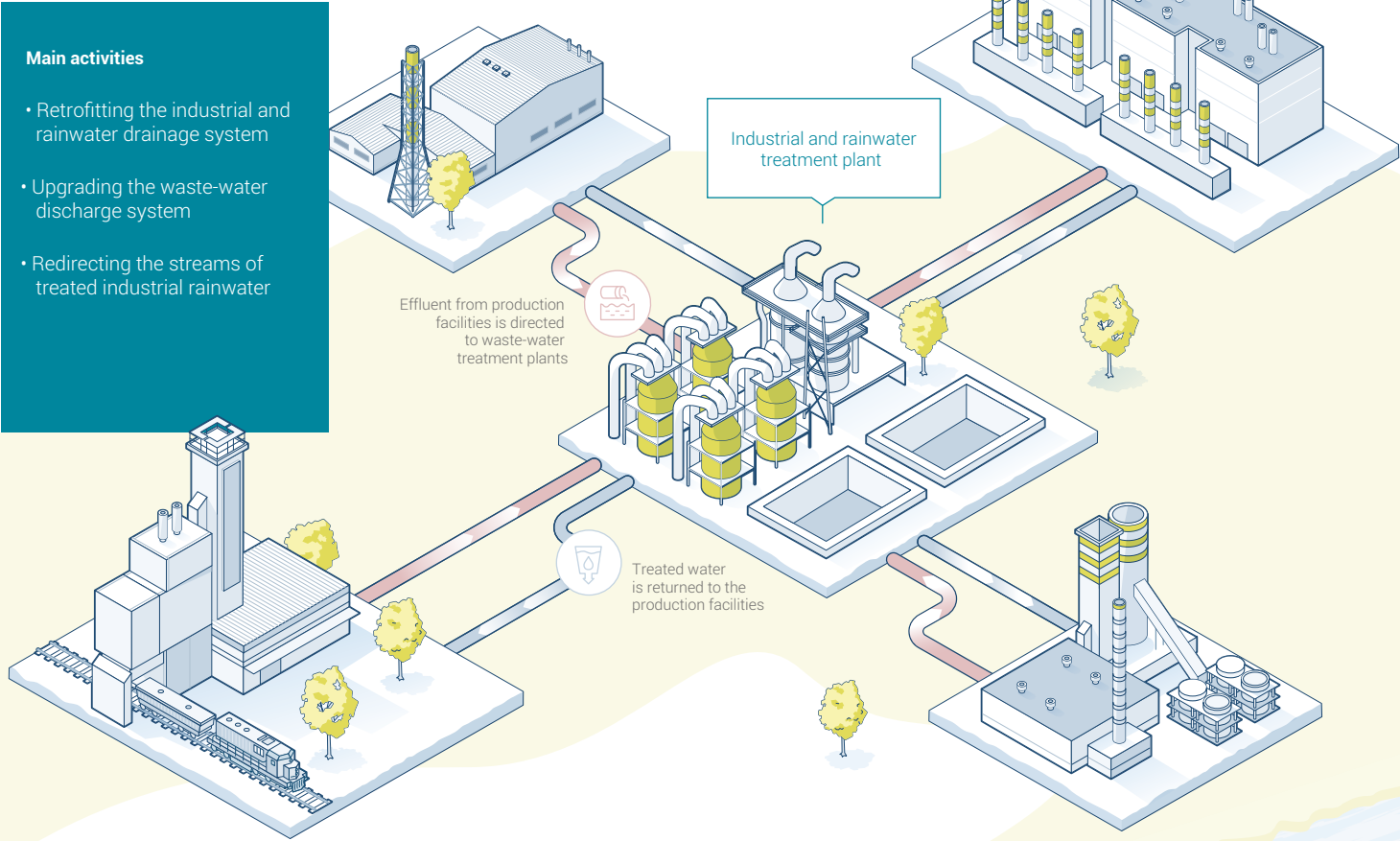
Decrease in waste water discharged into the Volkhov River, ths m³ per year



0 KT M³

OF WASTE WATER DISCHARGED INTO THE VOLKHOV RIVER IN THE SECOND HALF OF 2018

1 CLOSED-LOOP WATER CIRCULATION SYSTEM



2 RECOVERY OF AQUATIC LIFE

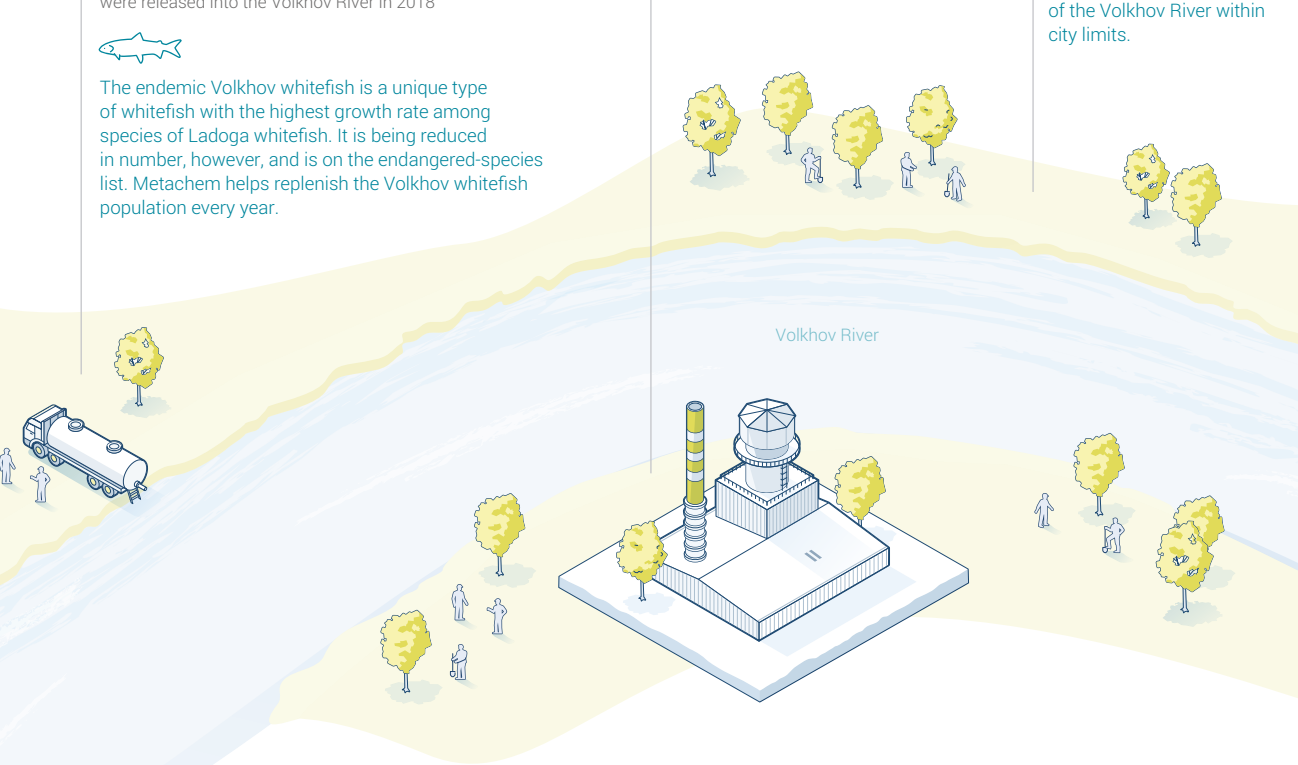


3 PLANTING GREENERY IN ADJACENT TERRITORY

Greenery is planted in the adjacent territory every year

4 CLEAN-UP OF THE RIVER BANKS

Volunteers from JSC Metachem organise an annual clean-up operation along the banks of the Volkhov River within city limits.



HEALTH AND SAFETY REVIEW



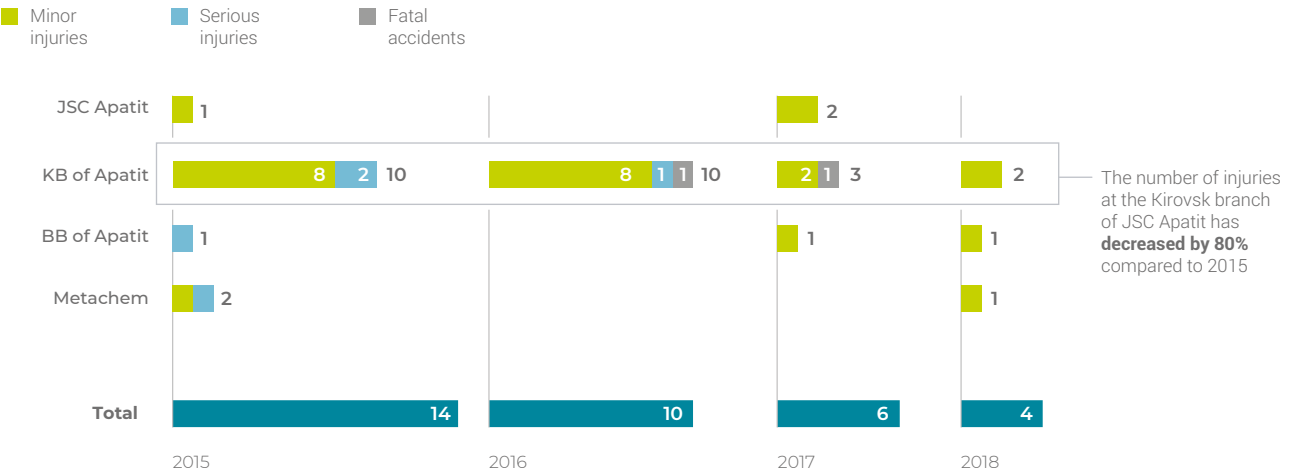
2018 HIGHLIGHTS



GLOBAL SUSTAINABLE DEVELOPMENT GOALS



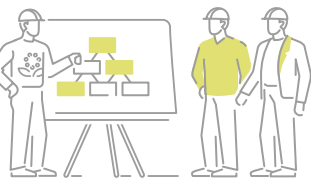
Total number of workplace accidents in 2015-2018, people



LTIFR, per 1 mln working hours



KEY EVENTS



More than 30 thousand training sessions for contractors were conducted.



A system of barriers, signs and checkpoints was introduced.



Ninety-seven per cent of scheduled behavioural safety audits (more than 27 thousand) were conducted in 2018. Conducting regular behavioural safety audits is one of the keys to safe and successful operations.



On 12 November 2018, a new training site for working at heights was introduced. The training was completed by 128 employees in 2018.



Six hundred sixty-six third-party contractors work at PhosAgro production sites.

HEALTH AND SAFETY REVIEW

continued

HEALTH AND SAFETY STRATEGY

In 2017, the Company approved a strategy for occupational health and safety that specifies the main areas of work and target programmes to reduce the risks inherently associated with the Company's various activities.

PhosAgro's workplace health and safety strategy aims to achieve three key goals:

- 1

No fatal injuries among in-house employees or contractors
- 2

No accidents or catastrophes
- 3

Ensuring sustainability of results

In 2018, we continued making progress in improving our health and safety performance in order to contribute to achieving the Company's strategic goals. Our strategic and operational goals and tasks in the area of workplace health and safety are based on an analysis of large volumes of data from internal and external audits and inspections, incident investigations, and recommendations from representatives of the workforce.

MANAGEMENT APPROACH

The health and safety of our workers, contractors and suppliers is our core priority as well as an essential component of PhosAgro's sustainable performance. We need a safe, healthy, motivated and engaged workforce to sustain and expand our operations, to spur innovations, and to contribute to our partnerships with local communities and other stakeholders in a positive way. PhosAgro is fully committed to creating a safe and healthy working environment and to providing all the necessary conditions for strengthening the Company's health and safety system.

We have implemented a unified workplace health and safety system across all of our operations, and we hold external contractors to the same standards that we set for our own employees. In 2014, we began working with DuPont Sustainable Solutions to enhance our workplace health and safety performance. Since then, we have implemented a system of behavioural safety audits to reveal and eliminate hazardous situations. A joint project with DuPont Sustainable Solutions, the consulting division of DuPont, which was implemented in 2014–2015, proved to be a strong impetus for upgrades to the management system. In 2018, there was an emphasis on the introduction of common approaches throughout all enterprises to ensure the safety of work performed by contractors. The following two approaches were initiated: raising awareness among contractors (current and potential) about the Company's workplace safety requirements and improving the monitoring of the safety of contractors.

As a result of these new approaches, contractors understand the Company's requirements at the time of entering into a tender. Additional meetings are conducted to explain specific regulations to bidders. The practice of constantly reviewing work plans for the most critical jobs has been introduced. This allows risks to be assessed in a timely manner, before work begins, so as to take the necessary safety measures. The practice of targeted inspections of contracted organisations, before work begins, was introduced, looking at priority areas such as preparedness to work safely at heights, the availability of serviced scaffolding, safety when operating heavy machinery and compliance with fire safety regulations at work sites and in outbuildings. In addition to this, regular checks are carried out to ensure the personnel in charge of the contracted organisations have documents confirming the relevant OHS training. All of this helps to ensure that workers for external contractors follow the same rules as the enterprise employees.

Our aim is to have no safety violations and no workplace fatalities. Through close collaboration among teams and with contractors, we aim to improve our health and safety performance every year.

It is our goal to improve on our lost-time injury frequency rate (LTIFR) every year. Over the past five years, our LTIFR has decreased by 76%. However, there is still much work to be done, and we will continue to improve in this field.

HEALTH AND SAFETY MANAGEMENT SYSTEM

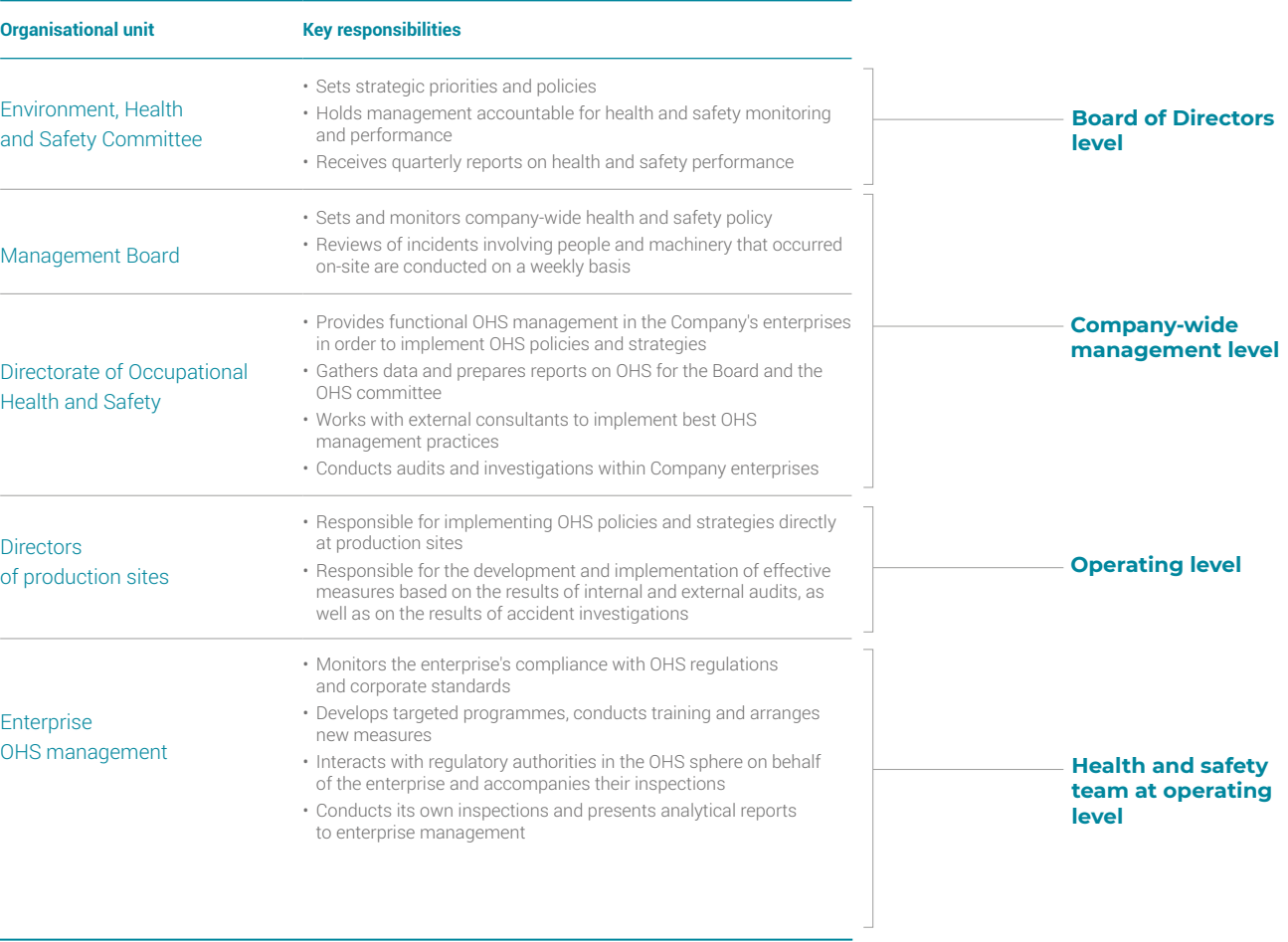
PhosAgro ensures workplace health and safety in compliance with relevant legislation and global best practices in this area. For this reason, the Company has implemented a multi-level OHS management system, which involves managers at all levels, as well as providing managers, specialists and labourers with the OHS training required by national legislation. A system of audits and inspections aimed at compliance with the requirements of state regulations and corporate standards has been introduced.

PhosAgro's largest enterprise, JSC Apatit, is certified for compliance with the OHSAS 18001 international standard.

The Occupational Health and Safety Committee is an integral part of the Company's health and safety management system, and it is also one of the ways in which production and other managers and staff can take part in the Company's work on occupational health and safety.

The work of the Committee is based on the principles of social partnership.

The Committee interacts with the Company's executive body responsible for health and safety, state bodies responsible for overseeing compliance with Russian laws on health and safety, other state oversight bodies, and the Company's trade union.



PhosAgro's Occupational Health and Safety system is described in detail in JSC Apatit's Policy on Quality, the Environment and Occupational Health and Safety.

HEALTH AND SAFETY REVIEW

continued

HEALTH AND SAFETY ACTIVITIES IN 2018

Health- and safety-related standards and regulations implemented in 2018

The corporate standard introduced in 2018 is a good example of our systematic approach to ensuring workplace safety for contractors. It contains requirements for the approval of work plans and task plans developed by contractors. Firstly, this standard combines the requirements of several state regulations. This means that contractors do not have to develop their own work plans and task plans. It also means that specialists and Company management no longer have to coordinate these documents, which are critical to workplace safety. Secondly, this document provides a constant overview of work plans and task plans in the most hazardous jobs.

This makes it possible to identify all hazards related to a particular activity, assess risks and develop effective measures to reduce them in a timely manner before undertaking this activity.

Safety at JSC Apatit sites

Safety at JSC Apatit's production sites is ensured by both the mining and gas rescue services. It is also overseen by the fire divisions of LLC Agrokhimbezopasnost, which is licensed to perform gas and fire rescue services, as well as search and rescue operations. All trained and certified personnel undergo an annual medical examination. In accordance with annual plans and

training sessions (approved by JSC Apatit, EMERCOM, and Agrokhimbezopasnost), each emergency service unit completes drills with the relevant staff on the evacuation of personnel, fire exercises and civil defence training exercises. Agrokhimbezopasnost also conducts preventative work at sites: planned inspections and rounds, patrols, fire safety checks, monitoring of gas and fire hazards and of newly constructed facilities. In 2018, a target programme for the development of Agrokhimbezopasnost emergency rescue units was developed and approved at all sites of JSC Apatit for 2019 to 2022. Work on its implementation is currently underway.

Specific training highlights in 2018 included the following sessions:

331 EMPLOYEES

underwent behavioural safety audits

43 EMPLOYEES

were trained through the Accident Investigation programme

489 EMPLOYEES

attended training courses on the basics of safe behaviour

EVERY SINGLE MANAGER, SPECIALIST AND PRODUCTION LINE EMPLOYEE AT PHOSAGRO RECEIVES WORKPLACE HEALTH AND SAFETY INSTRUCTION AND TRAINING AND UNDERGOES TESTING ON THE SUBJECT IN ACCORDANCE WITH RUSSIAN LEGAL REQUIREMENTS. IN ADDITION, WE CONDUCT A NUMBER OF ADDITIONAL INTERNAL TRAINING SESSIONS

CASE STUDY

1



MINING SAFETY: AN AREA OF STRATEGIC IMPORTANCE

In 2018, PhosAgro was successful in reducing the accident rate in its mining operations. This was the result of ongoing efforts to implement one of the priority areas of the Company's OHS strategy that was adopted at the beginning of 2017, i.e., to ensure mining safety. Work on this strategic area focused primarily on personnel and equipment.

In terms of personnel and mine safety, PhosAgro took another step in involving senior and middle management, as well

as workers, in actions related to ensuring safety. During the year, the Company conducted a large number of initiatives aimed at training and engaging staff.

Concerning mining safety, the following achievements from 2018 should be mentioned:

- New internal staff training courses
- Creation of nine animated safety videos

263

EMPLOYEES

completed internal training courses in 2018



33

Completed specialist training

230

Took part in practical workshops

3



NEW TRAINING CENTRE FOR WORKING AT HEIGHTS

Opened by the Company in 2018.

4



CONTRACTOR MANAGEMENT

PhosAgro pays close attention to OHS issues when engaging contractors.

The Company clarifies its internal safety requirements through regular meetings with the management of its contractors.

2



HOW INCIDENTS ARE REPORTED

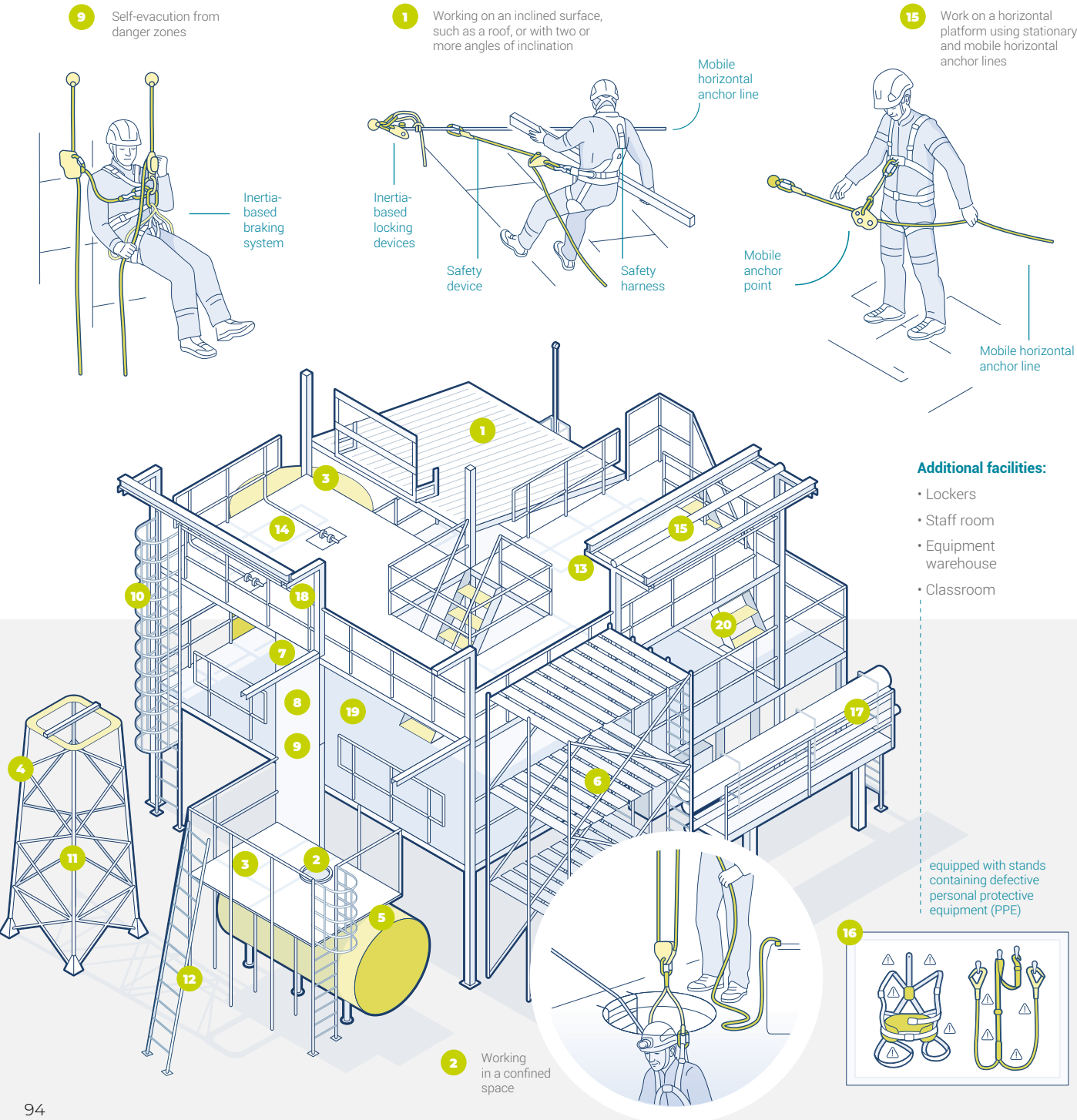
It is important for us to receive information about all incidents as quickly as possible. To do this, the Company has a procedure in which information about incidents is transmitted from eyewitnesses to the supervisors in charge and from those supervisors to the dispatcher of the respective enterprise.

Next, the company manager transmits information on the established list using text messages and phone calls. Industrial accidents and incidents are then investigated in accordance with legislative requirements and procedures for conducting internal investigations in order to determine the root causes.

SAFETY AT HEIGHTS

The Company’s employees can receive training on safe methods and techniques for working at heights at a special training facility.

VYSOTA TRAINING CENTRE

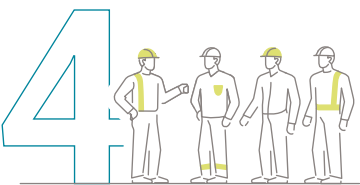
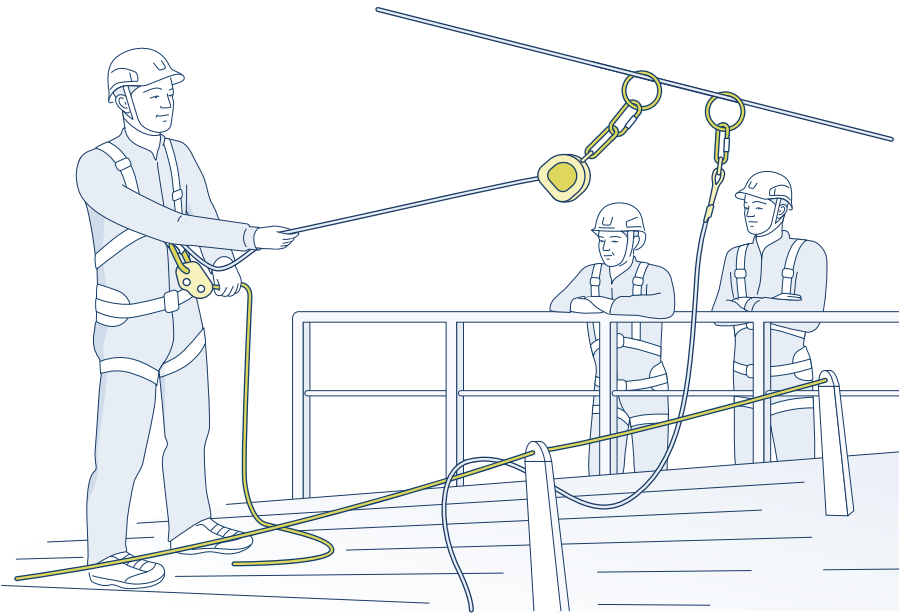


ALL POSSIBLE TYPES OF SURFACES AND STRUCTURES ENCOUNTERED AT OUR PRODUCTION FACILITIES ARE AVAILABLE AT THE TRAINING CENTRE. EMPLOYEES CAN WORK ON MASTERING EVERY POSSIBLE SCENARIO ASSOCIATED WITH WORKING AT HEIGHTS

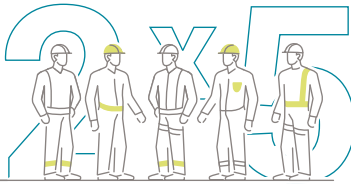
The nature of our work means we often have to deal with heights, and we must have safety training with access to working at heights.

Our training facility simulates real-life situations as closely as possible, and everything is clear and understandable.

Practising hands-on skills at our training facility is the best means of prevention.



4 specially trained instructors conduct the training



2 groups of 5 people can be trained at the site at the same time

FUNCTIONAL TRAINING ZONES

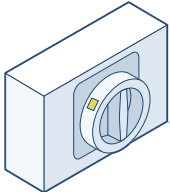
- | | | | |
|---|--|--|--|
| 1 Working on an inclined surface, such as a roof, or with two or more angles of inclination | 6 Working with scaffolding | 11 Ascending/descending vertical metal structures | 16 Checks and removal of defective equipment and PPE |
| 2 Working in a confined space | 7 Working with rope access systems | 12 Working on a ladder | 17 Pipeline tressle zones |
| 3 Working with both vertical and horizontal entry tanks | 8 Evacuation of injured personnel from heights using rope access systems | 13 Working near openings without barriers | 18 Practising skills for safe lifting (and passing) of tools, materials and equipment at heights |
| 4 Working with metal props | 9 Self-evacuation from danger zones | 14 The use of various anchoring devices and temporary fencing | 19 General work at heights using safety PPE |
| 5 Working with cisterns | 10 Ascending/descending ladders | 15 Work on a horizontal platform using stationary and mobile horizontal anchor lines | 20 Practice moving on a ladder with an incline of 75° or more by means of mobile anchor lines |

SAFETY IN HAZARDOUS WORKPLACES

In the interest of safety, the Company has introduced a BFC system, which prevents the accidental or unauthorised activation of equipment.

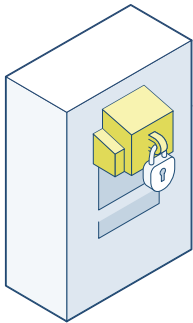
While equipment is undergoing maintenance or repair and employees are within range, the BFC* (block — flag — check) uses a special lock to suspend the flow of energy, substances or product into the equipment

A SPECIAL LOCK MAY BE FITTED:



Directly connected to the power switch

Most manufacturing equipment already has specially designed fitting points for locks



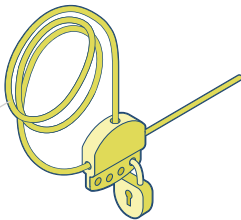
Through a special locking mechanism

If no specially designed fitting point is available, the source is closed off using a locking mechanism with a special lock

The valve can only be removed by the employee who installed it.
This guarantees the safety of every employee within range

The valve is connected directly to the power switch and not to the equipment controls.
This eliminates the risk that the equipment could suddenly turn on while people are performing maintenance, even if someone should accidentally press the start button

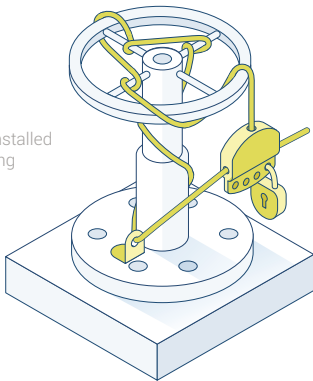
WHEN THE POWER IS SWITCHED OFF AND DISABLED, THE VERIFICATION STAGE OF THE BFC PROCEDURE MUST BE COMPLETED IN ORDER TO ENSURE THERE IS NO RESIDUAL ENERGY—PRESSURE, LIQUIDS AND GASES, COMPRESSED SPRINGS, ETC.—IN THE PRODUCTION EQUIPMENT



Master locking mechanism with cable lock

- BFCs can be applied to:
- handlebars of valves of all sizes;
 - handles of cranes;
 - electric machines or knife switches;
 - electricity switches, etc.

Locking mechanisms are made specifically for each piece of equipment.
This ensures they fit securely. Universal cable disablers are the most common



A correctly installed master locking mechanism

THE COMPANY'S IMPLEMENTATION OF BFC SECURITY

as of 31 December 2018

- 1 Employees of Virtex and PwC conducted an audit to determine which units required locking mechanisms.

2 A scheme designating the necessary BFC installation points was compiled.
- 3 BFC maps were developed and locking mechanism installation spaces marked with special tags.

4 We have developed diagrams, maps, instructions for using BFCs, and fitting points indicated on the equipment for all the parts of the Company's safety devices.
- 5 BFC systems are being successfully piloted in workshops at JSC Apatit, along with its Kirovsk and Balakovo branches, JSC Metachem, and LLC Mechanic.

6 A plan to collect information and assess the impact of the BFC system on employee and contractor injuries has been drawn up.

PEOPLE DEVELOPMENT



2018 HIGHLIGHTS

17,458
AVERAGE HEADCOUNT*

6.0%
EMPLOYEE TURNOVER RATE

6,447
NUMBER OF ATTENDEES OF PROFESSIONAL TRAINING COURSES

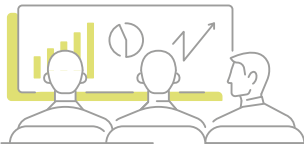
>100
STUDENTS TOOK PART IN PHOSAGRO CLASSES IN 2018

KEY EVENTS



Safety standards research
In 2018, the Company organised a number of key events aimed at the development of human resources. In December, for example, a focus group was held for employees of the Balakovo branch of JSC Apatit to discuss employees' thoughts on issues related to compliance with safety standards, the new incentivisation system, social welfare programmes, mentoring and career building.

The topics discussed revealed the strengths and weaknesses of projects in the area of PhosAgro's Personnel and Social Welfare Policy. As a result of the focus group, strategic sessions will be held to identify opportunities for improving the quality of existing staff programmes.



Strategic development training for the JSC Metachem
On 7-8 August 2018, JSC Metachem conducted the first stage of a training course on strategic development to 2025. The training session was attended by 42 staff managers and specialists involved in the project. As a result of the event, the project's key principles were developed, interdepartmental interaction improved, and the roles within each team were defined. In addition, the training session helped raise the level of staff engagement in the project.



Management skills training
Throughout the year, a complete overhaul of management skills for middle managers and employees was implemented at the Cherepovets site. Young managers gained skills in organisation and work planning for subordinate personnel, setting clear goals, time management, etc.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



3. Good Health and Well-being



4. Quality Education



8. Decent Work and Economic Growth

MEDIUM-TERM PLANS FOR 2019

The Company is currently working to solve a number of issues regarding its automation process, including in personnel management. It is analysing market options to find the most appropriate digital solutions for process management using current technology. More information about the Company's people development system, recruitment policy and other HR issues is available on the PhosAgro website: <https://www.phosagro.com/career/policy/>

PEOPLE DEVELOPMENT

continued


OUR PEOPLE ARE THE KEY TO OUR SUCCESS

MANAGEMENT APPROACH


We create value for our employees and other stakeholders by investing in our people: PhosAgro aims to provide stable employment, safe working conditions and fulfilling job opportunities. We start at the level of primary school and continue to invest in our people throughout their careers with PhosAgro.

We are dedicated to providing respectable social conditions for our workforce and safeguarding employee rights, including compliance with equality and non-discrimination principles. We carry out labour practices strictly in line with both Russian legal requirements and all applicable international standards. Moreover, the Company's HR and Human Rights policies reflect the UN Guiding Principles on Business.


STRATEGY HIGHLIGHTS




We use a KPI system to link executive remuneration to priorities like health and safety, as well as financial performance.




We strive to incentivise our staff by providing competitive wages, paying close attention to the conditions at our work sites and offering generous non-monetary benefits.




We help prepare future generations of PhosAgro employees by supporting school and university programmes that encourage students to pursue STEM studies.



We rely on a talent pipeline of staff with the potential to take on leadership and/or more technically challenging roles to ensure our viability in the long term.



We aim to maintain our reputation as an employer of choice in the regions where we operate.

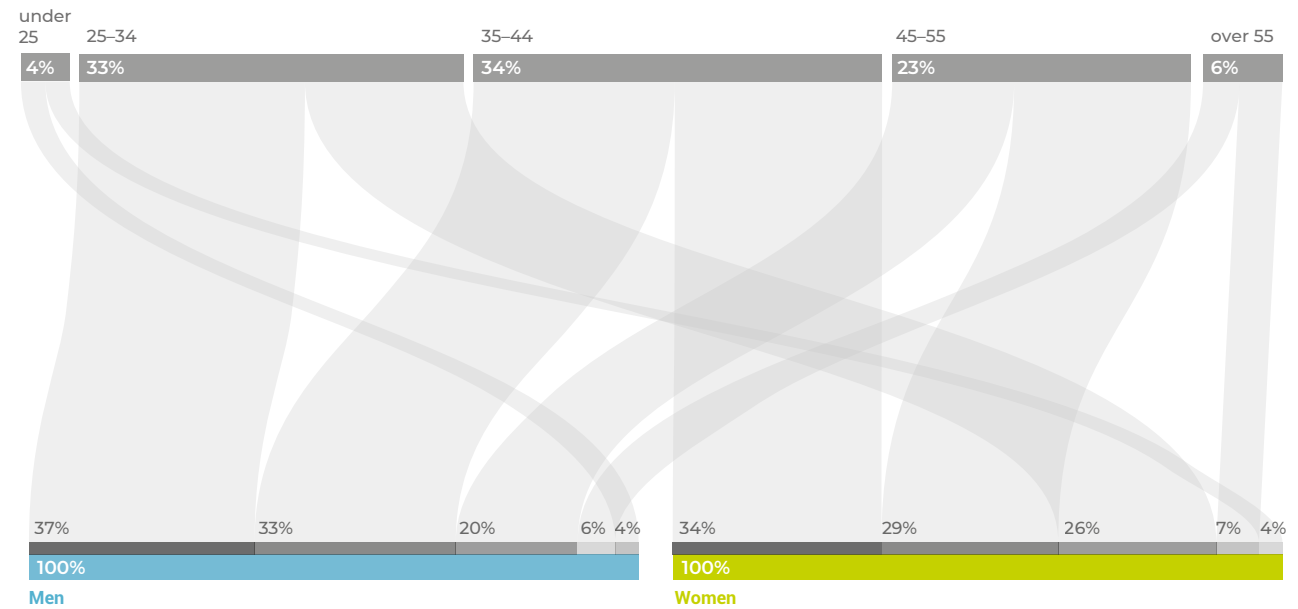


We train our staff to prepare them to better navigate our ever-changing working environment.

Total number of employees by region, gender and age, people



10,614 — average number of employees in 2018



OUR PEOPLE ARE OUR MOST IMPORTANT ASSET: WITHOUT THEIR HARD WORK, WE WOULD NOT BE ABLE TO ACHIEVE OUR STRATEGIC GOAL OF CREATING SHAREHOLDER VALUE. OUR RECRUITMENT AND RETENTION EFFORTS HELP ENSURE THAT WE HAVE THE RIGHT PEOPLE FOR THE JOB

PEOPLE DEVELOPMENT

continued

EMPLOYMENT POLICY HIGHLIGHTS

FAIR AND FOCUSED COMPENSATION AND BENEFITS

The Company's policy on rewards and its incentivisation system are aimed at encouraging employees' interest in the Company's performance and to improve that performance in order to achieve our business goals.

The Company's payroll system fully complies with labour legislation, while also providing, for certain categories of employees, a compensation package and benefits in accordance with the best international practices. Furthermore, additional

compensation and benefits are available for valued employees who relocate to take up employment.

In order to attract and retain staff and motivate them to increase productivity, PhosAgro offers its employees competitive social security benefits and good working conditions. The general consensus is that the Company's enterprises are among the best in the regions in which they operate and in the industry as a whole. Every year since 2016, the Company has been working

to improve employee satisfaction with a unilateral approach across its enterprises. The Company's social programmes cover all aspects of employees' daily lives: improving living conditions; rest and recreation programmes, such as the Company's corporate treatments and the provision of medical services under VHI contracts; organising activities for the children and family members of personnel; a corporate pension programme; and comprehensive support for senior citizens and youth movements. The implementation

OUR POLICY FOCUSES ON ENSURING THAT OUR STAFF REMAIN HEALTHY AND PROPERLY INCENTIVISED. IN THE COMING YEAR, WE PLAN TO REASSESS SOCIAL BENEFITS FOR THE OVERALL PHOSAGRO GROUP, AS WELL AS ANALYSE THE COLLECTIVE AGREEMENTS OF PHOSAGRO GROUP'S MAIN PRODUCTION FACILITIES

of programmes to improve social and working conditions, sports and recreation activities such as the annual corporate Olympiad and the establishment of sports facilities at enterprise sites are aimed at improving the overall health of personnel by preventing disease and encouraging a healthy lifestyle. An annual loyalty and satisfaction survey conducted among Company personnel has shown a regular increase in satisfaction with our social welfare benefits.

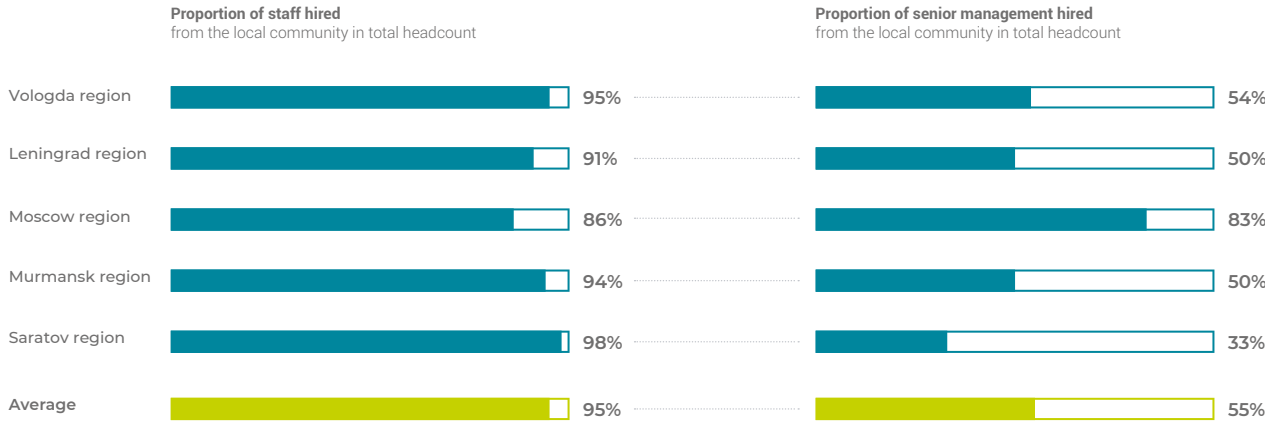
The Company's top management consists of top-level managers who are responsible for strategic decision-making. PhosAgro's top management is an effective structure consisting only of highly qualified specialists who work in the interests of all Company stakeholders and make informed decisions that allow for sustainable development.

The Company's regions of significant presence are located in the Murmansk, Vologda, Leningrad and Saratov regions. Our aim is to work in compliance with the interests of the regions. PhosAgro not only makes a significant contribution to the local economies, but it is also one of the largest taxpayers in each region and makes a significant impact on social development in the regions and on preservation of the region's environmental systems.

The range of ratios between the standard entry-level wage and the established minimum wage in the Company's primary regions of operation, including gender differentiation

	Men	Women
Vologda region	1.47	1.47
Leningrad region	2.00	2.01
Moscow region	3.68	3.07
Murmansk region	1.37	1.27
Saratov region	2.00	1.76

Proportion of staff and senior management hired from the local community at locations of significant operations, as of 31 December 2018



EFFECTIVE REMUNERATION SYSTEM

supports a culture of constant development across the whole business

PEOPLE DEVELOPMENT

continued

FAIR AND FOCUSED
COMPENSATION AND BENEFITS

Coverage of the organisation’s defined
benefit plan obligations, RUB mln

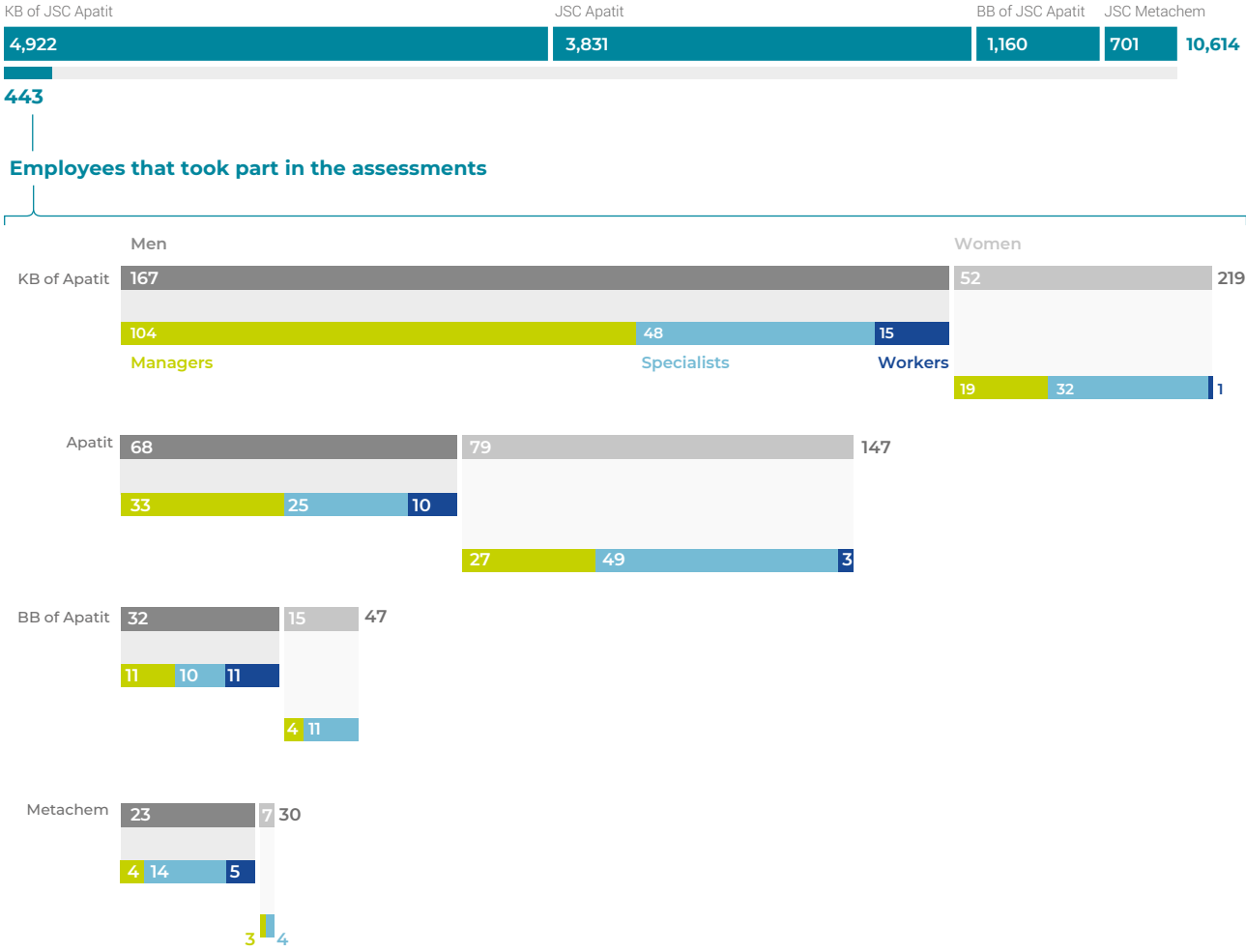
Current value of employee benefit obligations (private benefit coverage for newly retiring employees)			
	Retirement-related obligations (other than employee benefit obligations)	Actual pension payments 2018	Total
Vologda region	Payment of retirement benefits	13.578	45.726
	Merit benefit plans	15.387	
	Financial aid for retired former employees	16.761	
Leningrad region	Payment of retirement benefits	4.174	5.379
	Merit benefit plans	0.000	
	Financial aid for retired former employees	1.205	
Murmansk region	Payment of retirement benefits	47.135	72.297
	Merit benefit plans	0.000	
	Financial aid for retired former employees	25.162	
Saratov region	Payment of retirement benefits	4.030	4.415
	Merit benefit plans	0,000	
	Financial aid for retired former employees	0,385	
Total	Payment of retirement benefits	68.916	127.817
	Merit benefit plans	15.387	
	Financial aid for retired former employees	43.513	

Return to work and retention rates of employees
who took parental leave, by gender, people

	Number of employees on maternity leave and parental leave as of 31 December 2018		Number of employees on maternity leave and parental leave between 1 January 2018 and 31 December 2018		Number of employees who returned to work after maternity leave and parental leave between 1 January 2018 and 31 December 2018	
	Men	Women	Men	Women	Men	Women
Saratov region		34		46		8
Murmansk region	2	135	4	182	1	45
Moscow region		2				1
Leningrad region		31		44		12
Vologda region		188		268		67

ASSESSMENT OF WORK AND
INCREASE IN PERSONNEL

Results of periodic performance and career development
assessments broken down by sex and employee categories, 2018



Percentage of staff participating in periodic
performance and career development assessments

	Men	Women	Not broken down by sex
Kirovsk branch of JSC Apatit	4.5%	4.3%	4.4%
Balakovo branch of JSC Apatit	4.1%	3.9%	4.1%
JSC Metachem	6.0%	2.2%	4.3%
JSC Apatit	3.5%	4.2%	3.8%
Total	4.2%	4.0%	4.2%

PEOPLE DEVELOPMENT

continued

TRAINING AND DEVELOPMENT

Personnel training and development programme

We rely on a talent pipeline of staff with the potential to take on leadership and/or more technically challenging roles to ensure PhosAgro's long-term viability. Our focus on training and developing our people also helps us hedge against a potential shortage of talent in the future. One aspect of this that we prioritise is including schools, universities and our own staff programmes in our recruitment and training initiatives.

We use our PhosAgro Education Centre to help our staff prepare for both external (legislative/regulatory) and internal (related to optimisation, changes to production or business processes) changes. The Centre helps run our long-term HR initiatives, like PhosAgro Classes, High-Potential Graduates and the Staff Reserve programme, and it holds competitions for professional skills and young managers.

PhosAgro relies on its Staff Reserve initiative as a means of identifying talented staff with the potential to expand their roles and step into more senior positions, and it provides additional training to help them achieve these goals. The programme includes management training courses on personal and business skills like decision-making, leadership and

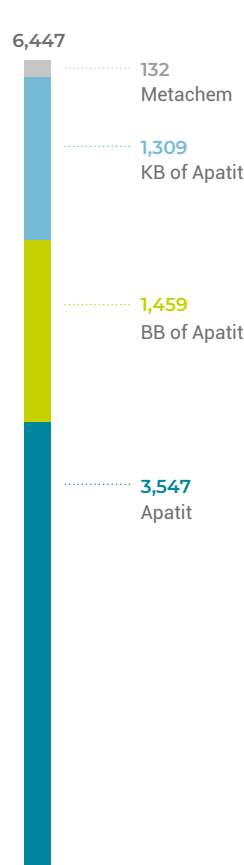
delegation, conflict management, project management, communication skills and staff mentoring.

Effective Management programme

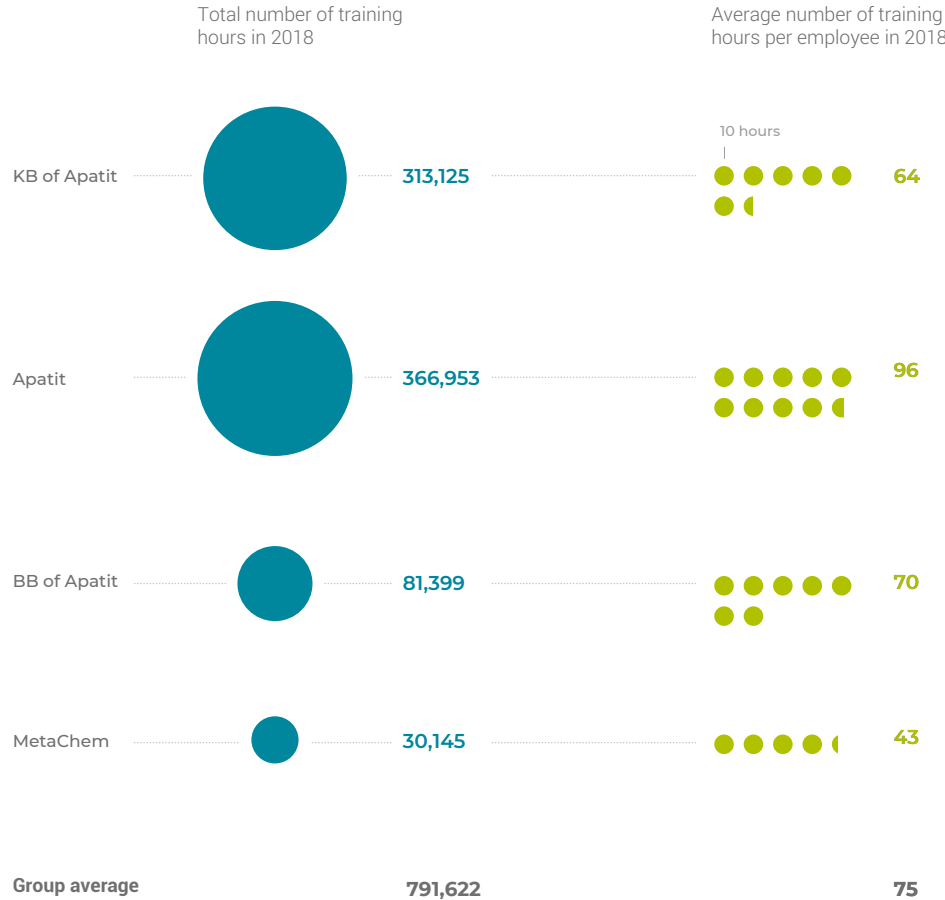
As part of this programme, groups of 14–16 employees took part in training and development activities on the following topics:

- personnel management, planning, goal setting, organisational activities and oversight;
- focus on results;
- management skills;
- decision-making;
- effective communication;
- leadership qualities and building relationships;
- organisation and management;
- mentoring.

Number of attendees of professional training courses in 2018



Number of training hours



6,447 NUMBER OF ATTENDEES OF PROFESSIONAL TRAINING COURSES

791,622
Total number of training hours in 2018

75
Average number of training hours per employee in 2018

PEOPLE DEVELOPMENT

continued

INVESTING IN FUTURE GENERATIONS OF POTENTIAL EMPLOYEES

PhosAgro Classes

Professional, highly qualified personnel are the Company's main asset. PhosAgro's technical equipment is so advanced that staff must have at least basic knowledge from their education before taking up employment. With this in mind, the Company launched an initiative in 2013 called PhosAgro Classes, which involve specialised classes for students in the 10th and 11th grades on certain aspects of chemistry, mathematics and physics.

Our PhosAgro Classes initiative encourages school students in the regions where the Company operates to pursue STEM (science, technology, engineering and mathematics) studies. Our focus on providing high-quality education from a young age is an important element of ensuring the sustainability of the communities where we operate; it also helps us hedge against a potential shortage of talent in the future, especially in areas where it can be difficult to find candidates with the skill sets that we need.

The Company provides every participating student with a corporate uniform and a tablet computer. Specific funding is allocated to schools for building repair. Since 2013, physics, chemistry, mathematics and computer science classrooms have been fully equipped. The new equipment includes new-generation

interactive whiteboards with built-in projectors and computer hardware that accommodates educational teleconferences and scientific conferences. In each region, PhosAgro has signed a social and economic partnership agreement with the local authorities with regard to the project. Similar agreements have also been signed with the schools involved in the project:

- Vologda region: in Cherepovets, the project partner is Secondary School No 10, which offers in-depth study of each subject;
- Leningrad region: in Volkhov, the project partner is School No 1;
- Saratov region: in Balakovo, the project partner is Secondary School No 25;
- Murmansk region: in Kirovsk, the project partner is Secondary School No 5;
- In Apatity, the project partner is Secondary School No 15.

A total of 133 students took part in the PhosAgro Classes programme in 2018, all of whom excel at, and are interested in studying chemistry, physics, mathematics and computer science. The programme graduated 122 students from five schools in 2018, 68% of whom went on to study as part of technical degree programmes at universities, with a potential career track at PhosAgro. Some of them were accepted into universities on sponsored placement programmes.

Project outcome:

- Students had an increasingly positive attitude towards technical specialisations (results from an independent study by the Department of Sociology and Higher Education);
- There was an increase in the number of students, compared with September 2014, who enrolled in specialist universities to study technical subjects due to career guidance from PhosAgro Classes, which worked with these specialist universities;
- Professional development for teachers of specialist subjects (chemistry, physics, mathematics) to prepare students for academic competitions through seminars and workshops taught by methodologists and the best teachers in Russia;
- A positive response from parents about the choice of technical specialisations and further career opportunities for their children within PhosAgro Group enterprises;
- Awareness of the project at local and regional levels;
- The PhosAgro Classes project finished in the top three in the "Best Programme for Working with Students" category in the 2016 Graduate Awards, a Russian national competition for recent graduates and young professionals.

Our annual goal remains to have 125 participants join PhosAgro Classes at the five schools in the five Russian cities where we run the programme. We hope that 50% of these students will join PhosAgro by 2021.

Interaction with higher education institutions

Cooperation with universities is an important part of our youth training system.

To reduce staff shortages in the most highly sought-after specialisations, PhosAgro has established contractual agreements with the following higher education institutions:

- Saint Petersburg Mining University;
- Lomonosov Moscow State University;
- Ivanovo State University of Chemistry and Technology;
- Cherepovets State University;
- D. Mendeleev University of Chemical Technology of Russia;
- Saint Petersburg State Institute of Technology;
- Murmansk Arctic State University;
- Regional universities.

IN 2013, PHOSAGRO IMPLEMENTED AN INITIATIVE TO CREATE PHOSAGRO CLASSES

As part of the project, PhosAgro:

- Sponsors further training for graduates of PhosAgro Classes in relevant specialisations under a future employment contract;
- Offers scholarships to the most successful students (based on their results in the programme);
- Invites current university students to see the industry in practice at one of the Group's many companies;
- Offers students a job in one of the Company's popular specialisations after they graduate.

High-Potential Graduates

We build upon the foundation laid by PhosAgro Classes by partnering with universities through our High-Potential Graduates programme as an avenue to better reach university students interested in working at PhosAgro. We offer programme recruits a competitive salary, as well as relocation and housing support, and we assign them a mentor upon their arrival at PhosAgro. The programme's key tasks are to prepare a talent pipeline for key positions within the Company and to identify key areas and career paths for talented young specialists so as to prepare future executives.

PhosAgro recruited 48 young specialists through the High-Potential Graduates programme in 2018. This brought to 269 the total number of graduates who have joined the Company through this programme since its inception in 2012. A total of 214 of these employees are still with PhosAgro today, pursuing careers in mineralogy, geology, hydraulic engineering, chemistry, thermal energy and electricity production, rail transport, open-pit and underground mining, and mine surveying.

Of the programme participants still employed with PhosAgro, a total of 34% had received promotions and/or had been included in the Staff Reserve as of December 2018, and many of them had successfully completed the projects that they were entrusted with when they joined the Company.

133 STUDENTS

took part in the PhosAgro Classes programme in 2018

122 YOUNG SPECIALISTS

were recruited by PhosAgro through the High-Potential Graduates programme in 2018

48 YOUNG SPECIALISTS

were recruited by PhosAgro through the High-Potential Graduates programme in 2018

34 %

of the individuals hired through the Talented Young Specialists programme were promoted

PEOPLE DEVELOPMENT

continued

INVESTING IN FUTURE GENERATIONS OF POTENTIAL EMPLOYEES

Green Planet interactive educational centre
Green Planet is an educational centre that provides instruction, insights and recreational activities such as excursions, quests, career-oriented case studies, exhibitions, chemistry experiments, quizzes and round-table meetings. Designed for all ages, the centre is free of charge and is accessible for people with disabilities.

- Green Planet's goals include:
- Providing career guidance;
 - Increasing the prestige and attractiveness of blue-collar and technical professions;
 - Providing environmental education, as well as industrial and educational tourism;
 - Providing information about PhosAgro's history and success and also about the Company's social responsibility projects in the cities where it operates.

PUTTING SAFETY AT THE CORE

We place employee safety above all, as was recently confirmed by the International Fertilizer Association, which gave PhosAgro the SHE Excellence Gold Award in November 2018 in recognition of the high quality of workplace health and safety practices at the Company.

Since 2017, we have been implementing a project called Development of a Culture of Safety that is aimed at increasing accountability among technical and engineering personnel employed at production units, as well as reducing the accident rate and increasing the accountability of employees for compliance with safety regulations. More than 1,000 people have taken part in the project so far. Employees who underwent training developed skills in the use of modern methods and tools for preparing instructions. They also came to realise the need to fine-tune instructions with the help of modern teaching methods so as to become consciously aware of the rules regarding their own safety and that of their co-workers.

PROVIDING EQUAL OPPORTUNITIES

PhosAgro is one of the most attractive employers in the regions where it operates, mainly thanks to our equal opportunities programme, which means that the best candidate is chosen for each post regardless of their gender, sexual orientation, religion, native language and ethnic origin. In addition, PhosAgro has a social responsibility towards its employees and fulfils its obligations in full compliance with the requirements of federal and regional legislation. These requirements include the prohibition of child and forced labour, as well as freedom of association and the right of trade unions to negotiate a collective agreement with their employer.

>1,000
People have taken part in the Development of a Culture of Safety project

PHOSAGRO IS ONE OF THE MOST ATTRACTIVE EMPLOYERS IN THE REGIONS WHERE IT OPERATES
mainly thanks to its equal opportunities programme

SETTING HIGH STANDARDS

PhosAgro adopted a Code of Ethics in 2014 and updated it in 2018. The Code applies to all employees and is the Company's primary document for enhancing its corporate culture. The Code clearly outlines all basic requirements for Company employees and establishes rules and regulations for individual and collective behaviour within the Company. It covers all industrial and business relations, both within the Company and with business partners and other external parties. Commitment to these principles unifies the values of our Company to ensure that all our employees take pride in their work and are keen to communicate with colleagues, feel comfortable in a team and can grow both professionally and personally. Commitment to the principles of the Code of Conduct helps the Company to avoid unjustified risks, maintain long-term economic growth, strengthen its position in Russian and foreign markets, and increase the Company's value.

HIGH LEVEL OF CORPORATE CULTURE
supports the Company's image among its employees, encouraging respect and loyalty

MAINTAINING OPEN CHANNELS OF COMMUNICATION

Our employees have access to multiple channels for communication and feedback with the Company, which enables them to address employment-related or other issues at PhosAgro. Some of the formats include Q&As in the corporate newspaper, town-hall meetings for staff and management and an anonymous whistle-blower hotline, allowing staff to choose from various degrees of anonymity when deciding how to raise an issue.

Our employees also use PhosAgro's corporate intranet for internal messaging, receiving announcements, planning and accessing informational resources.

BUSINESS CONDUCT REVIEW



GLOBAL SUSTAINABLE DEVELOPMENT GOALS

8. Decent Work and Economic Growth

WE AIM TO DO BUSINESS IN ACCORDANCE WITH THE HIGHEST LEVEL OF ACCOUNTABILITY, INTEGRITY AND TRANSPARENCY

MANAGEMENT APPROACH

Our business Code of Ethics and management procedures are based on the best international practices. We take preventative measures to avoid or resolve specific and systemic incidents and constantly seek means of further improvement. Good governance systems are an integral part of our risk management and long-term sustainability.

The principles of our Corporate Governance Policy are based on standards and procedures that address a number of important topics, including bribery and corruption, conflicts of interest, benefits, sponsorships and donations, data privacy, fraud and third-party due diligence. In order to better prepare the Company to deal with these issues, we developed an annual workforce training programme that is available both online and in person. The programme is updated on a regular basis.

We conduct audit forums to monitor and oversee the implementation and effectiveness of the integrity and compliance of our business conduct policies company-wide. Our training programme and materials are updated when required to ensure they remain engaging and relevant to the risks employees may encounter. During the year, we provided additional training to targeted audiences on specific areas of our programme.

ACTIVITIES IN 2018

Training and awareness of our policies, procedures and guidelines are critical components of our compliance programme. Together, they support our employees' and contractors' understanding of the behaviour expected of them and provide guidance on how to identify and deal with legal and ethical issues they may encounter in their daily work.

All PhosAgro enterprises adhere to standards aimed at preventing corruption and other offences in accordance with the Federal Law on Anti-corruption of 25 December 2008:

- Employees are required to sign an agreement on compliance with the requirements of the local normative act (LNA) aimed at preventing corruption and fraud;
- The observance of these anti-corruption requirements is included in our employees' job descriptions;
- Amendments were made to the employment contracts of the Company's managers to prohibit part-time work in commercial firms without the prior consent of Company management;
- All contracts include a separate anti-corruption clause;
- On 29 January 2018, JSC Apatit was added to the Anti-Corruption Charter of Russian Business.

An updated version of the following has already been approved by PhosAgro's Board of Directors:

- Provision on Conflicts of Interest;
- Code of Ethics;
- Terms of use of the PhosAgro hotline.

Training

All employees receive regular training and undergo testing on preventing corruption as part of a Company-wide process. This exercise aims to develop our employees' understanding of the importance of preventing corruption and of maintaining a culture of zero tolerance for corruption in all aspects of business.

Our training programme includes guidance on raising concerns in a wide range of professional spheres.

One group that our anti-corruption training targets are those who interact with third parties, and it includes guidance on giving and receiving gifts, entertainment, and entertainment expenses. In order to raise awareness about compliance risks related to functions for relevant employees, the Company also conducts face-to-face training.

In order to inform employees and contractors of the Company's anti-corruption standards, documents will be posted on the internal portal under the section "preventing fraud, corruption and conflicts of interest" and on the official website under "preventing corruption".

The Company's contractors are sent emails with information on the anti-corruption and anti-fraud measures adopted by the Company.

Introductory briefings on the subject of the Company's anti-corruption and anti-fraud standards in line with the LNA are conducted on a regular basis throughout the job application process.

Reporting misconduct

We strive to create a culture of transparency within the Company and encourage employees to report problems and causes of concerns. In 2016, PhosAgro launched a hotline service that helps the Company's management promptly respond to reports on a wide range of issues, including corruption, violations of the Company's bylaws, evidence of potential and/or actual conflicts of interest, as well as violations of workplace health and safety rules, environmental policies or any other Company policies.

In order to provide open access to the hotline, information about all the available channels of communication is posted on the Company website and on the intranet portal. The hotline service guarantees confidentiality for anyone who reports a problem, as well as the timely and unbiased consideration of all reports.

The Economic Security Department is responsible for conducting initial investigations into every report received via the hotline and for informing management about all incidents that require further investigation or corrective actions.

BUSINESS CONDUCT REVIEW

continued

ACTIVITIES IN 2018

Conflicts of interest

Our subsidiary, JSC Apatit, maintains a Commission for Combating Fraud and Corruption and Regulating Conflicts of Interest. Commission members are appointed by the Chief Executive Officer. The main objectives of the Commission are to prepare proposals for the implementation of policies to combat fraud and corruption and the preparation of proposals and recommendations for the resolution of conflicts of interest. As part of the implementation of measures to resolve conflicts of interest, the Company's employees are required to disclose, in a timely manner, information on the existence of an actual or potential conflict of interest in relation to fulfilling their duties. On an annual basis, Company employees must declare any conflicts of interest and provide a record of their income and expenses.

In 2018, 1,842 declarations were submitted by employees, in which 41 conflicts of interest were found. The ensuing investigations were used to resolve the conflicts: the employees involved were transferred to positions where the conflict was no longer an issue.

The number of declarations submitted has increased as a result of the expansion of this process to include employees of subsidiary companies and organisations. Consequently, we are now working on the automation of this process.



KEY PRINCIPLES OF BUSINESS CONDUCT

- Our Government Relations Policy dictates that PhosAgro's relationships with government bodies and representatives must be legal and ethical and based on principles of fairness and partnership. In accordance with this policy, interactions involving government bodies should only relate to PhosAgro's strategic or operational matters.
- Our Provision on Conflicts of Interest establishes rules for identifying and addressing potential conflicts of interest.
- Our Anti-corruption Policy states that our directors and senior management must adhere to high standards and set an example for the entire business. It commits all employees to a zero-tolerance approach to corruption.
- Our Code of Ethics specifies the rules for relationships with stakeholders ranging from employees, shareholders, government officials and NGOs to customers, suppliers and other business partners. It commits PhosAgro to engaging with stakeholders in a fair and proper manner.
- PhosAgro's Charity Policy commits us to supporting sustainable development in the regions where we operate. PhosAgro's charitable giving is based on the following principles: it must address a clear need and be used for clear purposes, the use of funds is closely monitored, and transparency and disclosure of information must be ensured. We do not engage in charitable giving to representatives of the Government, to political parties or movements, or to commercial organisations. This policy sets priority areas for charitable giving, including education, sport, health and well-being, and vulnerable members of society such as veterans and the elderly.
- PhosAgro does not participate in political activities or provide financial support to political organisations.

WE STRIVE TO MAINTAIN CORPORATE GOVERNANCE TRANSPARENCY AND REGULATORY COMPLIANCE IN ALL AREAS OF OUR BUSINESS AND ALL DIVISIONS OF THE COMPANY

STAKEHOLDER ENGAGEMENT

Our stakeholders are the key to our success. Any person or organisation with an interest in what we do is considered a stakeholder. We also consider any person or organisation that might be affected by our activities and anyone who has an influence over our business decisions to be our stakeholders. It is our ability to understand and adapt to our stakeholders’ evolving needs and expectations that enables us to create a strong and sustainable company.

MANAGEMENT APPROACH

Working in complex markets and geographies and establishing relationships on regional, national and international levels, our activities are heavily regulated. The constantly evolving nature of both international regulations and national legislation may affect our business. Thus, we work hard to build relationships with people at all government levels in the countries in which we operate and ensure that we comply with all permit requirements.

We collaborate with a variety of external stakeholders in order to manage risks related to our work and to remain competitive. These partnerships enable us to create mutually beneficial opportunities.

In our engagement with our stakeholders, we strive to be constructive, honest and principled. We establish links with only those organisations and educational institutions that share our values and are actively involved in domains such as food security, sustainable agriculture and health.

The following information illustrates how we interact, how we create value, and what we achieved in 2018.



2018 HIGHLIGHTS

7
NON-DEAL ROADSHOWS WERE CONDUCTED WITH COMPANY MANAGEMENT IN KEY FINANCIAL MARKET CENTRES

>230
MEETINGS WERE HELD WITH INVESTORS AND ANALYSTS

8
DOMESTIC AND INTERNATIONAL PROFESSIONAL ASSOCIATIONS IN WHICH PHOSAGRO IS A MEMBER

IT IS OUR ABILITY TO UNDERSTAND AND ADAPT TO OUR STAKEHOLDERS’ EVOLVING NEEDS AND EXPECTATIONS THAT ENABLES US TO CREATE A STRONG AND SUSTAINABLE COMPANY

STAKEHOLDER ENGAGEMENT

continued

INVESTMENT AND FINANCE COMMUNITY

WHY WE INTERACT

- To facilitate an understanding of the long-term sustainability and potential value of PhosAgro
- To update investors on PhosAgro's strategic priorities and progress we have made
- To provide market participants with concrete indicators of progress, such as operational, financial and non-financial results
- To attract a wider pool of investors to improve liquidity, share price and borrowing costs
- To increase our access to a variety of capital market instruments
- To provide transparency on how our corporate governance systems work
- To generate new ideas through a dialogue with investors
- To clarify the Company's contribution to the UN Sustainable Development Goals



HOW WE INTERACT

- Roadshows
- One-on-one meetings with investors
- Investor conferences
- Conference calls on financial results
- Perception studies
- Ongoing engagement with analysts
- Regulatory press releases
- AGM and formal reporting
- Corporate website
- A dedicated in-house investor relations team
- The interests of our shareholders are represented by seven independent non-executive directors on the Board of Directors

ACTIVITIES IN 2018

- 1** Seven non-deal roadshows were conducted with Company management in key financial market centres (London, New York, Chicago, Frankfurt, Vienna, Tallinn, Stockholm, Helsinki)
- 2** More than 230 group and one-on-one meetings were held with investors and analysts
- 3** Four conference calls and webcasts for analysts and investors were organised in order to discuss the Company's financial results
- 4** 120 messages were distributed throughout the Russian Federation via the Company's corporate disclosure centre Interfax
- 5** More than 40 press releases were distributed via the UK regulatory news service

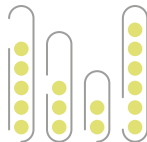
HOW WE CREATE VALUE



We issued USD 500 million in Eurobonds with a coupon rate of 3.949%, representing a new benchmark for the Company. This enabled us to lower the average interest rate and to significantly improve the structure of our debt portfolio



PhosAgro maintained its investment-grade credit ratings from the rating agencies Standard & Poor's, Moody's and Fitch



Institutional Investor named PhosAgro CEO Andrey Guryev the best CEO in the emerging EMEA chemicals sector

120 MESSAGES

WERE DISTRIBUTED THROUGHOUT THE RUSSIAN
FEDERATION VIA THE CORPORATE INFORMATION
DISCLOSURE CENTRE INTERFAX

STAKEHOLDER ENGAGEMENT

continued

REGIONAL GOVERNMENTS AND LOCAL COMMUNITIES

WHY WE INTERACT

- To ensure that we act as a good neighbour
- To support the sustainable socio-economic welfare of the regions in which we operate
- To address community needs, including social or environmental concerns
- To promote the health and well-being of the communities where we operate
- To maintain an ongoing dialogue around government policies or potential regulatory changes that could affect our business
- To improve social infrastructure and implement partnerships with regional authorities



HOW WE CREATE VALUE



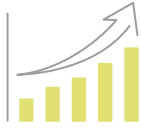
We help the residents of the communities where we operate maintain healthy lifestyles, and we also support their education



We contribute taxes to local and federal budgets



We help to increase the standard of living in developing areas through cooperation with local and regional governments



We invest in the long-term economic sustainability of one-industry towns, help diversify the economy and support the creation of new jobs that are not directly dependent on PhosAgro

HOW WE INTERACT

- Implementing environmental programmes
- Implementing cooperation agreements with regional governments based on regional development needs
- We support social and sporting organisations
- We sponsor PhosAgro Classes to promote advanced chemistry education for schoolchildren
- We offer university scholarships and organise recruitment programmes aimed at encouraging children to study chemistry
- Implementing the Healthy and Educated Children of Russia programme
- We encourage the development of sport in regions where we operate
- Organising recreational activities for workers and their families
- Our employees are provided with free medical treatment, and we also fund medical infrastructure for residents of the regions in which we operate
- We encourage the development of cultural and spiritual awareness among the younger generation, educating them about Russia's history and traditions
- Developing programmes to protect the socio-economic rights of veterans, and providing material assistance to participants and veterans of World War II and members of their families
- Holding regular meetings with government and community representatives
- Investing in universities and technical colleges that provide education relevant to people seeking careers at PhosAgro

ACTIVITIES IN 2018

- 1** Organisation of environmental activities in the regions in which the Company operates with the aim of protecting and improving the environment
- 2** An agreement was signed to improve and further socio-economic cooperation in the medium term between PhosAgro and the administration of the Leningrad region
- 3** An agreement was signed between PhosAgro and the administration of the Saratov region to promote cooperation and introduce projects aimed at improving the socio-economic development of the region and its attractiveness as a place to live
- 4** An agreement on cooperation was signed between the government of the Vologda region, PhosAgro and JSC Apatit
- 5** Holding city-wide events to celebrate the Day of the Chemist in all the regions in which the Company operates
- 6** The Education, Health and Spirituality for Russia's Children (DROZD) programme opened a children's sports and recreation centre in the city of Balakovo
- 7** Holding events to commemorate the rite of laying the foundation stone for the construction of the Church of the Apostle Andrew the First-Called in Vologda
- 8** The start of a PhosAgro school project at Volkhov Secondary School No 1

STAKEHOLDER ENGAGEMENT

continued

INTERNATIONAL INSTITUTIONS

WHY WE INTERACT

- To address community needs, including social or environmental concerns
- To discuss the most important issues from experts' point of view
- To develop a common strategy and tactics and to unite in the effort to overcome global challenges
- To review performance
- To identify priority issues and areas of focus for current and future periods



HOW WE INTERACT

- Active participation as members of global, national and regional organisations and industry associations and their initiatives
- Implementing common programmes

ACTIVITIES IN 2018

- 1 PhosAgro became the first Russian company ever selected by the UN Food and Agriculture Organization to implement a global soil protection initiative
- 2 PhosAgro received a SHE Excellence Gold Award from the International Fertilizer Association for its health, safety and environment practices
- 3 PhosAgro acted as the general partner for the Summer School on Green Chemistry, which was organised by IUPAC
- 4 As part of the Green Chemistry for Life grant programme, implemented jointly with UNESCO and IUPAC, PhosAgro presented young scientists with grants for research in the field of green chemistry for the fifth time. Over the five years that the project has been in place (2013–2018), the scientific jury has reviewed about 600 applications, and 34 grants have been awarded to young scientists from 26 countries in Africa, Asia, Europe, Latin America and the Middle East

HOW WE CREATE VALUE



We act as a general and reliable partner for educational programmes



We support scientific conferences, thematic exhibitions, competitions for young scientists and educational initiatives



We share our knowledge and experience with partners and consumers



We invest in research and development

34 GRANTS

HAVE BEEN AWARDED TO YOUNG SCIENTISTS FROM 26 COUNTRIES IN AFRICA, ASIA, EUROPE, LATIN AMERICA AND THE MIDDLE EAST

STAKEHOLDER ENGAGEMENT

continued

EMPLOYEES AND TRADE UNIONS

WHY WE INTERACT

- To promote a corporate culture that is aligned with PhosAgro's strategic goals
- To ensure employee satisfaction and motivation
- To guarantee appropriate social welfare for our current and retired employees
- To maintain an open dialogue with trade unions and employees
- To use human resources responsibly and effectively
- To provide our employees with the opportunity for professional advancement



HOW WE INTERACT

- By negotiating collective agreements with trade unions that cover issues such as working conditions and compensation for employees at each of our production enterprises (usually for a three-year period)
- We involve trade unions in the development of PhosAgro's workplace health and safety programmes
- We collaborate extensively with trade unions on cultural and sporting events, workplace health and safety committees, on the nomination of workplace health and safety representatives, and on our health and safety workshops
- Employee development programmes, including our Staff Reserve Programme
- We conduct employee surveys, presentations, bulletin boards, and run an intranet site and corporate newspaper
- We hold meetings with general directors of production sites and management responsible for social and HR issues together with trade union representatives
- We have a whistle-blower hotline, email addresses for complaints and telephone hotlines for inquiries and social issues and also for reporting violations

ACTIVITIES IN 2018

- 1 Seminar for authorised personnel on occupational health and safety
- 2 PhosAgro's so-called Spartakiad games for employees
- 3 The Stars of PhosAgro Festival
- 4 Professional craftsmanship competition
- 5 Training for trade union activists

EMPLOYEES AT ALL OF OUR PRODUCTION SITES PARTICIPATE IN COLLECTIVE BARGAINING AGREEMENTS

HOW WE CREATE VALUE



We provide fulfilling careers; our employees are recognised and rewarded for their work, as well as motivated and pushed to better themselves. By delivering training programmes to help our employees develop their skills and meet their personal career goals, we create a sustainable business that is one of the global leader in its sector

STAKEHOLDER ENGAGEMENT

continued

MEDIA AND THE GENERAL PUBLIC

WHY WE INTERACT

- To promote and protect PhosAgro's reputation among all of its stakeholders
- To reinforce and enhance the public's understanding and thus its perception of the Company
- To inform stakeholders about the Company's plans, performance and priorities
- To advocate for the role of mineral fertilizers in supporting global food security and to illustrate the Company's contribution to achieving the UN's Sustainable Development Goals

HOW WE CREATE VALUE



We make sure the public is informed about our activities and strive to protect our Company's reputation



We act as a reliable partner by ensuring that information is distributed about our joint projects, initiatives and plans, as well as other news that requires wide distribution



HOW WE INTERACT

- Media relations, including regular meetings and briefings with journalists, access to senior management, site tours for press and press releases
- Attendance at public hearings, exhibitions and congresses
- Corporate website, social media

ACTIVITIES IN 2018

- 1** We published four weekly and one corporate newspapers
- 2** Along with our subsidiaries, we published over 200 press releases
- 3** Domestic and international media mentioned PhosAgro about 25,000 times
- 4** PhosAgro's CEO conducted regular meetings and interviews with Russian and foreign journalists, providing expert comments on important Company and industry events to leading publications in Russia, Europe, Latin America and the United States
- 5** Our CEO spoke with the press at multiple domestic and international events, including the St Petersburg International Economic Forum, the World Economic Forum in Davos, the International Fertilizer Association conference, the Sochi International Economic Forum and other industry and investment conferences
- 6** Our CEO participated in international and regional industry conferences
- 7** We provided PR support for a variety of corporate events, awards and investments over the course of the year

>200 ISSUES

OF CORPORATE NEWSPAPERS WERE PREPARED IN 2018

~25,000

THE NUMBER OF TIMES PHOSAGRO WAS MENTIONED IN DOMESTIC AND INTERNATIONAL MEDIA


STAKEHOLDER ENGAGEMENT

continued

BUSINESS PARTNERS

WHY WE INTERACT

- To provide agricultural producers with high-quality mineral fertilizers at competitive prices and to make a contribution to Russian and world food security
- To preserve the health of future generations and soil fertility through the application of environmentally friendly mineral fertilizers containing a minimum amount of harmful impurities and heavy metals
- To establish business relationships built on mutual trust and respect
- To ensure a mutual understanding of obligations and expectations of the relationship
- To inform partners about PhosAgro's safety, corporate conduct and other policies that affect relationships with business partners
- To increase crop yields in Russia and abroad through the development of integrated plant nutrient systems and technologies for efficient farming
- To promote the responsible and rational use of mineral fertilizers, i.e., green agriculture




HOW WE INTERACT

- Continuous communication with customers and partners — farmers, distributors and business partners, including in related areas — in both the domestic and international markets
- Development of our own agronomic service
- Partnership with research institutions
- Research and development of new solutions to meet market needs
- Membership in industry organisations, such as the IPNI, the IFA and the RAFF, and hosting joint events with them


ACTIVITIES IN 2018

- 1 Took part in two international and domestic industry conferences, seven agricultural events, and two Field Days; organised our own agronomic conference in Italy and PhosAgro Field Day in the Oryol region
- 2 The creation of our own agronomic service, which is aimed at providing agricultural producers with expert support
- 3 Conducting a number of scientific studies in cooperation with leading research institutes in Russia and abroad: Wageningen University (the Netherlands), the University of Milan (Italy), the Lorch Potato Research Institute (Moscow region) and others
- 4 The development, together with RAPU and leading Russian research organisations, of projects aimed at the creation of environmentally friendly production technologies in the field of mineral fertilizers
- 5 The establishment of our own Innovation Centre
- 6 Developing nutritional systems for various crops and determining their effectiveness for agricultural producers
- 7 The IPNI's first-ever training seminar for a Russian company, PhosAgro


HOW WE CREATE VALUE




We are a reliable partner and a sought-after client within our industry




We adhere to the highest standards of workplace safety and corporate conduct and demand the same of our suppliers




Together with our peers, we make every effort to ensure that our common voice is heard all around the world



We drive the development of green chemistry by investing in scientific research, including as it is applicable to the production of mineral fertilizers



We support organisations such as the International Plant Nutrition Institute (IPNI) and the International Fertilizer Association (IFA)



We have 2 million domestic warehouses and 10 international trade offices in countries around the world that enable us to have closer relationships with our customers

SOCIAL INVESTMENT



OUR GOAL

We strive to achieve sustainable growth in all the areas where we operate and to contribute to society through our value chain, with employment opportunities, development of enterprises, infrastructure development and social investment programmes.

To achieve our goal, we have outlined three strategic areas to focus our efforts on:

1 Working with local authorities to create modern social infrastructure (such as providing new equipment to improve healthcare facilities, assisting with the development of municipal services, building new and renovating existing sports and leisure facilities, etc.) in all geographies where we operate

2 Developing and implementing projects for children and adolescents with a focus on: education and vocational guidance, technology and engineering study programmes, further education and preserving cultural heritage and healthy lifestyles

3 Providing support to the most vulnerable sectors of society in terms of treatment, development and helping them get the assistance they need

2018 HIGHLIGHTS

>1.5 RUB BLN

PROVIDED FOR SOCIAL ASSISTANCE AND CHARITABLE ACTIVITIES IN 2018

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



8. Decent Work and Economic Growth



9. Industrialisation, Innovation and Infrastructure



11. Sustainable Cities and Communities

KEY EVENTS



The Education, Health and Spirituality for Russia's Children (DROZD) youth movement, one of PhosAgro's most important corporate social responsibility projects, opened a new children's sports centre in Balakovo



PhosAgro signed an agreement with the Leningrad region on stepping up the pace of development in terms of socio-economic cooperation in the medium term



PhosAgro signed an agreement with the administration of the Saratov region on the promotion of cooperation and implementation of projects aimed at increasing the socio-economic development and attractiveness of the region

SOCIAL INVESTMENT

continued

MANAGEMENT APPROACH

Our operations make a significant contribution to the national economy and local economies in the areas where we operate. Our aim is to understand and manage our impact and to create sustainable benefits for these local communities, while simultaneously encouraging diverse and sustainable local economies.

Through our work, we have a significant impact on the development of local communities in the regions where we operate, as well as society as a whole. Therefore, we must recognise that we have a duty to minimise any negative impact and to support sustainable growth and development. Through the proactive and strategic involvement of stakeholders and communities, we can achieve a level of development that serves the interests of both our local communities and our assets.

The Company carries out charitable activities on account of the public benefit they bring and on the basis of its partnerships with state and local authorities, the local community and civic organisations, educational institutions and other stakeholders.

The Company's charitable activities are carried out on the basis of its own bylaws and in accordance with the Federal Law on Charitable Activities and Charitable Organisations and the Federal Law on Advertising.

Company bylaws:

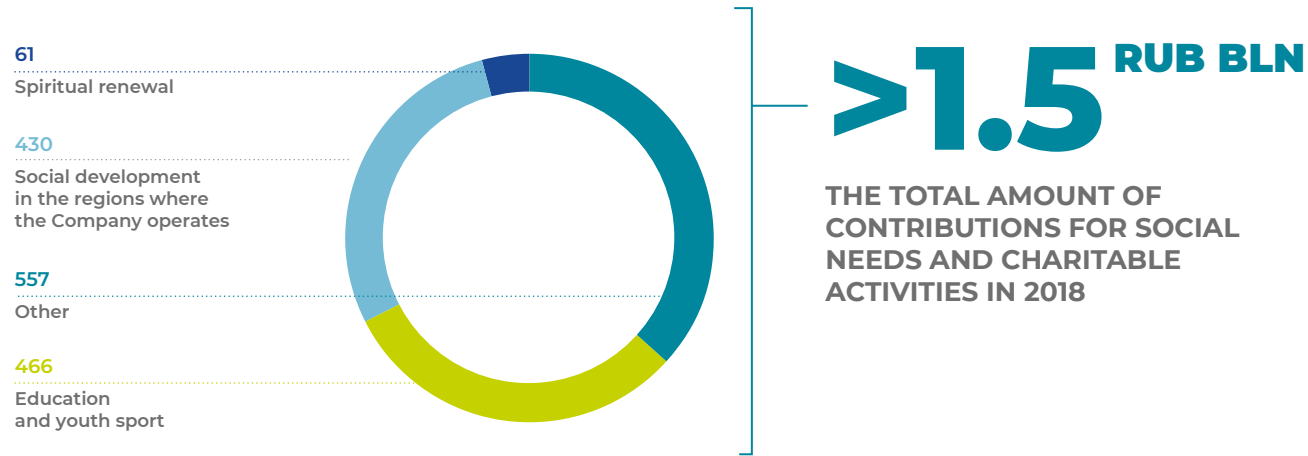
- Code of Ethics of PJSC PhosAgro;
- Code of Ethics of JSC Apatit;
- Codes of Ethics at every company managed by JSC Apatit;
- Policies on Charitable Activities of PJSC PhosAgro, JSC Apatit and the companies

- managed by JSC Apatit;
- Rules for the Provision of Charitable Assistance by JSC Apatit and the Companies It Manages;
 - Regulation on Interaction between Structural Divisions and on the Processing of Documents by JSC Apatit and Managed Companies for the Provision of Charitable Assistance.

All of the above-mentioned documents are public and are posted on the Company's website except for the Regulation, which concerns the administration of activities, and the Codes of Ethics , which are available to every employee on the Company's intranet.

WE DO EVERYTHING WE CAN TO UNDERSTAND THE SOCIO-ECONOMIC IMPACT OF OUR OPERATIONS AND TO CREATE SHARED VALUE WHILE CONTRIBUTING TO SOCIAL DEVELOPMENT

The total amount of contributions for social needs and charitable activities in 2018, RUB mIn



MANAGEMENT OF THE SYSTEM OF CHARITABLE ACTIVITIES

Organisational unit	Key responsibilities
Executive body	The Company's Management Board and CEO.
The Company's Management Board and CEO (within the limits of the allocated funds)	Make decisions on financing and supporting charity and social investment projects and programmes on the basis of reports.
Deputy CEO	Leadership and coordination in respect of charity and social investment activities.
The Office for External Communications	Initiates bylaws, arranges and processes all information on ongoing projects and organises public hearings, case studies, etc.
Departments for Social Development at the Company's enterprises	Provide administrative support: approving agreements, transferring funds, verifying reports from beneficiaries.
Commissions for Social Issues and Charity	Review new applications, check and fill out paperwork, make proposals concerning the provision of support within the limits of the funds allocated for these purposes for every Company enterprise.

The companies managed by JSC Apatit have a sufficient number of highly qualified specialists to oversee the implementation of programmes in the areas of finance, economics and social policy.

The budget for charitable projects is determined every year as part of the overall budget planning process and is approved by the Company's Management Board.

In line with the Company's Policy on Charitable Activities, the main criteria for the selection of projects are as follows:

- The aim of the project should be to provide support to particular groups in society, civic organisations or charitable foundations;
- The project should not contravene the principles or requirements of the Company's policies or other bylaws;
- The project must not be a tacit payment for a service, action, inaction, collusion, patronage or other unlawful advantage provided to the Company or its partners.

New projects are considered by the Company's Management Board in accordance with the procedure established by internal regulations.

Every year, the Management Board reviews the results of activities in this area and decides whether to continue supporting a programme or project or to discontinue its support.

New projects may be proposed for consideration as follows:

- upon the proposal of Company experts for the creation of favourable conditions in cities where the Company operates (training personnel, support for veterans' organisations, development of green spaces or animal conservation, etc.);
- Following public hearings;
- Based on agreements with state authorities and local governments;
- On the basis of opinion surveys;
- Following successful meetings between Company executives and representatives of civic organisations.

Funds are allocated for new projects on the basis of a Management Board decision. An essential factor in making a decision is the availability of partners (state authorities, local governments, non-profit organisations etc.).

Targeted support, including the provision of jobs by private entrepreneurs, is carried out in accordance with the decisions of the Commission for Charitable Projects at every Company enterprise, within the constraints of the allocated funds. Decisions regarding the allocation of funds are recorded in the minutes of Commission meetings.

THE COMPANY HAS SET UP ITS OWN OFFICE FOR EXTERNAL COMMUNICATIONS, WHOSE MAIN TASK IS THE ADMINISTRATION OF CHARITABLE ACTIVITIES

SOCIAL INVESTMENT

continued

PRIORITY AREAS FOR CHARITABLE PROJECTS



Social support and protection, such as providing financial support to the poor and reintegration services for the unemployed, the disabled and others.



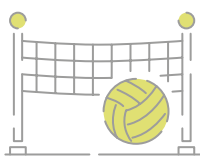
Support for preventative medical care and public health, as well as promoting healthy lifestyles and improving the psychological well-being of residents.



Ensuring the conservation and maintenance of buildings, facilities and land of historical, religious, cultural or environmental significance, including burial sites.



Promoting the patriotic, spiritual and moral upbringing of children and adolescents.



Financing activities in the areas of physical education and amateur sport.



Promoting volunteer work.



Promotion of activities in the fields of education, science, culture, art and spiritual growth;

BY IDENTIFYING PRIORITY AREAS, THE COMPANY ENSURES THE EFFICIENT AND EFFECTIVE ALLOCATION OF CHARITABLE FUNDS

LIST OF COMMUNITY INVESTMENT PROGRAMMES

The majority of programmes are implemented in conjunction with regional and local government authorities, since the state is the most reliable partner.

Some projects are implemented through independent non-profit organisations with the participation of state and local authorities and of the Company itself.

The Company has established programmes with specific goals and objectives (see the Company's website for more details, phosagro.ru).

At present, the planning horizon for charitable activities is from one to two years. Responsible managers are assigned to every programme and project pursuant to the local regulations of each Company enterprise, since all programmes are replicated in the regions where the Company operates.

The following activities are carried out to evaluate the effectiveness of programmes and projects:

- opinion surveys involving external professional experts from among the beneficiaries, civil society, state authorities and local self-government;
- internal opinion surveys among Company managers of various levels and ordinary employees;
- programme and project managers assess the activities and their impact on the beneficiaries;
- public hearings in the cities where the Company operates;
- an annual review of the results of charitable activities at a meeting of the Company's Management Board.

Medium-term plans for 2019

PhosAgro will continue to make the most positive impact it can on the life of local communities through its social support activities, in addition to measures aimed at regional socio-economic development.

COMMISSION FOR CHARITABLE PROJECTS

Management Board and CEO

- Executive body
- Take decisions on financing and support for projects and programmes in the areas of charity, sponsorship and community investment after reviewing reports (within the limits of the allocated funds).

Deputy CEO

Provides leadership and coordination in the areas of charity, sponsorship and community investment.

The Office for External Communications

Initiates regulations, prepares and processes all information on projects being implemented, and organises public hearings, opinion surveys, etc.

The Department for Social Development at each of the Company's enterprises

Handles the technical work: agreeing contract terms, transferring funds, verifying reports from the beneficiaries.

The Commission for Social Issues and Charity at each of the companies managed by JSC Apatit

Considers new applications, checks and processes documents, and makes proposals for support within the limits of the funds allocated for these purposes for each of the Company's enterprises.

Group level

Level of Company enterprises

138	System and principles of corporate governance
148	Board of Directors of PJSC PhosAgro
156	Management Board
160	Committees of the Board of Directors
166	Shares and dividends
170	Management responsibility statement

05

CORPORATE GOVERNANCE

COMMITTED TO BEST PRACTICES
IN CORPORATE GOVERNANCE

70% OF MEMBERS OF THE
BOARD OF DIRECTORS
ARE INDEPENDENT
DIRECTORS



SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

As of 31 December 2018



For PhosAgro, the previous year gave us an opportunity to take stock of where we are, while also identifying new strategic goals. In 2018, we successfully completed a large-scale investment cycle, highlighted by the launch of state-of-the-art ammonia and granulated urea production facilities, the positive impact of which could already be felt at the end of the year: we are now generating increased cash flow, which allows us to maintain a balance between investments in further development, support for social initiatives and the payment of dividends.

As before, we continued to pay special attention to improving the quality of our corporate governance. In 2018 the Board of Directors was joined by several new Independent Directors: Irina Bokova, who spent the previous eight years as Director-General of UNESCO; Xavier Rolet, the CEO of the London Stock Exchange for the previous nine years and Andrey Sharonov, who has many years of experience in high-ranking government posts and in the investment field. We are pleased that they chose PhosAgro, and we are confident that their vast experience and knowledge will help us achieve our strategic goals and make a significant contribution to solving global problems. As a result of these appointments, seven of the ten members of the current Board of Directors are independent, which complies with best practices in terms of openness, business transparency and corporate governance, and it also ensures that the Board of Directors will take into account the rights and interests of all stakeholders, from customers in our domestic market to partners in the more than 100 countries all around the world that import our products.

In 2018, PhosAgro continued work begun the previous year aimed at simplifying the

Group's corporate structure. At the end of the year, we decided to restructure JSC Apatit by merging JSC Metachem and JSC PhosAgro-Trans. The restructuring was aimed at further improving managerial efficiency and optimisation of business processes, as well as strengthening PhosAgro's competitive advantages as a vertically integrated company. We intend to continue this work as we move forward.

The Company's commitment to best practices in corporate governance is also illustrated by the fact that the Board of Directors carries out an annual assessment of its compliance with the principles laid out in the Central Bank of Russia's Corporate Governance Code of 10 April 2014. Annex No 2 to this report provides comprehensive information on compliance with these principles in 2018. This was reviewed and approved by the Board of Directors as an independent report. In addition, the Board provided a separate assessment of criteria regarding the quality of corporate governance that, for one reason or another, were not met or were not fully met.

I would like to express my gratitude to the members of the Board of Directors and the management of PhosAgro for their

contribution to the Company's sustainable development in 2018 and to maintaining its reputation as a responsible partner, as well as to all of PhosAgro's staff, shareholders and partners for their loyalty to the Company.

7 OF THE 10

MEMBERS OF THE CURRENT BOARD OF DIRECTORS ARE INDEPENDENT

Sven Ombudstvedt
Chairman of the Board of Directors

BOARD OF DIRECTORS

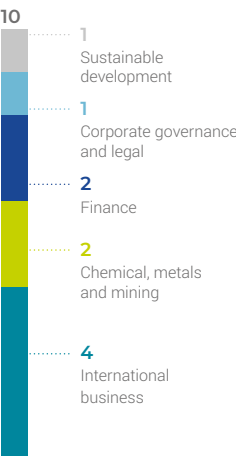
Gender split



Independence



Experience



OUR CORPORATE GOVERNANCE PRINCIPLES

1



ACCOUNTABILITY

The Board of Directors is accountable to PhosAgro's General Shareholders' Meeting and is responsible for:

- Formulating and overseeing the implementation of the Company's strategy;
- Establishing and maintaining systems that enable it to monitor PhosAgro's performance.

2



TRANSPARENCY

PhosAgro ensures the reliable and suitable disclosure of all matters relating to its operations, such as financial updates, social and environmental indicators, operating results, ownership structure and corporate governance.

3



RESPONSIBILITY

PhosAgro recognises the rights of all stakeholders and is constantly looking for ways to improve communication with them and pays attention to their needs and expectations so as to foster mutually beneficial relations.

4



EQUALITY

PhosAgro's corporate governance system protects shareholders' rights and ensures that their interests are respected and taken into consideration.

SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

continued

PhosAgro's corporate governance system

PhosAgro is a public company, whose shares are included in Moscow Exchange's Level 1 quotation list, and its depositary receipts are traded on the London Stock Exchange. The listing of securities on Russian and foreign stock exchanges imposes stricter requirements in terms of corporate governance. The Company's corporate governance activities are based on the principles and recommendations set forth in the Corporate Governance Code recommended for use by the Bank of Russia, as well as other requirements of the regulator (Bank of Russia) in the areas of corporate governance, the Listing Rules of the Moscow and London stock exchanges, as well as standards for the disclosure of information developed by the Global Reporting Initiative (GRI).

The Company is constantly developing its corporate governance system. Such changes aim to improve internal efficiency and external competitiveness, which includes raising the level of acceptance of corporate governance practices among stakeholders. One of the criteria related to the maturity of the Company's corporate governance system is the degree to which it complies with the recommendations of the Corporate Governance Code adopted by the Central Bank of the Russian Federation.

THE PERCENTAGE OF THE CODE'S REQUIREMENTS FULLY IMPLEMENTED BY THE COMPANY HAS BEEN INCREASING EVERY YEAR AND CURRENTLY EXCEEDS 80%

In 2018, the Company saw improvements in a number of principles of the Corporate Governance Code. In particular, the materials for meetings now contain information on the shareholders who proposed agenda items and those who nominated candidates for the Company's Board of Directors and Statutory Audit Commission, as well as the results of the assessment by the Remuneration and Human Resources Committee of candidates for the Board of Directors; the Board of Directors approved the Risk Management and Internal Control Policy and made changes to related documents; all material transactions were given the prior consent of the Board of Directors or the General Shareholders' Meeting; an order was prepared and issued on the procedure for preparing materials for the Board of Directors that established, among other things, the grounds for engaging an independent assessor when giving consent (approval) to material transactions.

Our General Shareholders' Meeting is the principal forum through which the Company's shareholders decide which issues are most critical to our business. These include approving financial statements and amending the Company's Charter and other internal documents. The Board of Directors provides overall guidance to the Company, except in areas that are the remit of the Shareholders' Meeting. It sets targets and oversees how the Management Board and the Chief Executive Officer strive to achieve them. The Management Board and the Chief Executive Officer manage the Company's day-to-day operations and implement the strategy approved by the Board of Directors.

The General Shareholders' Meeting

The General Shareholders' Meeting is the Company's highest governing body and is convened by the Board of Directors at least once a year. The Annual General Meeting is held every year between 1 March and 30 June. Extraordinary General Meetings may be convened by the Board of Directors on its own initiative or at the request of the Review Committee, the external auditor or a shareholder owning individually or

together with other shareholders at least 10% of issued voting shares. The General Shareholders' Meeting has the exclusive authority to take decisions on a number of matters, including:

- implementation of amendments and additions to the Company's Charter, or adoption of a new version of the Charter
- reorganisation or liquidation of the Company
- election and removal of members of the Board of Directors
- increases or reductions in the Company's authorised capital
- approval of the Company's external auditor
- approval of the Company's annual reports and financial statements
- distribution of profits, including payment of dividends
- payment of remuneration to the members of the Board of Directors and the Review Committee

Voting at a General Shareholders' Meeting is generally based on the principle of one vote per ordinary share, with the exception of the election of the Board of Directors, which is done by cumulative voting. According to the Law on Joint Stock Companies, the quorum requirement for a General Shareholders' Meeting is that shareholders (or their representatives) accounting for more than 50% of the issued voting shares must be present.

A General Shareholders' Meeting may be held in the form of a meeting (in person) or in the form of absentee voting. All shareholders entitled to participate in the General Shareholders' Meeting are notified of the Meeting by a notice posted on a Company's website usually 21 days prior to the Meeting. The list of persons entitled to participate in a General Shareholders' Meeting is compiled on the basis of data in the Company's register of shareholders as of the date established by the Board of Directors. General Shareholders' Meetings are usually held in Russia (Moscow).

In addition to the Annual General Shareholders' Meeting, three Extraordinary General Shareholders' Meetings were held in 2018, the main subject of which was the distribution of dividends in accordance with the Company's dividend policy. In addition, a decision on the composition of the new Board of Directors was taken in light of the changes to the corporate structure.

Role and composition of the Board of Directors

The Board of Directors operates in accordance with the Law on Joint Stock Companies, the Company's Charter, the Company's Regulations on the Board of Directors, the Central Bank of Russia's recommended Corporate Governance Code, guidelines of the UK Corporate Governance Code and generally accepted good practice in corporate governance.

At the Annual General Meeting of Shareholders, the Members of the Board of Directors are elected by cumulative voting for a year-long term.

Since 2011, PhosAgro's Board of Directors, as well as its main committees – the Audit Committee and the Remuneration and Human Resources Committee – have been chaired by independent directors. Moreover, these committees are composed entirely of independent directors. In 2018, the Risk Management Committee was also chaired by an independent director. Since 2017, the Board of Directors has been made up of 10 members. The Board was expanded both because of the requirements of Russian corporate legislation and because of the Company's desire to recruit as many independent directors as possible. Since the Company has more than 10,000 shareholders, there should be, according to Russian corporate legislation, no fewer than nine Board members. The new makeup of the Board of Directors was determined at the Extraordinary General Shareholders' Meeting held on 26 February 2018, when new independent director Irina Bokova was added,

bringing to the Board her unique knowledge, skills and competencies.

The Annual General Meeting of Shareholders of 30 May 2018 elected a new Board of Directors and appointed Xavier R. Rolet as a new independent director. As a result, the number of independent non-executive directors was increased to seven, a change that confirms the Company's commitment to best practices in corporate governance.

An independent director (and therefore candidates for the position of independent director) is a person who is unrelated to:

- the Company
- a major shareholder of the Company
- a major counterparty of the Company
- a competitor of the Company
- the government (the Russian Federation or a constituent entity of the Russian Federation) or a municipality

A person shall be considered to be related to the Company in the event that they or persons related to them, inter alia:

1. Are currently or have been in the preceding three years members of either the executive bodies or employees of the Company or of entities controlled by the Company and or the managing company;
2. Are members of the Board of Directors of a legal entity that controls the Company, is controlled by the Company, or is a management company of such a legal entity; and in a number of other cases stipulated by the above documents.

A person shall be considered to be related to a major shareholder of the Company in the event that they or persons related to them, inter alia, are employees or members of the executive bodies of a major shareholder of the Company, as well as in a number of other cases stipulated by the above documents.

A person shall be considered to be related to a major counterparty or competitor of the Company in the event that they or persons related to them:

1. Are an employee or a member of a management body and/or executive bodies of a major counterparty or competitor of the Company or organisations under its control;
2. Are an owner or a beneficiary of shares (a stake) in a major counterparty or competitor of the Company that constitutes more than 5 per cent of the authorised capital or total number of voting shares (stakes).

A person shall be considered to be related to the government or a municipality if, inter alia, they are currently or were within one year prior to election to the Board of Directors a state or municipal employee, a person substituting positions in public authorities, an employee of the Bank of Russia, or a number of other cases stipulated by the above documents.

THE BOARD OF DIRECTORS IS CONSTANTLY LOOKING FOR NEW WAYS TO MAKE ITS ACTIVITIES MORE EFFICIENT, AND TO IMPROVE ITS IMPLEMENTATION OF THE BANK OF RUSSIA'S RECOMMENDATIONS FOR CORPORATE GOVERNANCE AND COMPLIANCE WITH INTERNATIONAL CORPORATE GOVERNANCE STANDARDS

SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

continued

The main areas of activities undertaken by the Board of Directors in 2018 included:

- assessment and quarterly monitoring of the risk management process;
 - assessment and quarterly monitoring of the activities of subsidiaries in the areas of workplace health and safety, industrial safety and environmental protection;
 - ensuring compliance with the provisions of the Company's Information Policy and determining the priorities thereof;
 - assessment of the effectiveness of the Company's risk management and internal control system;
 - assessing the degree to which the requirements of the Company's Insider Information Policy were met;
- the Company's strategy in the area of international projects;
 - the sales strategy for mineral fertilizers;
 - development of a project management system at Group enterprises;
 - evaluation of the performance of the Company's CEO and Management Board;
 - oversight over management relations with shareholders, investors and other stakeholders;
 - supervising activities aimed at formulating a Development Strategy to 2025, and the implementation status of the Strategy to 2020;
 - assessment of the work of the Corporate Secretary;

- monitoring the implementation of priority areas of the Company's activities in 2018 and determining priority areas of the Company's activities for 2019;
- reviewing the Company's budget for 2019, as well as quarterly review of the budget for 2018.

IN 2018, THE BOARD OF DIRECTORS HELD 9 MEETINGS COVERING A TOTAL OF 77 ISSUES

Name	Year of birth	Board of Directors		Audit Committee		Strategy Committee		Remuneration and Human Resources Committee	Risk Management Committee		Environment, Health and Safety Committee	
		Held	Attended	Held	Attended	Held	Attended		Held	Attended	Held	Attended
Andrey A. Guryev	1982	9	9			1	1		4	4	2	2
Andrey G. Guryev	1960	9	6			1	1					
Sven Ombudstvedt ²	1966	9	9	5	5	1	1	5	5		2	1
Natalia Pashkevich ²	1939	9	7								2	1
Marcus Rhodes	1961	9	9	5	5			5	5			
Ivan Rodionov ^{1,2}	1953	9	4						4	2		
James Rogers	1942	9	9	5	5			5	5			
Mikhail Rybnikov	1975	9	9			1	1		4	4	2	2
Irina Bokova ¹	1952	9	7									
Xavier R. Rolet ^{1,2}	1959	9	4						4	2		
Andrey Sharonov	1964	9	9	5	4							
Alexander Sharabaiko ¹	1977	9	1									

¹ Alexander Sharabaiko was a member of the Board of Directors until 26 February 2018; Ivan Rodionov was a member of the Board of Directors until 30 May 2018; Irina Bokova has been a member of the Board of Directors since 26 February 2018, and Xavier R. Rolet has been a member since 30 May 2017.
² Ivan Rodionov was the Chairman of the Risk Management Committee until 30 May 2018; Xavier R. Rolet has been the Chairman of the Risk Management Committee since 30 May 2018; Sven Ombudstvedt was a member of the Environment, Health and Safety Committee until 30 May 2018; Natalia Pashkevich has been a member of the Environment, Health and Safety Committee since 30 May 2018.

In addition, the Board of Directors reviewed a number of anti-corruption documents:

- Regulation on Conflicts of Interests within the Company;
- The Company's Code of Ethics;
- Regulation on the Company's Hotline.

The above-mentioned documents were amended to reflect changes in Russian and international anti-corruption legislation.

Key documents in the field of corporate governance—the Company's Risk Management and Internal Control Policy and its Corporate Governance Code — were updated in response to amendments to Russian laws in 2018. The Board of Directors also approved the work plan for the Company's Internal Audit Department for 2019.

In addition to the above-mentioned issues, the Board of Directors also reviewed and approved financial statements on a quarterly basis, appointed the Company's top executives, approved major and interested-party transactions, and convened shareholders' meetings.

In August 2018, an on-site meeting of the Board of Directors took place at the Metachem site in Volkhov, where the Company's key investment project for the construction of new fertilizer production facilities got under way last year. Board members were informed about how the design and construction of the facility—an extremely important project for the Company—was progressing. On the basis of a detailed study of project indicators, the Board gave the decisions of the Company's management a positive assessment. The meeting highlighted significant progress in all key areas of the Company's operations in recent years.

Planning and evaluation of the activities of the Board of Directors

In accordance with the recommendations of the Corporate Governance Code, the Board of Directors conducted a self-assessment based on 2018 results. In general, most aspects of the work of the Board of Directors and its committees were given a positive evaluation. According to the main criteria for assessing the impact of their activities, the survey showed a positive trend in comparison with Board members' assessments from 2016 and 2017. The self-assessment was carried out on the basis of a survey of members of the Board of Directors. The final report on the results of the self-assessment was presented and reviewed at meetings of the Remuneration and Human Resources Committee and of the Board of Directors. After being discussed, the following self-assessment results were recorded: the composition of the Board of Directors fully meets the requirements of the Code and the Moscow Exchange listing rules. The directors consider the Board's composition to be strong and balanced. The Board's performance remained highly rated. An improvement in the quality of Board discussions was noted. In addition, following a review of the results of the self-assessment, the main areas for development and improvement of the Board of Directors in 2019 were agreed.

THE BOARD'S ACTIVITIES ARE PLANNED. MEETINGS ARE HELD AT LEAST ONCE A QUARTER. THE BOARD CONFIRMS THE DATES AND AN INDICATIVE AGENDA IN ADVANCE ONCE PER YEAR, MAKING CHANGES AS NEEDED THROUGHOUT THE YEAR

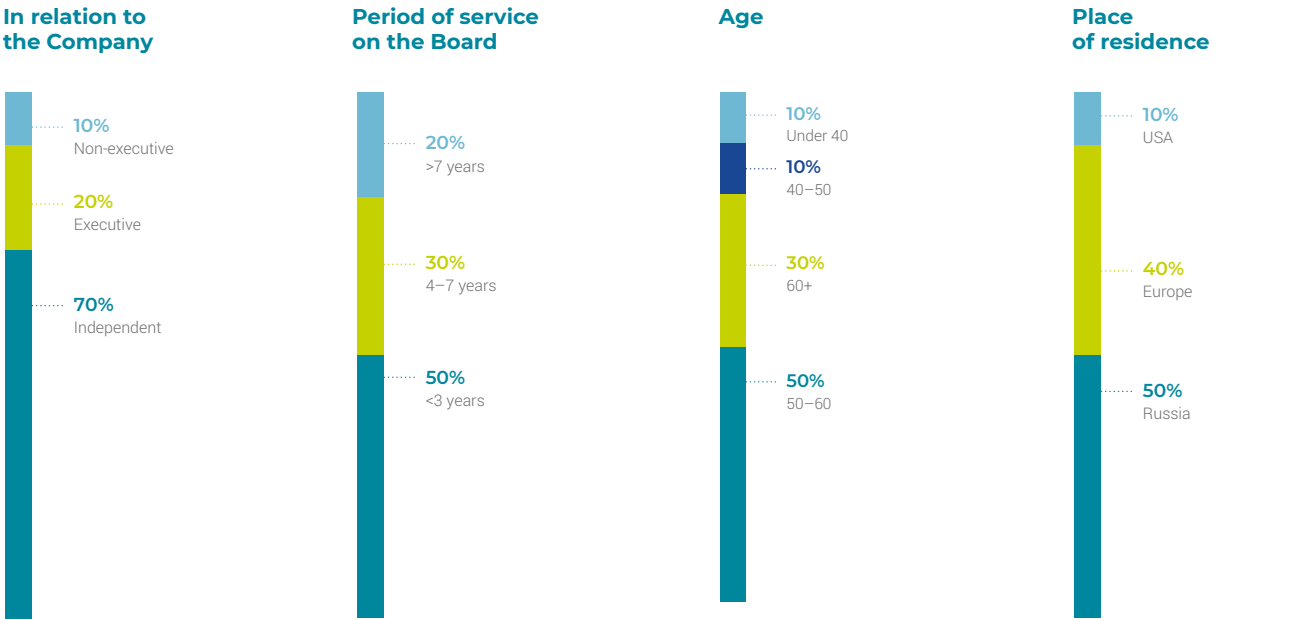
Board committees
The committees of the Board of Directors are advisory and consultative bodies. The Board committees consist of current members of the Board of Directors who have relevant experience and expertise in the area of each committee's focus.

The committees can also involve external experts and consultants in their work. The primary role of the committees is the preliminary consideration of the key issues reserved for the Company's Board of Directors. The committees are responsible for ensuring that issues brought before the Board have been subject to sufficient review in order to ensure that the directors are able to cast their votes based on full and accurate information. To achieve this, committee members maintain a regular dialogue with management, the Company's external auditor and other advisors on the issues that fall within their remit.

SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

continued

STRUCTURE OF THE BOARD OF DIRECTORS



Executive bodies

The Company's day-to-day operations and the implementation of its strategy are managed by its collective executive body (Management Board) and its sole executive body (CEO).

Management Board

The matters that fall within the remit of the Management Board are set out in the Charter and include:

- Reviewing, revising and approving PhosAgro's quarterly and annual budgets;
- Determination of the Company's investment policy and new areas of operations;
- Developing PhosAgro's capital expenditure plans and strategy with respect to any new business activities;
- Making decisions on entering into, amending or terminating transactions related to the disposal or possibility of disposal of securities owned by the Company or shares in the charter capital of business entities whose book value exceeds 20% of the book value of the Company's assets;

- Arranging the preparation and provision of reports to the Board of Directors on PhosAgro's financial and operating performance;
- Approving the regulations on incentivisation and other internal documents that determine the compensation and benefit policies for PhosAgro employees;
- Election and removal of the secretary of the Management Board and their powers.

During the reporting period, the Management Board held six meetings, at which it reviewed the Company's quarterly financial and operational performance. It summarised the results of the Company's 2017 activities in March, identified the Company's priority activities for 2019 in November, and approved the 2019 budget in December. The Management Board also made decisions to approve and amend the charity budget.

The Chief Executive Officer

According to the Company's Charter, the Chief Executive Officer is appointed by the Company's Board of Directors for a period of three years and may be dismissed by a decision of the Board of Directors at any time. The Company's Corporate Governance Code provides that the Chief Executive Officer must act in good faith and with due diligence to further the interests of the Company and its shareholders. All issues related to the Company's day-to-day operations are within the authority and responsibility of the Chief Executive Officer except for those matters that are subject to ratification by the General Shareholders' Meeting, the Company's Board of Directors and/or the Management Board. The Chief Executive Officer, together with the Management Board, is responsible for ensuring that the Company's strategy and the decisions of the General Shareholders' Meeting and the Board of Directors are implemented. In order to ensure efficient corporate communications between the Company's Board of Directors and the Chief Executive Officer, the Chief Executive Officer submits regular quarterly reports to the Board.

Some of the matters for which the Chief Executive Officer is responsible are:

- representing the Company before all federal and local authorities and in meetings with organisations and entities in Russia and abroad
- hiring and dismissing the Company's personnel
- carrying out all other activities and legal steps required to be conducted on behalf of the Company in accordance with the Company's Charter, decisions of the Board of Directors and the General Shareholders' Meeting and/or in accordance with current legislation

Andrey A. Guryev was the Company's Chief Executive Officer throughout 2018. For Mr Guryev's biographical details, please see the "Board of Directors" section of this report.

Principles for remuneration of members of the Board of Directors

When determining the composition of the Board, the General Shareholders' Meeting approves the amount and the rules for determining and paying remuneration and compensation to members of the Board of Directors. In addition, the amount of remuneration provided by the Company to members of the Board of Directors creates sufficient motivation for them to work effectively, allowing the Company to attract and retain competent and skilled professionals. At the same time, the Company avoids paying out more remuneration than is necessary.

The Company pays remuneration to members of the Board of Directors during the period during which they exercise their duties, and it also reimburses expenses related to their performance as members of the Board of Directors. Regular (quarterly) remuneration is paid only to independent members of the Board of Directors. Additional (quarterly) remuneration is paid to the chairmen of Board committees who are independent directors, as well as to members of the Board of Directors who are not Company employees. Remuneration is paid quarterly no later than 20 days from the end of the reporting quarter.

Regular (quarterly) remuneration for the Chairman of the Board of Directors, who is an independent director and is paid an amount equivalent to USD 90,000.00 for a full quarter at the official exchange rate set by the Bank of Russia on the last day of the quarter for which payment is made. Other independent members of the Board of Directors are paid remuneration in an amount equivalent to USD 45,000.00 for a full quarter at the official rate set by the Bank of Russia on the last day of the quarter for which payment is made.

Additional (quarterly) remuneration is paid to the chairmen of Board committees who are independent directors or who are not Company employees in an amount equivalent to USD 30,000.00 for a full quarter according to the official exchange rate set by the Bank of Russia on the last day of the quarter for which the payment is made.

Compensation is provided for actual expenses incurred by the members of PhosAgro's Board of Directors in connection with the performance of their functions as members of the Board of Directors. Reimbursement for expenses is provided within the first 20 days of the month following the reporting month on the basis of requests from members of the Board of Directors submitted to PhosAgro's sole executive body, accompanied by documents confirming actual expenses incurred.

Compensation and reimbursements are paid out in cash from PhosAgro's payment office or, upon the submission of the relevant request from a member of PhosAgro's Board of Directors to PhosAgro's sole executive body (CEO), by a bank transfer to the account indicated in the request.

Board of Directors remuneration

Members of PhosAgro's Board of Directors may receive remuneration and be compensated for expenses incurred in the course of their duties in accordance with decisions of the General Shareholders' Meeting. According to the Company's Corporate Governance Code, the remuneration of the Board of Directors shall be in line with current market conditions and shall

be at a level that enables the Company to attract, motivate and retain highly skilled professionals to help drive the future growth and performance of the business. At the same time, their remuneration shall not exceed the amount needed to achieve this.

In 2018, the total remuneration paid to PhosAgro's Board of Directors was RUB 97,318 thousand (excluding reimbursed expenses). The amount of remuneration and additional compensation paid to PhosAgro's Chief Executive Officer is regulated by a contract between the Chief Executive Officer and the Company, which is signed by the Company's Chairman of the Board of Directors. The total remuneration reflects the Chief Executive Officer's qualifications and takes into account the particular contribution of the Chief Executive Officer to the Company's financial results.

Management Board remuneration

The remuneration paid by the Company to the Chief Executive Officer and the six other members of the Management Board (who represent the Senior Management Team) for their services to the Company during the year ended 31 December 2018 was RUB 185.6 million (in 2017 it was RUB 234.5 million).

The remuneration paid to the Company's senior executives consists of a monthly base salary plus additional compensation that is paid twice a year.

SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

continued

BOARD OF DIRECTORS REMUNERATION RUB

	2017	2018
Igor Antoshin	4,749,761.34	—
Sven Ombudstvedt	19,376,953.47	22,957,434.00
James Rogers	16,147,461.81	19,131,195.00
Ivan Rodionov	6,458,984.49	2,959,284.38
Marcus Rhodes	16,147,461.81	19,131,195.00
Andrey Sharonov	2,592,009.00	11,478,717.00
Xavier Rolet	—	11,784,706.71
Irina Bokova	—	9,875,299.80
Total	65,472,631.92	97,317,831.89

Payment of additional compensation is based on achieving the Company's key performance indicators and accomplishing additional tasks and goals, as set by the Board of Directors and the Chief Executive Officer for the reporting year or quarter. The key performance indicators for each individual senior manager are set by period and mainly consist of indicators for sustaining operational efficiency, as well as for contributing to the achievement of corporate growth and strategy.

To determine the amount of additional annual compensation, the Company's EBITDA for the reporting period (pursuant to a decision of the Board of Directors) is taken into account.

Insider Information Policy

Insider Information is precise and specific information that has not been distributed or shared that, if distributed or shared, could have a significant impact on the value of the Company's securities. A list of such information within the Company has been drawn up and approved in accordance with the applicable legal requirements.

An insider is a person who has the right to access insider information on the basis of a law, other regulatory legal act, their job description or Company bylaws, as well as on the basis of an agreement with the Company.

The purpose of the Company's Insider Information Regulation is to protect the

legitimate interests of investors and to prevent actions by the Company, employees, members of the Board of Directors and the Statutory Audit Commission, related parties, customers and counterparties aimed at misusing insider information and market manipulation.

The Company's Insider Information Regulation was developed on the basis of Russian legislation on countering the unlawful use of insider information and market manipulation, as well as the European Union's market abuse regulation. It governs the procedure for drawing up a list of insider information; the procedure for compiling a list of Company insiders and submitting the list to interested parties; the rules for the Company's notification of insiders, as well as the rules for insiders' notification of the Company and the authorities in charge of regulating securities; the procedure for gaining access to insider information and for sharing insider information with interested parties; the privacy policy regarding insider information; the rules for insiders to conclude transactions involving the Company's securities; rules for monitoring compliance with the requirements of legislation and these regulations; other issues related to the handling and safeguarding of insider information.

The Company division responsible for fulfilling the legal requirements on insider

information and the Company bylaws adopted in accordance with said legal requirements is the Office of the Corporate Secretary. The functions performed in this area include the maintenance of lists of Company insiders and related parties; the sending and recording of notifications related to the maintenance of said lists; notification of the persons performing managerial duties about periods when transactions involving Company securities are prohibited for them; analysis of the possibility of using the Company's insider information in transactions involving the Company's securities; preparing a report for the Board of Directors on the Company's fulfilment of its legal requirements in terms of protecting and sharing insider information; analysis of the grounds for, and organisation of, the disclosure of information on transactions involving insiders and related parties in accordance with the requirements of European legislation; advising the Company's employees on issues related to handling insider information.

Dividend Policy

The Company's Dividend Policy is based on balancing the interests of the Company and its shareholders when determining the dividend amount, on respecting and strictly observing the rights of shareholders, as stipulated by the applicable Russian legislation, the Company's Charter and its bylaws, and is aimed at increasing the

Company's investment attractiveness and its capitalisation.

The Dividend Policy Regulation approved by the Company establishes a transparent procedure for determining the dividend amount and the payment thereof. Its purpose is also to provide information on the conditions and procedure for the payment of dividends to all interested parties and to determine guidelines for the Company's Board of Directors when developing recommendations on the amount of dividends on shares and the procedure for the payment thereof.

In accordance with this Regulation, when determining the amount of dividends to recommend to the General Shareholders' Meeting and the corresponding share of the Company's net profit to allocate for dividend payments, the Company's Board of Directors strives to ensure that the amount of funds allocated for dividend payments ranges from 30% to 50% of the Company's profit in accordance with its consolidated financial statements under IFRS for the relevant reporting period.

When determining the recommended dividend amount, the Company's Board of Directors must take into account the Company's financial performance for the relevant reporting period; the amount of profit to be allocated for investment and growth, financing the Company's social responsibility and other projects; as well as other significant factors for making an informed decision on recommended dividends.

If the Company has a net profit based on the results of the reporting period, the Company's Board of Directors has the right to refrain from recommending the payment of dividends in cases where there is a reasonable assumption that the payment of dividends could entail a significant deterioration in the Company's financial position.

According to the results of the Company's activities, the declared dividends amounted to 60% of the net profit adjusted for FX. The total amount of dividends declared in 2018 and in 2019 will amount to RUB 24.9 billion, pending AGM approval of the dividends

recommended by the Board of Directors on 19 March 2019.

The Review Committee

The Review Committee may undertake audit procedures either on its own initiative, pursuant to a decision of the General Shareholders' Meeting or the Board of Directors or at the request of shareholders owning at least 10% of the shares in the Company. The General Shareholders' Meeting elects the members of the Review Committee for the period until the next Annual General Shareholders' Meeting. The Review Committee comprises three members and is led by the Chairman of the Review Committee. Members of the Committee cannot be on the Company's Board of Directors at the same time, nor can they hold positions in the Company's executive bodies.

Internal audit

The Company's Internal Audit Department assists the Company's executive management and Board of Directors in improving the effective management of business processes, as well as the operation of the internal control and risk management systems.

In its activities, the Internal Audit Department uses a risk-based approach and works closely with the Departments of Risk Management, Internal Control and Economic Security, as well as with Company management.

In 2018, the Internal Audit Department audited the Company's business processes in the following areas: procurement of materials and services, inventory management, treasury, and investments, as well as IT audits of the Company's business systems. The audit plan for the year is reviewed, discussed, and approved by the Audit Committee and the Board of Directors. Audits are performed both at the Group level and within subsidiaries.

In addition, the Internal Audit Department monitors the implementation by the Company's management of corrective actions proposed based on audit results and reports to the Board of Directors on a quarterly basis.

At the end of 2018, PricewaterhouseCoopers conducted an assessment of the compliance of the Internal Audit Department with the requirements of the International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors' Code of Ethics and the requirements of the corporate governance code approved by the Board of Directors of the Bank of Russia. Significant improvement was noted in the work of the Internal Audit Department compared to 2017. A plan was developed and is currently being implemented to further improve the internal audit function.

Members of PhosAgro's Board of Directors

On 1 January 2018, as elected by the Extraordinary General Shareholders' Meeting of 2 October 2017:

1. Andrey A. Guryev
2. Andrey G. Guryev
3. Sven Ombudstvedt
4. James Rogers
5. Ivan Rodionov
6. Marcus Rhodes
7. Mikhail Rybnikov
8. Natalia Pashkevich
9. Alexander Sharabaiko
10. Andrey Sharonov

On 29 May 2018, as elected by the Extraordinary General Shareholders' Meeting of 26 February 2018:

1. Irina Bokova
2. Andrey A. Guryev
3. Andrey G. Guryev
4. Sven Ombudstvedt
5. James Rogers
6. Ivan Rodionov
7. Marcus Rhodes
8. Mikhail Rybnikov
9. Natalia Pashkevich
10. Andrey Sharonov

On 31 December 2018, as elected by the annual General Shareholders' Meeting of 30 May 2018:

1. Irina Bokova
2. Andrey A. Guryev
3. Andrey G. Guryev
4. Sven Ombudstvedt
5. James Rogers
6. Xavier Rolet
7. Marcus Rhodes
8. Mikhail Rybnikov
9. Natalia Pashkevich
10. Andrey Sharonov

BOARD OF DIRECTORS OF PJSC PHOSAGRO

As of 31 December 2018



OMBUDSTVEDT
SVEN

Chairman	
Title: Independent Director	
Year of election: 2011	
Equity interest / Stake of ordinary shares: 0.001%	
Date of birth: 27 July 1966	
Education: Pacific Lutheran University (USA) Bachelor's degree in Business Administration The Thunderbird School of Global Management Master's degree in International Management	
2008 — 2013	Saferoad AS Member of the Board of Directors
2010 — 2013	Western Bulk Member of the Board of Directors
2010 — 2017	Norske Skogindustrier ASA CEO
2011 — Present	PJSC PhosAgro Chairman of the Board of Directors Member of the Audit Committee Member of the Strategy Committee
2017 — 2017	Norske Skogindustrier ASA Special Advisor
2017 — Present	Norske Skog AS Chairman of the Board of Directors
2017 — Present	Norske Skog Holding AS Member of the Board of Directors

Key competencies:	
<ul style="list-style-type: none">• Strategy• Finance and audit• Chemistry and mining engineering	



GURYEV
ANDREY G.

Deputy Chairman	
Title: Non-executive Director	
Year of election: 2013	
Equity interest / Stake of ordinary shares: no	
Date of birth: 24 March 1960	
Education: The G. V. Plekhanov St. Petersburg State Mining Institute Degree in Economics and Management of Mining and Exploration Enterprises Central State Institute for Physical Education	
2006 — Present	Russian Chemists Union Vice-President
2001 — 2013	Federation Council of the Federal Assembly of the Russian Federation Member of the Federation Council of the Russian Federation
2013 — Present	PJSC PhosAgro Deputy Chairman of the Board of Directors Member of the Strategy Committee
06.2017 — 06.2018	JSC AgroGard-Finance Member of the Board of Directors
06.2018 — Present	JSC AgroGard-Finance Chairman of the Board of Directors

Key competencies:	
<ul style="list-style-type: none">• Strategy• Chemistry and mining engineering	



GURYEV
ANDREY A.

Title: Executive Director			
Year of election: 2013			
Equity interest / Stake of ordinary shares: no			
Date of birth: 7 March 1982			
Education: The University of Greenwich in London BA in Economics			
Academy of National Economy under the Government of the Russian Federation Master's degree; PhD in Economics			
2011 — 2013	CJSC PhosAgro AG Deputy CEO for Sales and Logistics (in addition to other duties)	2013 — Present	PJSC PhosAgro CEO Chairman of the Managment Board Chairman of the Strategy Committee Member of the Environmental, Health and Safety Committee Member of the Risk Management Committee
2011 — 2013	OJSC PhosAgro Deputy CEO		
2011 — Present	Moscow Rhythmic Gymnastics Federation President		
2012 — Present	Andrey Guryev Charitable Foundation Chairman of the Management Board	2014 — 2016	JSC PhosAgro-Cherepovets Member of the Management Board
2012 — 2014	JSCB Investment Trading Bank OJSC Member of the Board of Directors	2014 — Present	Russian Chess Federation Member of the Board of Trustees
2012 — Present	LLC PhosAgro-Region Member of the Management Board	2015 — Present	The Russian Olympians Foundation Member of the Board of Trustees of the Foundation Member of the Board of the Foundation
2013 — Present	PJSC PhosAgro Member of the Board of Directors	2015 — Present	Russian Union of Industrialists and Entrepreneurs Member of the Management Board
		2016 — Present	Russian Association of Fertilizer Producers President

Key competencies:	
<ul style="list-style-type: none">• Strategy• Environment, health and safety• Human resources	

BOARD OF DIRECTORS OF PJSC PHOSAGRO

continued



ROGERS
JAMES BEELAND JR.

Title: **Independent Director**

Year of election: **2014**

Equity interest / Stake of ordinary shares: **0.0064%**

Date of birth: **19 October 1942**

Education:
Yale University (USA)
Bachelor's degree
University of Oxford, as a member of Balliol College (England)
Bachelor's / master's degree in Philosophy, Politics and Economics

Directorship:

1986 — Present	Virtus Total Return Fund Inc. Director
1988 — Present	Virtus Global Dividend & Income Fund Inc. Director
1990 — Present	Beeland Interests, Inc. Director
2007 — Present	Beeland Enterprises, Inc. Director
2007 — Present	Beeland Holdings Pte Ltd Director
2012 — Present	Spanish Mountain Gold Limited Director
2012 — Present	Geo Energy Resources Limited Non-Executive Director
06.2013 — 06.2014	Fab Universal Corp Independent Director
2014 — Present	PJSC PhosAgro Member of the Board of Directors Chairman of the Remuneration and Human Resources Committee Member of the Audit Committee

2014 — Present	Sinofortune Financial Holdings Limited Non-Executive Director
2016 — Present	Duff & Phelps Select Energy MLP Fund Inc. Director
2016 — Present	Virtus Global Multi-Sector Income Fund Trustee
03.2016 — 04.2018	Crusader Resources Limited Non-Executive Director
08.2017 — Present	JSC AgroGard-Finance Independent Director
01.2018 — Present	Ocean Capital Advisors LLC Director
09.2018 — Present	Quantum Digital Asset Management Pte. Ltd. Member of the Board of Directors
11.2018 — Present	Sirius International Insurance Group, Ltd. Member of the Board of Directors
12.2018 — Present	Ananti Inc Director

Advisor:

2006 — 2015	CQS Cayman Limited Partnership Advisor
2011 — Present	Forbes & Manhattan Advisor
2012 — Present	Santiago Gold Fund Advisor
2013 — 01.2018	Laguna Bay Pastoral Company Pty Ltd Advisor
02.2014 — Present	Genagro Limited Member of the Advisory Board
07.2015 — 01.2017	Latitude Technologies Limited Senior Advisor
04.2017 — Present	Agritrade Resources Ltd Advisor
08.2017 — 08.2018	ITF Corporation Advisor
10.2017 — 10.2018	Global Blockchain Technologies Corp Advisor

Key competencies:

- Finance and audit
- Human resources



RHODES
MARCUS JAMES

Title: **Independent Director**

Year of election: **2011**

Equity interest / Stake of ordinary shares: **0.000644%**

Date of birth: **31 May 1961**

Education:
University of Loughborough
BS in Economics and History of Economics
The Institute of Accountants in England and Wales
Qualified as a chartered accountant, member

2008 — 2015	OJSC Rosinter Restaurants Holding Member of the Board of Directors
2008 — 2016	OJSC Cherkizovo Group Member of the Board of Directors
2008 — 2015	Tethys Petroleum Limited Member of the Board of Directors
2011 — Present	PJSC PhosAgro Member of the Board of Directors Chairman of the Audit Committee
2014 — Present	QIWI plc Member of the Board of Directors
2014 — 2017	Zoltav Resources Inc Member of the Board of Directors (left on 23 May 2017)
2018 — Present	Rustranscom Plc Non-Executive Director

Key competencies:

- Finance and audit
- Corporate governance



PASHKEVICH
NATALIA V.

Title: **Independent Director**

Year of election: **2017**

Equity interest / Stake of ordinary shares: **no**

Date of birth: **5 November 1939**

Education:
Leningrad Mining Institute
Grand PhD in Economics, Professor

1999 — Present	Saint Petersburg Mining University First Vice-Rector
2017 — Present	PJSC PhosAgro Member of the Board of Directors Member of the Environmental, Health and Safety Committee

Key competencies:

- Chemistry and mining engineering

BOARD OF DIRECTORS OF PJSC PHOSAGRO

continued



RYBNIKOV MIKHAIL K.

Title: **First Deputy CEO** of PJSC Phosagro

Year of election: **2016**

Equity interest / Stake of ordinary shares: **0.0258%**

Date of birth: **30 November 1975**

Education:
Moscow State University
Master's degree in Economics

2011 — 2013	LLC PhosAgro-Region Member of the Management Board	2015 — 2017	JSC PhosAgro-Cherepovets Chairman of the Managment Board
2012 — 2015	CJSC PhosAgro AG CEO Chairman of the Management Board	2016 — Present	PJSC PhosAgro Member of the Board of Directors
2012 — 2017	JSC PhosAgro-Cherepovets CEO	2016 — Present	LLC PhosAgro-Region Member of the Management Board
2013 — 2013	OJSC Moscow Stock Exchange Member of the Board of Directors	2017 — 2018	JSC Apatit CEO Chairman of the Management Board
2013 — 2013	OJSC Apatit Member of the Board of Directors	2018 — Present	JSC Apatit Member of the Management Board
2013 — 2016	JSC PhosAgro-Cherepovets Member of the Board of Directors	2018 — Present	JSC NIIUIF Member of the Board of Directors
2013 — Present	PJSC PhosAgro Member of the Management Board Chairman of the Environmental, Health and Safety Committee, Member of the Strategy Committee, Member of the Risk Management Committee		

- Key competencies:**
- Strategy
 - Finance and audit
 - Chemistry and mining engineering
 - Environment, health and safety



SHARONOV ANDREY V.

Title: **Independent Director**

Year of election: **2017**

Equity interest / Stake of ordinary shares: **no**

Date of birth: **11 February 1964**

Education:
Ufa Aviation Institute
Major in Aviation Instrument Making
Russian Academy of Public Administration under the President of the Russian Federation
Major in Law

2010 — 2013	Government of Moscow Deputy Mayor for Economic Policy	2014 — Present	PJSC NOVATEK Member of the Board of Directors
2011 — 2014	National Research University Higher School of Economics Member of the Supervisory Board	2015 — 2018	PJSC VTB Bank Member of the Supervisory Board
2011 — Present	JSCB Bank of Moscow Member of the Board of Directors	2015 — 2017	JSC ROSGEO Member of the Board of Directors
2013 — 2016	Moscow School of Management SKOLKOVO Rector	2015 — 2016	PJSC Moscow Exchange Member of the Supervisory Board
2013 — 2016	JSC MC Eko-Sistema Chairman of the Board of Directors	2016 — Present	Moscow School of Management SKOLKOVO President
2014 — 2015	ALROSA INC (OJSC) Member of the Supervisory Board	2017 — Present	PJSC PhosAgro Member of the Board of Directors Member of the the Audit Committee Member of the Remuneration and Human Resources Committee
2014 — Present	LLC MC NefteTransServis Chairman of the Board of Directors	2018 — Present	Medicina JSC Chairman of the Board of Directors
2014 — Present	PJSC Sovcomflot Member of the Board of Directors		

- Key competencies:**
- Finance and audit
 - Law and corporate governance
 - Human resources

BOARD OF DIRECTORS OF PJSC PHOSAGRO

continued



**ROLET
XAVIER ROBERT**

Title: **Independent Director**

Year of election: **2018**

Equity interest / Stake of ordinary shares: **no**

Date of birth: **12 November 1959**

Education:

KEDGE Business School (France) MSc — Management Science, International Business	The Institute for Higher National Defence Studies (IHEDN) (France) Post-graduate degree
Columbia Business School (USA) MBA, International Finance	

2000 — 2007	Lehman Brothers (New York and London) Managing Director	2014 — 2017	Bank of England Governor’s Financial Services Forum
2007 — 2009	Banque Lehman Brothers S.A. (France) CEO	2017 — 2018	London Stock Exchange Group (LSEG) CEO on garden leave
2009 — 2017	London Stock Exchange Group (LSEG) CEO	2017 — Present	Department for International Trade Committee of expert advisors
2011 — Present	Columbia University Business School Member of the Board of Overseers	2018 — Present	Shanghai Institute of Finance for the Real Economy — SIFRE Expert Advisor
2013 — 2017	HM Treasury Financial Services Trade and Investment Board	2018 — 02.2019	Verseon Non-executive director
2014 — 2017	The European Securities and Markets Authority (ESMA) Securities and Markets Stakeholder Group	2018 — Present	PJSC PhosAgro Member of the Board of Directors, Chairman of the Risk Management Committee

Key competencies:

- Strategy
- Finance and audit
- Risk management
- Law and corporate governance
- Chemistry and mining engineering



**BOKOVA
IRINA G.**

Title: **Independent Director**

Year of election: **2018**

Equity interest / Stake of ordinary shares: **no**

Date of birth: **12 July 1952**

Education:

Moscow State Institute of International Relations (Russia) International Relations	John F. Kennedy School of Government at Harvard University (USA), Executive Program Leadership and Economic Development
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1989 — 1989	University of Maryland School of Public Affairs Ford Foundation Fellow on US Foreign Policy	2009 — 2017	UNESCO Director-General
1995 — 1997	Ministry of Foreign Affairs of the Republic of Bulgaria Secretary of the Council of Ministers of Bulgaria for European Integration Deputy Minister of Foreign Affairs of the Republic of Bulgaria Bulgaria's First Secretary of State for European Integration	2018 — Present	Ban Ki-moon Centre for Global Citizens Member of the Board of Directors
1991 — 1992	National Assembly of the Republic of Bulgaria Member of the National Assembly	2018 — Present	PJSC PhosAgro Member of the Board of Directors Member of the Remuneration and Human Resources Committee
2002 — 2005			
2005 — 2009	UNESCO Ambassador of Bulgaria to France and Monaco and Permanent Representative of Bulgaria		

Key competencies:

- Environment, health and safety
- Human resources

MANAGEMENT BOARD

As of 31 December 2018



GURYEV ANDREY A.

Date of birth: 7 March 1982

Equity interest / Stake of ordinary shares: no

Education:

The University of Greenwich in London BA in Economics	Academy of National Economy under the Government of the Russian Federation Master's degree; PhD in Economics
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2011 – 2013	CJSC PhosAgro AG Deputy CEO for Sales and Logistics (in addition to other duties)	2014 – 2016	JSC PhosAgro-Cherepovets Member of the Management Board
2011 – 2013	OJSC PhosAgro Deputy CEO	2014 – Present	Russian Chess Federation Member of the Board of Trustees
2011 – Present	Moscow Rhythmic Gymnastics Federation President	2015 – Present	The Russian Olympians Foundation Member of the Board of Trustees of the Foundation Member of the Board of the Foundation
2012 – Present	Andrey Guryev Charitable Foundation Chairman of the Management Board	2015 – Present	Russian Union of Industrialists and Entrepreneurs Member of the Management Board
2012 – 2014	JSCB Investment Trading Bank OJSC Member of the Board of Directors	2016 – Present	Russian Association of Fertilizer Producers President
2012 – Present	LLC PhosAgro-Region Member of the Management Board	2016 – Present	Russian Rhythmic Gymnastics Federation Chairman of the Board of Trustees, Vice-President
2013 – Present	PJSC PhosAgro Member of the Board of Directors	2016 – Present	International Fertilizer Industry Association (IFA) Member of the Board of Directors
2013 – Present	PJSC PhosAgro CEO Chairman of the Managment Board Chairman of the Strategy Committee Member of the Environmental, Health and Safety Committee Member of the Risk Management Committee	2016 – Present	Miners of Russia non-commercial partnership Deputy Chairman of the Supreme Mining Council



RYBNIKOV MIKHAIL K.

Date of birth: 30 November 1975

Equity interest / Stake of ordinary shares: 0.0258%

Education:

Moscow State University
Master's degree in Economics

2011 – 2013	LLC PhosAgro-Region Member of the Management Board
2012 – 2015	CJSC PhosAgro AG CEO Chairman of the Management Board
2012 – 2017	JSC PhosAgro-Cherepovets CEO
2013 – 2013	OJSC Moscow Stock Exchange Member of the Board of Directors
2013 – 2013	OJSC Apatit Member of the Board of Directors
2013 – 2016	JSC PhosAgro-Cherepovets Member of the Board of Directors
2013 – Present	PJSC PhosAgro Member of the Management Board Chairman of the Environmental, Health and Safety Committee, Member of the Strategy Committee, Member of the Risk Management Committee
2015 – 2017	JSC PhosAgro-Cherepovets Chairman of the Managment Board
2016 – Present	PJSC PhosAgro Member of the Board of Directors
2016 – Present	LLC PhosAgro-Region Member of the Management Board
2017 – 2018	JSC Apatit CEO Chairman of the Management Board
2018 – Present	JSC Apatit Member of the Management Board
2018 – Present	JSC NIUIF Member of the Board of Directors



LOIKOV SIROJ A.

Date of birth: 9 September 1972

Equity interest / Stake of ordinary shares: no

Education:

Tashkent State Economics University International Economic Relations	Nottingham Trent University (UK) Bachelor's degree in Business Management
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2011 – 2013	CJSC PhosAgro AG Human Resources Director
2013 – 2015	OJSC PhosAgro Human Resources Director (along with other duties)
2013 – 2015	CJSC PhosAgro AG Human Resources and Social Policy Director
2013 – Present	PJSC PhosAgro Member of the Management Board
2013 – 2017	LLC Izumrud Member of the Board of Directors
2014 – 2015	CJSC PhosAgro AG Member of the Management Board
2015 – 2018	PJSC PhosAgro Human Resources and Social Policy Director (along with other duties)
2015 – 2018	LLC Korporativnoe pitanie (Corporate Nutrition) Member of the Board of Directors
2015 – 2017	JSC PhosAgro-Cherepovets Human Resources and Social Policy Director, Member of the Management Board
2017 – 2018	LLC Tirvas Member of the Board of Directors
2017 – 2018	JSC Apatit Human Resources and Social Policy Director
2017 – 2018	JSC Apatit Member of the Management Board
2018 – Present	PJSC PhosAgro Deputy CEO

MANAGEMENT BOARD

continued



**SHARABAIKO
ALEXANDER F.**

Date of birth: **25 February 1977**

Equity interest / Stake of ordinary shares: **no**

Education:
Belarusian State Economic University
Bachelor of Economics with honours

Nottingham University Business School
MBA in Finance

2012 — 2014	CJSC PhosAgro AG Chief Financial Officer
2013 — 2014	OJSC PhosAgro Chief Financial Officer
2013 — 2015	CJSC PhosAgro AG Member of the Management Board
2013 — 2017	PJSC PhosAgro Member of the Management Board
2014 — 2015	CJSC PhosAgro AG Advisor to the CEO
2014 — Present	PJSC PhosAgro Chief Financial Officer
2015 — 2017	JSC PhosAgro-Cherepovets Advisor to the CEO Member of the Management Board

2015 — Present	LLC PhosAgro-Region Member of the Management Board
2017 — 2018	PJSC PhosAgro Member of the Board of Directors
2017 — Present	JSC Apatit Advisor to the CEO
2017 — Present	JSC Apatit Member of the Management Board
2018 — Present	PJSC PhosAgro Member of the Management Board



**OSIPOV
ROMAN V.**

Date of birth: **4 November 1971**

Equity interest / Stake of ordinary shares: **no**

Education:
Baltic State Technical University
Master's degree from the LETI-Lovanium International School of Management.

2012 — 2015	PJSC PhosAgro Member of the Board of Directors
2012 — 2013	CJSC PhosAgro AG Member of the Management Board
2013 — 2013	OJSC PhosAgro Member of the Management Board
2013 — Present	PJSC PhosAgro Business Development Director
2013 — Present	JSC AgroGard-Finance Member of the Board of Directors
2014 — Present	JSC Giproruda Member of the Board of Directors
10.2017 — Present	PJSC PhosAgro Member of the Management Board
2018 — Present	JSC Apatit Member of the Management Board



**GILGENBERG
ALEXANDER A.**

Date of birth: **6 December 1980**

Equity interest / Stake of ordinary shares: **no**

Education:
The Vologda branch of the Moscow State Law Academy
Law degree

2006 — 2013	CJSC PhosAgro AG Head of Legal
2013 — 2014	The Kirovsk branch of CJSC PhosAgro AG Head of Legal
2014 — 2015	The Kirovsk branch of CJSC PhosAgro AG Executive director
2014 — 2018	LLC Tirvas Chairman of the Board of Directors
2014 — 2018	LLC Ecoprom Member of the Board of Directors
2014 — 2018	LLC Teleset Member of the Board of Directors
2015 — 2017	JSC PhosAgro-Cherepovets Executive director
2015 — 2018	JSC Airport Member of the Board of Directors
2015 — 2018	JSC Kanatnaya doroga (Cableway) Member of the Board of Directors
2015 — 2018	LLC Tsentr Stroitelnikh Materialov (Building Materials wholesale) Member of the Board of Directors

2015 — 2018	LLC Gorniy tseh Member of the Board of Directors
2017 — 2018	The Kirovsk branch of JSC Apatit Executive director
2017 — Present	JSC Hibinskaya Teplovaya Kompaniya Member of the Board of Directors
2018 — 2018	PJSC PhosAgro Deputy CEO and Chief of Staff for the CEO
2018 — Present	PJSC PhosAgro Member of the Management Board
2018 — Present	JSC NIUIF Member of the Board of Directors
2018 — Present	JSC Apatit First Deputy CEO Member of the Management Board



**SIROTENKO
ALEXEI A.**

Date of birth: **3 January 1969**


Equity interest / Stake of ordinary shares: **no**

Education:
Moscow State University
Degree in jurisprudence

2007 — 2015	CJSC PhosAgro AG Member of the Management Board
2010 — Present	PJSC PhosAgro Deputy CEO for Corporate and Legal Affairs (along with other duties)
2011 — 2015	CJSC PhosAgro AG Legal Affairs Director
2013 — Present	PJSC PhosAgro Member of the Management Board
2015 — 2017	JSC PhosAgro-Cherepovets Legal Affairs Director Member of the Management Board
2017 — Present	JSC Apatit Legal Affairs Director Member of the Management Board

COMMITTEES OF THE BOARD OF DIRECTORS

RISK MANAGEMENT COMMITTEE



Committee members

Xavier R. Rolet	Ivan Rodionov	Andrey A.Guryev	Mikhail Rybnikov
(since 30 May 2018) Committee Chairman, Independent Non- executive Director of the Board of Directors	(until 30 May 2018) Committee Chairman, Non-executive Director of the Board of Directors	Committee Member, Executive Director	Committee Member, Executive Director

Xavier R. Rolet
Committee Chairman


KEY AREAS

The Committee assists the Board of Directors and other corporate units in drafting recommendations and proposals for identifying the most significant risks, developing management measures, as well as improving the risk management system.	The Committee's remit includes: <ul style="list-style-type: none">assessment of the efficiency of the Company's risk management system and drafting recommendations for its improvement;preparation of risk management methodologies, identification of the most significant risks that require constant monitoring and management;preparation of recommendations regarding improvement of the risk management system;risk appetite determination.
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ACTIVITIES IN 2018

Xavier R. Rolet became a member of the Committee in 2018. His key areas of responsibility include risk management, strategy, finance and audit, law and corporate governance, and chemistry and mining.	<ul style="list-style-type: none">Results of a reassessment of the Company's key risks and updating the Company's risk map;Assessment of the efficiency of the risk management and internal control system.	<ul style="list-style-type: none">Quarterly monitoring of the management of key corporate risks.
In 2018, the Risk Management Committee held four meetings. The main issues considered by the Committee in 2018 were: <ul style="list-style-type: none">Results of the monitoring of the management of key corporate risks (quarterly);	Key issues to be considered by the Risk Management Committee in 2019: <ul style="list-style-type: none">Reassessment of the Company's key risks and updating the Company's risk map;Assessment of the efficiency of the risk management and internal control system;	In 2019, the Committee is planning to pay more attention to the Company's risk appetite analysis and deviations. The format of quarterly reports will be adapted to reflect this updated approach.

AUDIT COMMITTEE



Committee members

Marcus Rhodes	Sven Ombudstvedt	James Rogers	Andrey Sharonov
Committee Chairman, Independent Non- executive Director of the Board of Directors	Committee Member, Independent Non- executive Director of the Board of Directors	Committee Member, Independent Non- executive Director of the Board of Directors	Committee Member, Independent Non- executive Director of the Board of Directors

Marcus Rhodes
Committee Chairman

KEY AREAS

<p>The Audit Committee supervises the Company's financial and accounting activities. It reviews and evaluates the Company's financial statements, which are prepared by the Company and audited by the Company's external auditor.</p> <p>According to the Regulations on the Company's Audit Committee, the Audit Committee shall consist of no fewer than three current members of the Board of Directors and shall be chaired by an independent director.</p>	The Committee's remit includes: <ul style="list-style-type: none">reviewing the IFRS financials for integrity and transparency;analysis of financial reporting processes, including carrying out regular reviews and making recommendations for the Board of Directors;recommending the Company's external auditor to the Board of Directors and maintaining an ongoing relationship with the external auditor;analysis and support of the internal audit system and risk management procedures, including drafting recommendations for their improvement.
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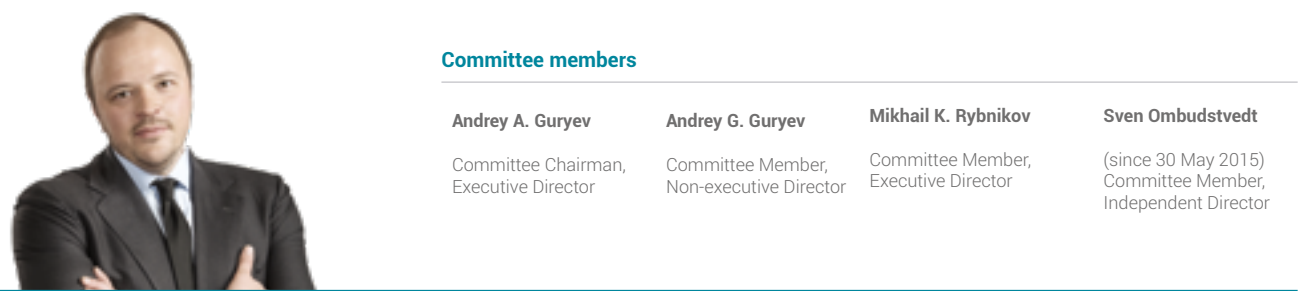
ACTIVITIES IN 2018

During the reporting period, the Audit Committee held five meetings, where matters covering all priority areas of the Company's activity were considered.	performance based on IFRS consolidated financial statements, including reasons for changes as compared with the results of previous periods; <ul style="list-style-type: none">Distribution of quarterly press releases on the Company's performance for investors;Analysis of the Company's compliance with Russian and European legislation on the protection and use of insider information;Assessing the Company's internal oversight and internal audit system;Further improving the quality of the financial accounting and report preparation process;	<ul style="list-style-type: none">Developing a 2019 performance plan for the Company's Internal Audit Department and monitoring the implementation of the 2018 plan, as well as assessing the performance of the Internal Audit Department and monitoring the implementation of recommendations.
In 2018, the Audit Committe focused on the following issues, among others: <ul style="list-style-type: none">Establishing targets for the 2019 consolidated budget and monitoring the budget planning process;Analysis of the implementation of the 2018 budget;Analysis of the Company's financial		

COMMITTEES OF THE BOARD OF DIRECTORS

continued

STRATEGY COMMITTEE



Committee members

Andrey A. Guryev	Andrey G. Guryev	Mikhail K. Rybnikov	Sven Ombudstvedt
Committee Chairman, Executive Director	Committee Member, Non-executive Director	Committee Member, Executive Director	(since 30 May 2015) Committee Member, Independent Director

Andrey A. Guryev
Committee Chairman

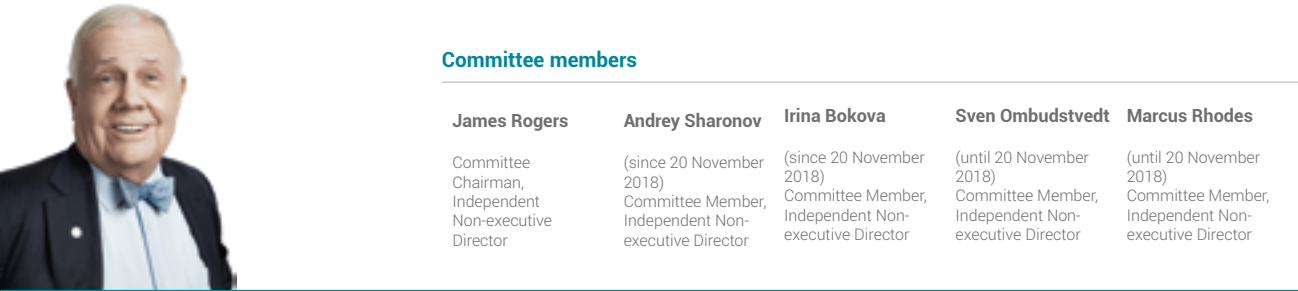
KEY AREAS

<p>The Strategy Committee assists the Board of Directors in the development of the Company's strategy and related processes, including management of the Company's assets and review of major innovation and investment programmes and projects. The Committee and its Chairman are appointed by the Board of Directors, which ensures a comprehensive discussion and analysis of issues within the Committee's remit and considers a variety of opinions.</p>	<p>The Committee's remit includes:</p> <ul style="list-style-type: none">• monitoring and updating the Company's mid-term and long-term strategy, and drafting policy as required;• evaluating the development of the Company's subsidiaries, including reviewing their strategies;• making recommendations regarding the Company's M&A projects;• analysis and recommendations regarding potential strategic partnerships.
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ACTIVITIES IN 2018

<p>Following the Board of Directors' self-assessment in 2018, Sven Ombudstvedt became a member of the Committee. His key areas of responsibility include strategy, finance and audit, and chemistry and mining.</p>	<p>Company's economic efficiency, and the outlook to 2025 in terms of the expansion of output;</p> <ul style="list-style-type: none">• Key indicators and sales development models;• Key areas of logistics development;• Future projects (assessment of prospects, preliminary calculation of the efficiency of new products);• Key investment projects in 2019.	<p>In 2018, the Committee worked on creation of the Corporate Development Strategy to 2025, which is aimed at further strengthening of the Company's leading position in the global phosphate-based fertilizer industry.</p>
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REMUNERATION AND HUMAN RESOURCES COMMITTEE



Committee members

James Rogers	Andrey Sharonov	Irina Bokova	Sven Ombudstvedt	Marcus Rhodes
Committee Chairman, Independent Non-executive Director	(since 20 November 2018) Committee Member, Independent Non-executive Director	(since 20 November 2018) Committee Member, Independent Non-executive Director	(until 20 November 2018) Committee Member, Independent Non-executive Director	(until 20 November 2018) Committee Member, Independent Non-executive Director

James Rogers
Committee Chairman

KEY AREAS

<p>The Regulations on the Remuneration and Human Resources Committee require that the Committee Chairman be an Independent Non-executive Director on the Company's Board of Directors, and that the Chief Executive Officer cannot be a member of the Committee.</p>	<p>The Committee's remit includes:</p> <ul style="list-style-type: none">• development of the Company's policy in relation to organising the activities and incentivisation of the Board of Directors;• development of the Human Resources Policy in relation to the Company's senior management, and supervision of its implementation.
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ACTIVITIES IN 2018

<p>Andrey Sharonov and Irina Bokova (independent directors) became members of the Committee in 2018. Both have the relevant experience.</p>	<p>independence of all candidates for the Board of Directors;</p> <ul style="list-style-type: none">• Assessment of the performance of the Company's executive bodies and senior executives in 2017 in accordance with the criteria described in the Company's Remuneration Policy, as well as a preliminary assessment of the goals achieved by the above-mentioned executives in line with the Company's incentivisation programme;• Results of the implementation of social programmes in 2017 and the key social policy areas in 2018;• Analysis of Board members' involvement in Board activities in accordance with the Regulations on the Company's	<p>Remuneration and Human Resources Committee and the guidelines established by the Corporate Governance Code;</p> <ul style="list-style-type: none">• Assessment of the Corporate Secretary's performance;• Results of the employment satisfaction survey conducted at PhosAgro and other Group companies, as well as an analysis of the results and the drafting of recommendations;• Recommending that the Board of Directors approve the methodology and schedule for the Board's performance self-assessment in 2018.
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COMMITTEES OF THE BOARD OF DIRECTORS

continued

ENVIRONMENTAL, HEALTH AND SAFETY COMMITTEE



Mikhail Rybnikov
Committee Chairman

Committee members

Mikhail Rybnikov	Andrey A. Guryev	Natalia Pashkevich	Sven Ombudstvedt
Committee Chairman, Executive Director	Committee Member, Executive Director	(since 30 May 2018) Committee Member, Independent Non-executive Director	(until 30 May 2018) Committee Member, Independent Non- executive Director

KEY AREAS

The Environmental, Health and Safety Committee was formed to oversee the Company's activities in the areas of environmental protection, the efficient use of natural resources and energy, and occupational health and safety for employees, including the avoidance of industrial accidents, and to advise the Board of Directors on such issues. The Committee and its Chairman are appointed by the Board of Directors.

The Committee's remit includes:

- the Company's compliance with legal and regulatory requirements relating to environmental and health and safety issues;
- the Company's development and enforcement of policies, procedures and practices beneficial to the protection of the environment and the health and safety of employees, contractors, customers and the public;
- the evaluation of the Company's efficient use of natural resources and energy, enforcement of energy-saving and resource conservation activities within the Company, and providing recommendations for further implementation and improvement of these activities;
- the prevention of industrial accidents, including plans, programmes and processes established by the Company to evaluate, manage and decrease risks of industrial accidents;
- the improvement of conditions related to the health and safety of the Company's employees, and the enforcement of policies for decreasing and eliminating occupational injuries.

ACTIVITIES IN 2018

Natalia Pashkevich became a member of the Committee in 2018. Her knowledge and experienced enabled the Committee to conduct an assessment of the environmental technology used by the Company, taking into account the latest scientific and technological advancements, including those developed by the Saint Petersburg Mining University.

During the reporting period, the Environmental, Health and Safety Committee held two meetings, where the following issues were covered:

- Key results of work aimed at compliance with the regulatory occupational health

- and safety requirements for the operation of production facilities at the Company's subsidiaries as well as benchmark results;
- Key results of work aimed at environmental safety compliance at the Company's subsidiaries;
- Factor analysis of changes in payment for any negative impact on the environment;
- Review of changes to Russian environmental protection legislation and analysis of possible effects for the Company's subsidiaries;
- Analysis and assessment of the key aspects of measures taken by PhosAgro Group companies to improve energy efficiency.

The Committee monitored the implementation of environmental mitigation plans by the management of PhosAgro Group companies.

In 2018, the Committee focused on analysing the Company's adverse impact on the environment in comparison with that of other companies, as well as a comparison with the expected adverse environmental impact if the best available technologies were used.

SHARES AND DIVIDENDS

Share capital

PhosAgro's authorised capital as of 31 December 2018 is RUB 323,750,000, consisting of 129,500,000 ordinary shares with a par value of RUB 2.5 per share.

Stock exchanges

PhosAgro's shares are traded on the A1 quotation list of the Moscow Exchange under the symbol PHOR (ISIN: RU000A0JRK78).

Global depositary receipts (three GDRs represent one share) are traded in the Main

Market of the London Stock Exchange under the symbol PHOR.

Regulation S GDRS

CUSIP number: 71922G209 ISIN: US71922G2093
Common code: 065008939 SEDOL: 0B62QPJ1
RIC: PHOSq.L

Rule 144A GDRS

CUSIP number: 71922G100 ISIN: US71922G1004

Common code: 065008939 SEDOL: 0B5N6Z48
RIC: GBB5N6Z48.L

Citigroup Global Markets Deutschland AG acts as the depositary for the Company's GDR Programme.

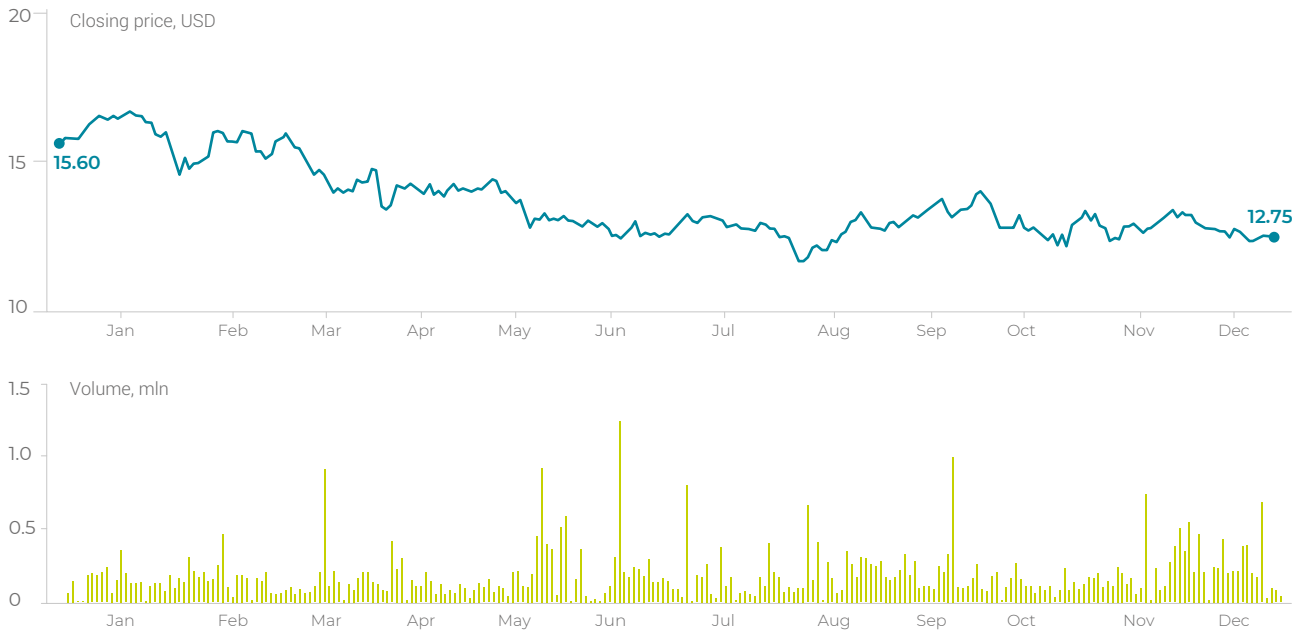
Analyst coverage

PhosAgro is covered by analysts from leading Russian and international brokers:

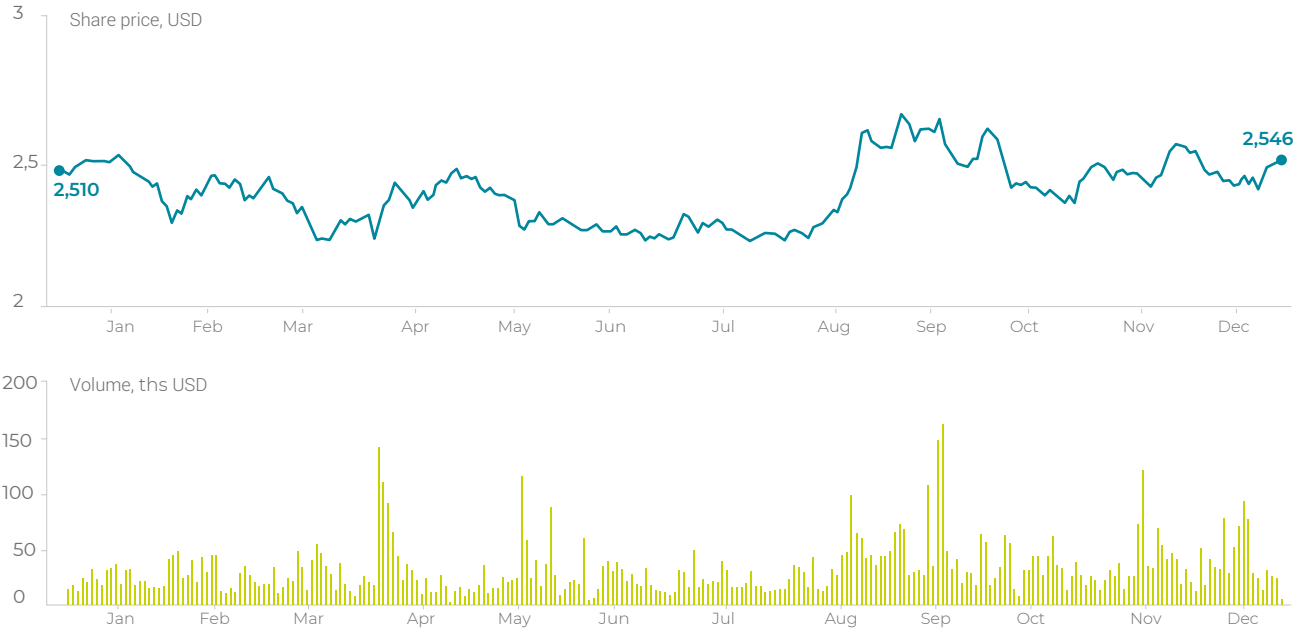
Company	Analyst	Phone
Aton	Andrey Lobazov	+7 (495) 213 0337
BCS Investment Bank	Oleg Petropavlovskiy	+7 (495) 785 5336
BMO	Joel Jackson	+1 (416) 359 4250
Credit Suisse	Semyon Mironov	+7 (495) 662 8510
Gazprombank	Matvey Taits	+7 (495) 983 1800
Goldman Sachs	Nina Dergunova	+7 (495) 645 4230
Morgan Stanley	Muneeba Kayani	+971 (4) 709 7117
Deutsche Bank	Denis Gabrielik	+971 (4) 428 3870
Raiffeisen	Konstantin Yuminov	+7 (495) 221 9842
Sberbank CIB	Irina Lapshina	+7 (495) 258 0511
VTB Capital	Elena Sakhnova	+7 (495) 663 4682
Uralsib	Denis Vorchik	+7 (495) 788 0888
BAML	Stephanie Bothwell	+44 (20) 799 50371
Alfa Bank	Boris Krasnojenov	+7 (495) 795 3612

SHARE/GDR PERFORMANCE

LONDON STOCK EXCHANGE



MOSCOW EXCHANGE



SHARES AND DIVIDENDS

continued

Ownership structure

Based on information available to the Company, the shares of Chlodwig Enterprises Limited and Adorabella Limited are held in trusts where the economic beneficiaries are Mr Andrey Guryev and members of his family.

As of 29 December 2018, there were no shareholders in the Company with a stake of more than 5% beyond those already disclosed by the Company (in the table above).

The Company does not have any information about the possibility of acquisition or the actual acquisition by certain shareholders of a degree of control disproportionate to their participation in the Company's authorised capital, including on the basis of shareholder agreements or because of the availability of ordinary and preferred shares with different nominal values.

	Number of shares	Share, %
Adorabella Limited	27,385,162	21.15%
Chlodwig Enterprises Limited	29,151,400	22.51%
Igor Antoshin ¹	5,941,353	4.59%
Vladimir Litvinenko	25,052,800	19.35%
Evgenia Guryeva	6,235,960	4.82%
Free float	35,733,325	27.59%
Total:	129,500,000	100%
Number of shareholders and other registered persons in the Company's register as of 29 December 2018		10,792
Number of voting shares in the Company		129,500,000 shares
Shares held by the Company and its subsidiaries		no

¹ Igor Antoshin's stake in PhosAgro does not include ordinary shares in the Company that were transferred by him under a repo deal.

Dividends

PhosAgro's dividend policy calls for a target payout ratio of 30–50% of consolidated IFRS net profit, and the Board of Directors considers recommendations of a dividend payment on a quarterly basis.

DIVIDENDS ACCRUED IN 2018 WERE PAID IN FULL

On 19 March 2019, PhosAgro's Board of Directors recommended a final 2018 dividend of RUB 51 per share (RUB 17 per depositary receipt), or RUB 6.6 billion in total. If approved by the Annual General Shareholders' Meeting (AGM) on 24 May 2019, this will bring PhosAgro's payout ratio to 60% of net profit, demonstrating our commitment to the Company's dividend policy and to upholding the promises made to shareholders during the IPO and SPO.

In 2018, PhosAgro acted as a tax agent when it paid out dividends to the accounts of organisations that own shares as listed in the Russian share register. The Company calculated and withheld tax on those dividends and remitted the amount of tax to the relevant authorities. Dividends paid out to shareholders were net of the amount of the tax deducted. The withholding tax rate depends on the status of the shareholder, in accordance with the information that the shareholder provides. PhosAgro also took into account any double taxation treaties and, where appropriate, made tax payments in accordance with the provisions of the relevant treaty.

Due to changes in Russian Federation law related to the payment of dividends that came into effect on 1 January 2015, existing or potential PhosAgro shareholders and holders of the Company's GDRs are advised to consult their tax advisors for tax implications with regard to dividend

payments. The refund of previously withheld tax on income paid to foreign organisations in respect of which the Russian Federation's international treaties regulating taxation matters or for which a specific article provides for a special taxation regulation shall be performed by the tax authority at the place of registration of the tax agent within three years from the end of the tax period in which the income was paid.

DIVIDEND PAYMENTS

Type and date of the General Shareholders' Meeting where the relevant resolution on the declaration of dividends was adopted	Reporting period for which (following the results of which) the declared dividends are (were) paid	Declared dividends, total, RUB	Declared dividends per	
			ordinary share, RUB	depositary receipt, RUB
EGSM 22 January 2019	— *	9,324,000,000	72.00	24.00
EGSM 1 October 2018	— *	5,827,500,000	45.00	15.00
EGSM 6 July 2018	— *	3,108,000,000	24.00	8.00
AGSM 30 May 2018	— *	1,942,500,000	15.00	5.00
EGSM 26 February 2018	— *	2,719,500,000	21.00	7.00
EGSM 2 October 2017	— *	3,108,000,000	24.00	8.00
EGSM 5 July 2017	— *	2,719,500,000	21.00	7.00
AGSM 30 May 2017	2016	3,885,000,000	30.00	10.00
EGSM 16 January 2017	— *	5,050,500,000	39.00	13.00
EGSM 3 October 2016	— *	4,273,500,000	33.00	11.00
EGSM 29 July 2016	— *	8,158,500,000	63.00	21.00
AGSM 31 May 2016	2015	7,381,500,000	57.00	19.00
EGSM 15 January 2016	— *	8,158,500,000	63.00	21.00
EGSM 6 October 2015	— *	7,381,500,000	57.00	19.00
EGSM 14 July 2015	— *	6,216,000,000	48.00	16.00
AGSM 8 June 2015	2014	1,942,500,000	15.00	5.00
EGSM 31 December 2014	9 M 2014	2,590,000,000	20.00	6.67
EGSM 16 September 2014	6 M 2014	3,237,500,000	25.00	8.33
AGSM 13 June 2014	— *	2,499,350,000	19.30	6.43

* Payments were made from undistributed profit for previous years.

Information disclosure

PhosAgro strictly follows the requirements imposed by Russian securities regulations, as well as rules for the companies traded on the LSE, in its information disclosure and filings. The Company publicly discloses all required information to shareholders and investors in a timely manner through authorised newswires; the corporate website, www.phosagro.ru, <http://www.phosagro.ru/ori/item4157.php> and <http://www.e-disclosure.ru/portal/company.aspx?id=573> (PhosAgro's official disclosure page on the Interfax portal).

MANAGEMENT RESPONSIBILITY STATEMENT

THE COMPANY’S MANAGEMENT HEREBY CONFIRMS THAT, TO THE BEST OF ITS KNOWLEDGE:

The financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

The management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Company was guided by GRI standards, as well as the principles of the ISO 26000 and AA 1000 standards during the preparation of the integrated report.

A draft of this integrated report was reviewed and pre-approved at a Board of Directors meeting on 19 March 2019. It was also reviewed and pre-approved at the Annual General Shareholders' Meeting on 24 May 2019.

THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 WERE APPROVED BY THE BOARD OF DIRECTORS ON 19 MARCH 2019



Andrey A. Guryev
Chairman of the Management Board and Chief Executive Officer of PJSC PhosAgro

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FINANCIAL STATEMENTS

INDEPENDENT AUDITORS’ REPORT

Opinion

We have audited the consolidated financial statements of PJSC “PhosAgro” (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



VALUATION OF DEFERRED TAX ASSETS

The key audit matter	How the matter was addressed in our audit
The Group has recognised significant deferred tax assets in respect of tax losses.	Our audit procedures included the following:
The recovery of the deferred tax assets depends on achieving sufficient taxable profits in the future.	We analysed the underlying methodology and tested the mathematical accuracy of the taxable profits forecast model used to estimate the likelihood of the recovery of deferred tax assets.
Future taxable profits to be used for utilisation of tax losses accumulated by the Company mainly represent interest income to be received by the Company on the loans issued to the Group subsidiaries less expenses of the Company.	We evaluated the appropriateness of management’s key assumptions and estimates, in particular the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, in reference to performance trends and dividend capacity of the Group subsidiaries.
The assessment of the potential to utilise the tax losses is dependent on the forecast profitability of the Group subsidiaries, the amount of dividends to be distributed to the Company, expected foreign currency exchange and interest rates for loans.	We corroborated expected interest rates for loans to be issued and financing to be received by the Company to publicly available market benchmarks.
There is inherent uncertainty involved in forecasting timing and quantum of future taxable profits, which support the extent to which tax assets are recognised. Therefore, this is the key judgmental area our audit is concentrated on.	Using KPMG tax specialist, we considered the appropriateness of the application of relevant tax legislation by the Group, in relation to the utilisation of tax losses.

Audited entity: PJSC “PhosAgro” Registration No. in the Unified State Register of Legal Entities 1027700190572. Moscow, Russia	Registration No. in the Unified State Register of Legal Entities 1027700125628. Member of the Self-regulated organization of auditors “Russian Union of auditors” (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.
Independent auditor: JSC “KPMG”, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.	

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditors’ report thereon. The Annual Report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

FINANCIAL STATEMENTS

continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:



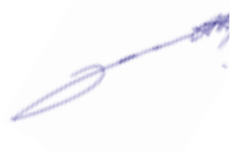
I.A. Yagnov
JSC "KPMG"
Moscow, Russia
19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 2018,

RUB mln			
	Note	2018	2017
Revenues	7	233,430	181,351
Cost of sales	9	(123,964)	(101,817)
Gross profit		109,466	79,534
Administrative expenses	10	(14,864)	(14,018)
Selling expenses	11	(34,410)	(25,201)
Taxes, other than income tax		(3,469)	(2,679)
Other expenses, net	12	(2,726)	(1,647)
Operating profit		53,997	35,989
Finance income	13	447	615
Finance costs	13	(6,098)	(6,990)
Foreign exchange (loss)/gain, net	29(b)	(19,613)	4,141
Share of (loss)/profit of associates, net of provision	16	(623)	287
Profit before tax		28,110	34,042
Income tax expense	14	(5,975)	(8,711)
Profit for the year		22,135	25,331
Attributable to:			
Non-controlling interests*		66	(2)
Shareholders of the Parent		22,069	25,333
Other comprehensive income/(loss) Items that will never be reclassified to profit or loss			
Actuarial gains and losses	26	(170)	(342)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		2,872	(377)
Other comprehensive income/(loss) for the year		3,042	(719)
Total comprehensive income for the year		25,177	24,612
Attributable to:			
Non-controlling interests*		66	(2)
Shareholders of the Parent		25,111	24,614
Basic and diluted earnings per share (in RUB)	24	170	196

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

The consolidated financial statements were approved on 19 March 2019:



A.A. Guryev
Chief executive officer



A.F. Sharabaiko
Chief financial officer

FINANCIAL STATEMENTS

continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018,

RUB mln			
	Note	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	15	186,231	175,113
Catalysts		2,414	1,900
Advances issued for property, plant and equipment		6,759	2,334
Intangible assets		1,786	1,773
Investments in associates	16	506	969
Deferred tax assets	17	8,995	5,371
Other non-current assets	18	1,843	1,955
Non-current assets		208,534	189,415
Other current investments	19	313	352
Inventories	20	31,870	25,445
Trade and other receivables	21	36,186	33,727
Cash and cash equivalents	22	9,320	2,691
Current assets		77,689	62,215
Total assets		286,223	251,630
Equity			
	23		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		93,951	85,480
Other reserves		7,809	4,767
Equity attributable to shareholders of the Parent		109,626	98,113
Equity attributable to non-controlling interests		195	129
Total equity		109,821	98,242
Liabilities			
Loans and borrowings	25	122,877	76,530
Finance lease liabilities	27(a)	376	1,004
Defined benefit obligations	26	630	950
Deferred tax liabilities	17	9,023	7,914
Non-current liabilities		132,906	86,398
Loans and borrowings	25	20,679	44,025
Finance lease liabilities	27(a)	718	1,117
Trade and other payables	28	21,473	21,848
Derivative financial liabilities		626	–
Current liabilities		43,496	66,990
Total equity and liabilities		286,223	251,630

About PhosAgro	Strategic Report	Business Review	Sustainability Report	Corporate Governance	Financial Report	Additional Information
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018,						
RUB mln						
	Note	2018	2017			
Cash flows from operating activities						
Profit before tax		28,110	34,042			
Adjustments for:						
Depreciation and amortisation	9, 10, 11	20,911	14,807			
Loss on disposal of property, plant and equipment and intangible assets	12	586	614			
Finance income	13	(447)	(615)			
Finance costs	13	6,098	6,980			
Share of profit of associates, net of provision	16	623	(287)			
Foreign exchange loss/(gain), net		19,613	(4,371)			
Operating profit before changes in working capital and provisions		75,494	51,170			
Increase in inventories		(5,438)	(6,917)			
Decrease/(increase) in trade and other receivables		324	(1,240)			
Increase/(decrease) in trade and other payables		655	(134)			
Cash flows from operations before income taxes and interest paid		71,035	42,879			
Income tax paid		(6,146)	(8,326)			
Finance costs paid		(5,210)	(4,558)			
Cash flows from operating activities		59,679	29,995			
Cash flows from investing activities						
Acquisition of property, plant and equipment and intangible assets		(38,416)	(35,918)			
(Issue)/repayment of loans issued, net		(257)	475			
Proceeds from disposal of property, plant and equipment		19	365			
Finance income received		307	371			
(Acquisition)/disposal of investments, net		(8)	359			
Other payments		(814)	-			
Cash flows used in investing activities		(39,169)	(34,348)			
Cash flows from financing activities						
Proceeds from borrowings	25	83,874	90,094			
Repayment of borrowings	25	(83,572)	(74,245)			
Dividends paid to shareholders of the Parent	23	(13,598)	(14,763)			
Dividends paid to non-controlling interests		-	(5)			
Finance leases paid	25	(1,285)	(1,365)			
Payments for settlement of derivatives		(22)	-			
Other payments		-	(22)			
Cash flows used in financing activities		(14,603)	(306)			
Net increase/(decrease) in cash and cash equivalents		5,907	(4,659)			
Cash and cash equivalents at 1 January		2,691	7,261			
Effect of exchange rates fluctuations		722	89			
Cash and cash equivalents at 31 December	22	9,320	2,691			

FINANCIAL STATEMENTS

continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018,

ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

RUB mln							
	Share capital	Share premium	Retained earnings	Actuarial gains and losses	Foreign currency translation reserve	Attributable to non-controlling interests	Total
Balance at 1 January 2017	372	7,494	74,932	(384)	5,870	137	88,421
Total comprehensive income for the year							
Profit for the year	–	–	25,333	–	–	(2)	25,331
Actuarial gains and losses	–	–	–	(342)	–	–	(342)
Foreign currency translation difference	–	–	–	–	(377)	–	(377)
	–	–	25,333	(342)	(377)	(2)	24,612
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent	–	–	(14 763)	–	–	(6)	(14 769)
Other	–	–	(22)	–	–	–	(22)
	–	–	(14 785)	–	–	(6)	(14 791)
Balance at 31 December 2017	372	7 494	85 480	(726)	5 493	129	98 242
Balance at 1 January 2018	372	7 494	85 480	(726)	5 493	129	98 242
Total comprehensive income for the year							
Profit for the year	–	–	22,069	–	–	66	22,135
Actuarial gains and losses	–	–	–	170	–	–	170
Foreign currency translation difference	–	–	–	–	2,872	–	2,872
	–	–	22,069	170	2,872	66	25,177
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent, note 23	–	–	(13,598)	–	–	–	(13,598)
	–	–	(13,598)	–	–	–	(13,598)
Balance at 31 December 2018	372	7,494	93,951	(556)	8,365	195	109,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

1. BACKGROUND

(a) Organisation and operations

PJSC "PhosAgro" (the "Company" or the "Parent") and its subsidiaries (together referred to as the "Group") comprise Russian legal entities and foreign trading subsidiaries. The Company was registered in October 2001. The Company's location is Leninsky prospekt 55/1 building 1, Moscow, Russian Federation, 119333.

The Group's principal activity is production of apatite concentrate and mineral fertilisers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region), Balakovo (Saratov region) and Volkhov (Leningrad region), and their distribution across the Russian Federation and abroad.

The Company's key shareholders are two Cyprus entities holding approximately 20% of the Company's ordinary shares each. The majority of the shares of the Company are ultimately owned by trusts, where the economic beneficiary is Mr. Andrey G. Guryev and his family members.

(b) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Group additionally prepares IFRS consolidated financial statements in the Russian language in accordance with the Federal Law No. 208-FZ On consolidated financial reporting.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that investments available-for-sale are stated at fair value.

(c) Functional currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of the Parent and its subsidiaries, except for foreign trading subsidiaries, where the functional currency is USD.

(d) Presentation currency

These consolidated financial statements are presented in RUB. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

The translation from USD into RUB, where applicable, was performed as follows:

- Assets and liabilities as at 31 December 2018 were translated at the closing exchange rate of RUB 69.4706 for USD 1 (31 December 2017: RUB 57.6002 for USD 1);
- Profit and loss items were translated at the average exchange rate for 2018 of RUB 62.7078 for USD 1 (for 2017: RUB 58.3529 for USD 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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The translation from EUR into RUB, where applicable, was performed as follows:

- Assets and liabilities as at 31 December 2018 were translated at the closing exchange rate of RUB 79.4605 for EUR 1 (31 December 2017: RUB 68.8668 for EUR 1);
- Profit and loss items were translated at the average exchange rate for 2018 of RUB 73.9546 for EUR 1 (for 2017: RUB 65.9014 for EUR 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

(e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3(c)(iv) – estimated useful lives of fixed assets;
- Note 17 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

(f) Adoption of new and revised standards and interpretations

The Group has adopted new standards that are mandatory for financial annual periods beginning on 1 January 2018.

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard provides amended guidance on the classification, recognition and measurement of financial assets and liabilities. The major impact from the transition relates to the classification of financial assets and introduction of an expected credit loss model which results in the earlier recognition of credit losses and is more forward looking than the previous incurred loss model. The Group used an exemption in IFRS 9, which allows not to restate prior periods in the year of initial application.

The Group estimated the expected credit losses for the entire period of the financial instruments, applying a simplified approach to measuring expected credit losses for trade receivables, which uses lifetime expected loss allowance. In the terms of calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors, historical credit loss experience and economic environment in which they operate. As at 1 January 2018, there was no effect on the Group's consolidated financial statements as a result of the implementation of an expected credit loss model. As at 31 December 2018, the Group's estimation of the expected credit losses resulted in the increase of the allowance for doubtful debts for trade receivables by RUB 69 million (USD 1 million) compared to the historical credit loss model required by IAS 39.

IFRS 15 Revenue from Contracts with Customers has replaced IAS 11 Construction Contracts and IAS 18 Revenues. The standard outlines the principles an entity must apply to measure and recognise revenue. The Group applies IFRS 15 using the cumulative effect method (without practical simplifications). The effect of application of new standard on the date of the initial application (1 January 2018) is estimated to be insignificant. Therefore, the information

reported for 2017 was not restated and presented in the form in which it was previously reported in accordance with IAS 18, IAS 11 and related clarifications.

The Group analysed the impact of the new standard on the financial statements. As a result, the Group determined that under the terms of the majority supply mineral fertilizers contracts Group undertakes to provide delivery of goods and the related delivery services after the transfer of control over the goods to the buyer at the loading port. According to IAS 18, the Group recognised such services and charged the full costs at the time of loading. According to IFRS 15, these services are a separate performance obligation, which revenue must be recognised during the period of delivery as revenue from logistics activities. The Group recognizes revenue from these logistics services at the time of delivery, due to the fact that the potential difference is calculated and recognised as insignificant.

The group also assessed the impact of the new standard on the revenue disclosure. The Group believes that the current disclosure meets the requirements of the new standard. The Group will continue to monitor the impact of accounting for logistics services as separate contractual obligations and will make the necessary changes to accounting policies in the future if the effect becomes significant.

The effect of applying the new standard as at and for the year ended 31 December 2018 to various reporting items was insignificant.

Other new standards and interpretations to standards set out below became effective 1 January 2018 and did not have any impact or did not have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IFRS 2, Share-based Payment;
- Amendments to IFRS 4, Applying IFRS 9 Financial instruments with IFRS 4, Insurance contracts;

- IFRIC 22, Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40, Transfers of Investment property.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

RUB mln				
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Equity securities	Available-for-sale	Mandatorily at FVTPL	755	755
Debt securities	Held to maturity	Amortised cost	21	21
Long-term loans issued	Loans and receivables	Amortised cost	426	426
Other long-term assets	Loans and receivables	Amortised cost	753	753
Short-term loans issued	Loans and receivables	Amortised cost	314	314
Interest receivable	Loans and receivables	Amortised cost	38	38
Trade accounts receivable	Loans and receivables	Amortised cost	14,971	14,971
Receivables from employees	Loans and receivables	Amortised cost	26	26
Other receivables	Loans and receivables	Amortised cost	818	818
Cash and cash equivalents	Loans and receivables	Amortised cost	2,691	2,691
Total financial assets			20,813	20,813
Financial liabilities				
Loans and borrowings	Other financial liabilities	Other financial liabilities	(120,656)	(120,656)
Finance lease liabilities	Other financial liabilities	Other financial liabilities	(2,121)	(2,121)
Trade and other payables	Other financial liabilities	Other financial liabilities	(12,385)	(12,385)
Total financial liabilities			(135,162)	(135,162)

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(g) New standards and interpretations not yet adopted

The following standard is not yet effective as at 31 December 2018, and have not been applied in preparing these consolidated financial statements:

IFRS 16 Leases has replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

In respect of the leases in which the Group is a lessee, new assets and liabilities will be recognised for the Group's operating leases of land, buildings and other facilities (see Note 27). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of RUB 1,800 million as at 1 January 2019. The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the loan covenants.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the adoption of IFRS 9 and IFRS 15 from 1 January 2018.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Acquisitions and disposals of non-controlling interests

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised in equity.

Any difference between the consideration received from disposal of a portion of a Group's interest in the subsidiary and the carrying amount of that portion, including attributable goodwill, is recognised in equity.

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the profit or loss.

(c) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to IFRS was determined by reference to its fair value at that date ("deemed cost") as determined by an independent appraiser.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Subsequent expenditure

Expenses in connection with ordinary maintenance and repairs are recognised in the statement of profit or loss as they are incurred.

Expenses in connection with periodic maintenance on property, plant and equipment are recognised as assets and depreciated on a straight-line basis over the period until the next periodic maintenance, provided the criteria for capitalizing such items have been met.

Expenses incurred in connection with major replacements and renewals that materially extend the life of property, plant and equipment are capitalised and depreciated on a systematic basis.

(iv) Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the month of acquisition or, in respect of internally constructed assets, from the month when an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives as determined when adopting IFRS (1 January 2005) are as follows:

Buildings	12 to 17 years
Plant and equipment	4 to 15 year
Fixtures and fittings	3 to 6 years

Tangible fixed assets acquired after the date of adoption of IFRS, are depreciated over the following useful lives:

Buildings	10 to 60 years
Plant and equipment	5 to 35 years
Fixtures and fittings	2 to 25 years

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(d) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(ii) Other intangible assets

Other intangible assets acquired by the Group are represented by Oracle software, which has finite useful life and is stated at cost less accumulated amortisation and impairment losses.

(iii) Amortisation

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful lives are 3 – 10 years.

(e) Financial assets

Non-derivative financial instruments.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

From 1 January 2018, the Group financial assets are classified in the following measurement categories based on the on the Group's business model for managing the financial assets and the contractual terms of the cash flows: financial assets at amortised cost; financial assets at fair value (either through other comprehensive income or profit or loss).

Financial assets at amortised cost.

Financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any gains or losses arising from derecognition are recognised directly in profit or loss.

Financial assets at fair value through other comprehensive income ("FVOCI").

Financial assets are classified and measured at fair value through other comprehensive income if they meet both of the following conditions and are not designated as at FVTPL:

- They are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

Financial assets at fair value through profit or loss ("FVPL").

Financial asset that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss ("FVPL").

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(g) Impairment

Financial assets

Previously under IAS 39 a financial asset not carried at fair value through profit or loss was assessed at each reporting date to determine whether there was any objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired could include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, the disappearance of an active market for a security.

From 1 January 2018 an impairment loss in respect of a financial asset measured at amortised cost the Group has changed the accounting policy for impairment losses of financial assets held at amortised cost by replacing incurred loss model with an ECL model following the transition to IFRS 9. Under IFRS 9, loss allowances are measured on either of the following bases: 12-month ECLs that result from default events that are possible within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables the Group estimated the expected credit losses for the entire period, applying a simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance. In the terms of calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors, historical credit loss experience and economic environment in which they operate.

If, in a subsequent period, the fair value of an impaired financial assets increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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(h) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity.

(ii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(i) Financial liabilities

The Group financial liabilities comprise trade and other payables, borrowings and bonds and derivative financial instruments. The Group financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives, other liabilities held for trading, and liabilities that the Group designates to be measured at fair value through profit or loss.

The Group derecognises a financial liability when its obligation specified in the contract is discharged or cancelled or expires.

(j) Employee benefits

(i) Pension plans

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the profit or loss. To the extent the benefits vest immediately, the expense is recognised immediately in the profit or loss.

All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(ii) Long-term service benefits other than pensions

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(iii) State pension fund

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

(k) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Revenues

Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer. The amount of revenue recognised reflects the consideration the Group expects to receive in exchange for goods or services, taking into account any trade, volume and other discounts. Advances received before the control passes to a customer are recognised as the contract liabilities. There are no other contract liabilities. The amount of consideration does not contain a significant financial component as payment terms for the majority of contracts are less than one year. No information is provided about remaining performance obligations as at the reporting date that have an original expected duration of one year or less, as allowed by IFRS 15.

Contracts with customers for the supply of goods use a variety of delivery terms. The Group determined that under the terms of the majority contracts for the supply of mineral fertilizers the Group undertakes to provide delivery and the related delivery services after the transfer of control over the goods to the buyer at the loading port. Under IFRS 15, these services are a separate performance obligation, which revenue must be recognised during the period of delivery as revenue from logistics activities. The Group recognises revenue from these logistics services at the time of delivery, due to the fact that the potential difference is calculated and recognised as insignificant.

In the revenue disclosure the sales of certain product groups include the proceeds from logistics services. Costs related to rendering of logistics services are mainly represented by transportation costs and included in the selling expenses disclosure.

Previous accounting policy applied under IAS 18 until 31 December 2017.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Transfer may occur when the product is dispatched from the Group companies' warehouses (mainly for domestic dispatches) or upon loading the goods onto the relevant carrier or upon the delivery to the destination point defined by the customer.

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(n) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

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(o) Overburden removal expenditure

In open pit apatite rock mining operations, it is necessary to remove the overburden and other waste in order to access the economically recoverable resources.

Stripping costs incurred during the pre-production phase of the open pit mine are capitalised as the cost of the development of the mining property and amortised over the life of the mine.

According to the Group's approach to stripping, the ore, which becomes accessible after the overburden removal, is extracted within three months. Therefore, the stripping ratio (volume of overburden removed over the volume of resources extracted) is expected to stay relatively constant over the future periods and stripping costs incurred during the production phase of the open pit mine are recognised in the profit or loss as incurred.

(p) Other expenses
(i) Operating leases

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease payments made.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the profit or loss as incurred.

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

If the number of ordinary shares outstanding increases/(decreases) as a result of a share split/(reverse share split), the calculation of the EPS for all periods presented is adjusted retrospectively.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, related head office expenses and Group's associates.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the methods described in 4(a) to 4(c). When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Financial assets measured at amortised cost

The fair values of financial assets carried at amortised cost, which are mainly loans issued and trade and other receivables, approximate their carrying amounts as at the reporting date.

(b) Financial instruments measured at fair value

The fair values of derivative financial assets and liabilities are determined using inputs from observable market data and are categorised as Level 2 of the fair value hierarchy.

The fair values of derivative financial liabilities, represented by put and call options on oil (Brent) contracts, are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

(c) Other financial liabilities not measured at fair value

The fair values of other financial liabilities, which are mainly loans and borrowings and finance lease liabilities, are determined for disclosure purposes and categorised as Level 3 of the fair value hierarchy. The fair values are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to make reclassifications to prior year comparatives to be consistent with the current year classifications, effecting the following captions:

- cost of sales, administrative expenses, selling expenses and other expenses,net;
- elements making revenue;
- elements making cost of sales;
- nventory, catalysts (as non-current assets), trade and other payables;
- segment information.

RUB mln	2017		
	As previously presented	Reclassifications	As adjusted
Cost of sales	(101,429)	(388)	(101,817)
Selling expenses	(24,466)	(735)	(25,201)
Administrative expenses	(14,662)	644	(14,018)
Other expenses, net	(2,136)	489	(1,647)
Finance costs	(6,980)	(10)	(6,990)

RUB mln	31 December 2017		
	As previously presented	Reclassifications	As adjusted
Catalysts	–	1,900	1,900
Inventories	27,345	(1,900)	25,445

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6. SEGMENT INFORMATION

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Phosphate-based products segment includes mainly production and distribution of ammophos, diammoniumphosphate, sodium tripolyphosphate and other phosphate based and complex (NPK) fertilisers on the factories located in

- Cherepovets, Balakovo and Volkhov, and production and distribution of apatite concentrate extracted from the apatite-nepheline ore, which is mined and processed in Kirovsk;
- Nitrogen-based products segment includes mainly production and distribution of ammonia, ammonium nitrate and urea on the factory located in Cherepovets.

Certain assets, revenue and expenses are not allocated to any particular segment and are, therefore, included in the “other operations” column. None of these operations meet any of the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit, as included in internal management reports that are reviewed by the Group’s CEO.

Segment information as at 31 December 2018 and for the year then ended is as follows:

RUB mln				
	Phosphate-based products	Nitrogen-based products	Other operations	Total
Segment revenue and profitability				
Segment external revenues, thereof:	186,971	37,011	9,448	233,430
Export	132,098	30,178	903	163,179
Domestic	54,873	6,833	8,545	70,251
Cost of goods sold	(98,962)	(16,431)	(8,571)	(123,964)
Gross segment profit	88,009	20,580	877	109,466
Certain items of profit or loss				
Amortisation and depreciation	(14,304)	(5,883)	(724)	(20,911)
Total non-current segment assets ¹	124,418	60,748	5,265	190,431
Additions to non-current assets ¹	25,618	5,890	843	32,351

Segment information of the Group as at 31 December 2017 and for the year then ended is as follows:

RUB mln				
	Phosphate-based products	Nitrogen-based products	Other operations	Total
Segment revenue and profitability				
Segment external revenues, thereof:	151,519	22,495	7,337	181,351
Export	103,648	16,983	262	120,893
Domestic	47,872	5,512	7,074	60,458
Cost of goods sold	(81,135)	(13,641)	(7,041)	(101,817)
Gross segment profit	70,384	8,854	296	79,534
Certain items of profit or loss				
Amortisation and depreciation	(10,227)	(4,192)	(388)	(14,807)
Total non-current segment assets ¹	108,711	66,081	3,994	178,786
Additions to non-current assets ¹	26,928	8,955	613	36,496

¹ Total non-current segment assets include property, plant and equipment, intangible assets and catalysts.

The analysis of export revenue by regions is as follows:

RUB mln		
	2018	2017
Europe	57,308	44,511
South America	43,684	28,537
North America	27,589	12,082
India	11,890	7,087
CIS	11,557	17,287
Africa	7,895	7,058
Asia	3,250	4,320
Australia	6	11
	163,179	120,893

7. REVENUES

RUB mln		
	2018	2017
Phosphate-based products	186,971	151,519
Sales of chemical fertilisers	155,733	123,227
Sales of apatite concentrate	22,098	21,158
Sales of other phosphate-based products and services	8,326	6,453
Sales of nepheline concentrate	814	681
Nitrogen-based products	37,011	22,495
Other	9,448	7,337
	233,430	181,351

8. PERSONNEL COSTS

RUB mln		
	2018	2017
Cost of sales	(12,209)	(11,265)
Administrative expenses	(8,271)	(7,875)
Selling expenses	(1,888)	(1,466)
	(22,368)	(20,606)

9. COST OF SALES

RUB mln		
	2018	2017
Materials and services	(36,493)	(30,869)
Depreciation	(18,936)	(13,242)
Salaries and social contributions	(12,209)	(11,265)
Natural gas	(12,096)	(9,154)
Sulphur and sulphuric acid	(10,682)	(6,120)
Potash	(10,238)	(8,279)
Chemical fertilisers and other products for resale	(6,287)	(4,932)
Electricity	(5,474)	(5,451)
Ammonia	(4,195)	(6,287)
Fuel	(3,775)	(3,264)
Ammonium sulphate	(3,015)	(2,287)
Heating energy	(564)	(667)
	(123,964)	(101,817)

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10. ADMINISTRATIVE EXPENSES

RUB mln		
	2018	2017
Salaries and social contributions	(8,271)	(7,875)
Professional services	(1,792)	(1,970)
Depreciation and amortisation	(1,242)	(943)
Other	(3,559)	(3,230)
	(14,864)	(14,018)

11. SELLING EXPENSES

RUB mln		
	2018	2017
Freight, port and stevedoring expenses	(17,344)	(11,065)
Russian Railways infrastructure tariff and operators' fees	(10,383)	(9,218)
Materials and services	(2,671)	(1,966)
Salaries and social contributions	(1,888)	(1,466)
Custom duties	(1,391)	(864)
Depreciation	(733)	(622)
	(34,410)	(25,201)

12. OTHER EXPENSES, NET

RUB mln		
	2018	2017
Social expenditures	(1,903)	(1,649)
Loss on disposal of property, plant and equipment and intangible assets	(586)	(614)
Increase in provision for bad debt	(452)	(164)
(Increase)/decrease in provision for inventory obsolescence	(88)	85
Reversal of accrual/(accrual) of contingent liabilities	35	(38)
Other income, net	268	733
	(2,726)	(1,647)

13. FINANCE INCOME AND FINANCE COSTS

RUB mln		
	2018	2017
Interest income	230	254
Unwind of discount of financial assets	67	89
Dividend income	–	4
Other finance income	150	268
Finance income	447	615
Interest expense	(4,666)	(4,347)
Provision for bad debt on financial investments (note 18)	(566)	(2,243)
Bank fees	(156)	(355)
Other finance costs	(710)	(45)
Finance costs	(6,098)	(6,990)
Net finance costs	(5,651)	(6,375)

14. INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2017: 20%).

RUB mln		
	2018	2017
Current tax expense	(8,487)	(5,803)
Origination and reversal of temporary differences, including change in unrecognised assets	2,512	(2,908)
	(5,975)	(8,711)

RECONCILIATION OF EFFECTIVE TAX RATE,

RUB mln				
	2018		2017	
Profit before tax	28,110	100%	34,042	100%
Income tax at applicable tax rate	(5,622)	(20%)	(6,808)	(20%)
(Under)/over provided in respect of prior years	(3)	–	29	–
Unrecognised tax (asset)/liability on (loss)/profit from associates	(125)	–	57	–
Non-deductible items	(1,434)	(5%)	(1,361)	(4%)
Change in unrecognised deferred tax assets	17	–	13	–
Effect of tax rates in foreign jurisdictions	39	–	38	–
Reduction in tax rate	1,153	4%	144	–
Recognition of previously unrecognised deferred tax liabilities	–	–	(823)	(2%)
	(5,975)	(21%)	(8,711)	(26%)

15. PROPERTY, PLANT AND EQUIPMENT

RUB mln					
	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2017	44,879	84,169	8,297	76,323	213,668
Additions	1,391	2,774	2,874	29,457	36,496
Transfers	21,379	42,248	–	(63,627)	–
Disposals	(474)	(2,168)	(93)	(295)	(3,030)
At 1 January 2018	67,175	127,023	11,078	41,858	247,134
Additions	2,286	3,903	2,363	23,309	31,861
Transfers	6,835	13,425	–	(20,260)	–
Disposals	(138)	(1,335)	(129)	(305)	(1,907)
Other movements	94	1,632	12	–	1,738
At 31 December 2018	76,252	144,648	13,324	44,602	278,826
Accumulated depreciation					
At 1 January 2017	(9,637)	(44,172)	(5,146)	–	(58,955)
Depreciation charge	(3,155)	(10,718)	(1,250)	–	(15,123)
Disposals	357	1,614	86	–	2,057
At 1 January 2018	(12,435)	(53,276)	(6,310)	–	(72,021)
Depreciation charge	(4,582)	(14,813)	(1,863)	–	(21,258)
Disposals	74	1,234	96	–	1,404
Other movements	(6)	(707)	(7)	–	(720)
At 31 December 2018	(16,949)	(67,562)	(8,084)	–	(92,595)

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RUB mln

	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Net book value at 1 January 2017	35,242	39,997	3,151	76,323	154,713
Net book value at 1 January 2018	54,740	73,747	4,768	41,858	175,113
Net book value at 31 December 2018	59,303	77,086	5,240	44,602	186,231

During 2018, the Group capitalised borrowing costs in the amount of RUB 836 million (2017: RUB 652 million) in the value of property, plant and equipment using the weighted average interest rate of 3% per annum.

As at 31 December 2018, the balance of the construction in progress account includes the accumulated costs related to.

In Cherepovets:

- Maintenance programme of ammonia production facilities in the amount of RUB 3,099 million;

- Development programme of production facilities for sulphuric acid in the amount of RUB 2,795 million;
- The construction of ammonium sulphate plant in the amount of RUB 2,679 million;
- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 2,419 million;
- Modernization of production facilities for urea plant in the amount of RUB 976 million;
- The construction of service infrastructure of ammonia plant in the amount of RUB 299 million.

In Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 10,962 million;
- The development of Rasvumchorskiy mine in the amount of RUB 7,067 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 5,329 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 2,821 million.

(a) Leasing

Plant and equipment with the carrying value of RUB 4,496 million (31 December 2017: RUB 5,422 million) is leased under various finance lease agreements, see note 27(a).

16. INVESTMENTS IN ASSOCIATES

The movement in the balance of investments in associates is as follows:

RUB mln

	2018	2017
Balance at 1 January	969	816
Share in profit for the period	99	287
Provision for investments in associates	(722)	–
Foreign currency translation difference	160	(134)
Balance at 31 December	506	969

Carrying values of the Group's investments in associates are as follows:

RUB mln

	31 December 2018	31 December 2017
JSC Khibinskaya Teplovaya Kompaniya	421	398
LLC PhosAgro-Ukraine	–	488
JSC Giproruda	61	25
JSC Soligalichskiy izvestkovyi kombinat	24	58
	506	969

Summary financial information for associates is as follows:

RUB mln

	Total assets	Total liabilities	Net assets	Revenue	2018 (Loss)/profit for the year
JSC Khibinskaya Teplovaya Kompaniya	1,876	(1,075)	801	705	48
LLC PhosAgro-Ukraine	–	–	–	3,549	181
JSC Giproruda	146	(24)	122	54	9
JSC Soligalichskiy izvestkovyi kombinat	526	(294)	232	497	11
	2,548	(1,393)	1,155	4,805	249

RUB mln

	Total assets	Total liabilities	Net assets	Revenue	2017 (Loss)/profit for the year
JSC Khibinskaya Teplovaya Kompaniya	2,128	(1,384)	744	751	23
LLC PhosAgro-Ukraine	2,611	(1,170)	1,441	13,996	777
JSC Giproruda	132	(23)	109	99	(16)
JSC Soligalichskiy izvestkovyi kombinat	425	(196)	229	500	5
	5,296	(2,773)	2,523	15,346	789

17. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

RUB mln

	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	102	(9,869)	(9,767)	78	(8,893)	(8,815)
Other long-term assets	17	(44)	(27)	6	(28)	(22)
Current assets	1,067	(488)	579	469	(549)	(80)
Liabilities	748	(3)	745	947	(36)	911
Tax loss carry-forwards	8,482	–	8,482	5,486	–	5,486
Unrecognised deferred tax assets	(40)	–	(40)	(23)	–	(23)
Tax assets/(liabilities)	10,376	(10,404)	(28)	6,963	(9,506)	(2,543)
Set off of tax	(1,381)	1,381	–	(1,592)	1,592	–
Net tax assets/(liabilities)	8,995	(9,023)	(28)	5,371	(7,914)	(2,543)

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The deferred tax assets on tax loss carry-forwards relate to the Russian entities. Due to recent amendments to the Russian tax legislation, starting from 1 January 2017, tax losses for Russian tax purposes carried forward existing as at 31 December 2018 do not expire.

Management has developed a tax strategy to utilise the tax losses above. In assessing the recoverability of the tax losses, management considers a forecast of future taxable profits of the Company

(the “forecast”) and the Group's tax position. The forecast is reviewed at each reporting date to ensure that the related tax benefit will be realised. Future taxable profits are expected to be generated from an excess of interest income on loans, to be issued by the Company to the Group subsidiaries, over expenses of the Company. When developing the forecast, management has evaluated profitability and dividend capacity of the Group subsidiaries, and considered expected rates of interest for loans and expected foreign currency rates.

As at 31 December 2018, no deferred tax liability for taxable temporary differences of RUB 52,016 million has been recognised (31 December 2017: RUB 48,502 million), either because the Parent can control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, or because the applicable tax rate is expected to be 0%.

(b) Movement in temporary differences during the year

RUB mln				
	31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2018
Property, plant and equipment	(9,767)	(951)	(1)	(8,815)
Other long-term assets	(27)	(5)	–	(22)
Current assets	579	655	4	(80)
Liabilities	745	(166)	–	911
Tax loss carry-forwards	8,482	2,996	–	5,486
Unrecognised deferred tax assets	(40)	(17)	–	(23)
Net tax (liabilities)/assets	(28)	2,512	3	(2,543)

RUB mln				
	31 December 2017	Recognised in other comprehensive income	1 January 2018	1 января 2017
Property, plant and equipment	(8,815)	(3,154)	–	(5,661)
Other long-term assets	(22)	(8)	–	(14)
Current assets	(80)	(414)	–	334
Liabilities	911	(149)	(145)	1,205
Tax loss carry-forwards	5,486	804	–	4,682
Unrecognised deferred tax assets	(23)	13	–	(36)
Net tax assets	(2,543)	(2,908)	(145)	510

18. OTHER NON-CURRENT ASSETS

RUB mln		
	31 December 2018	31 December 2017
Loans issued to third parties, at amortised cost	779	232
Financial assets, at fair value	724	755
Loans issued to employees, at amortised cost	88	77
Financial assets, at amortised cost	28	21
Loans issued to related parties, at amortised cost	–	97
Loans issued to associates, at amortised cost	–	20
Provision for loans issued to third parties	(571)	–
Other long-term assets	795	753
	1,843	1,955

19. OTHER CURRENT INVESTMENTS

RUB mln		
	31 December 2018	31 December 2017
Loans issued to related parties, at amortised cost	117	213
Interest receivable	88	42
Loans issued to employees, at amortised cost	52	35
Loans issued to third parties, at amortised cost	35	43
Investments in debt securities, at amortised cost	32	–
Loans issued to associates, at amortised cost	13	23
Provision for doubtful accounts	(24)	(4)
	313	352

20. INVENTORIES

RUB mln		
	31 December 2018	31 December 2017
Raw materials and spare parts	12,500	9,812
Finished goods:		
Chemical fertilisers	12,982	9,363
Other products	651	1,260
Apatite concentrate	327	200
Work-in-progress:		
Chemical fertilisers and other products	3,782	3,543
Chemical fertilisers for resale, purchased from the third parties	1,729	1,279
Other goods for resale	83	84
Provision for obsolescence	(184)	(96)
	31,870	25,445

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21. TRADE AND OTHER RECEIVABLES

RUB mln		
	31 December 2018	31 December 2017
Trade accounts receivable	20,379	15,507
VAT and other taxes receivable	8,973	10,306
Advances issued	5,716	4,662
Income tax receivable	533	2,734
Deferred expenses	159	210
Receivables from employees	11	26
Other receivables	1,033	818
Provision for doubtful accounts	(618)	(536)
	36,186	33,727

The movements in provision for doubtful accounts are as follows:

RUB mln		
	2018	2017
Balance at 1 January	(536)	(499)
Foreign currency translation difference	(16)	17
Written off provision through trade receivables	380	110
Increase in provision for bad debt	(446)	(164)
Balance at 31 December	(618)	(536)

See note 29(c) for the analysis of overdue trade accounts receivable.

22. CASH AND CASH EQUIVALENTS

RUB mln		
	31 December 2018	31 December 2017
Cash in bank	5,126	2,459
Call deposits	4,188	227
Petty cash	6	5
	9,320	2,691

23. EQUITY

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares
Shares on issue at 31 December 2018, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2018, RUB 2.5 par value	994,977,080
Shares on issue at 31 December 2017, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2017, RUB 2.5 par value	994,977,080

(b) Dividend policy

The Company expects to distribute cash dividends in the future and expects the amount of such dividends to be between 30 and 50 per cent of the Group's consolidated profit calculated in accordance with IFRS attributable to shareholders of PJSC "PhosAgro", adjusted by unrealised foreign exchange gain/(loss).

Whether the Company will pay dividends and the timing and exact amount of such dividends will be subject to the approval of the recommendation made by the Board of Directors at the General Shareholders' Meeting and will depend on a variety of factors, including the Company's earnings, cash requirements, financial condition and other factors deemed relevant by the Board

of Directors in making their recommendation to the General Shareholders' Meeting.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2018, the Company had cumulative retained earnings of RUB 35,076 million (31 December 2017: RUB 32,102 million).

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share, RUB	Amount of dividends, RUB mln
Total dividends approved during the reporting period			
November 2017	February 2018	21	2,720
March 2018	May 2018	15	1,942
May 2018	July 2018	24	3,108
August 2018	October 2018	45	5,828
			13,598
Total dividends approved subsequent to the reporting date			
November 2018	January 2019	72	9,324
March 2019	To be approved in May 2019	51	6,605
			15,929

24. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	2018	2017
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit for the year attributable to shareholders of the Parent, RUB million	22,069	25,333
Basic and diluted earnings per share, RUB	170	196

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25. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group’s loans and borrowings. For more information about the finance leases, see note 27(a). For more information about the Group’s exposure to foreign currency risk, interest rate risk and liquidity risk, see note 29.

RUB mln		
	31 December 2018	31 December 2017
Current loans and borrowings		
Unsecured bank loans	19,934	14,266
Interest payable	733	946
Unsecured loans from other companies	20	13
Loan participation notes ¹	–	28,800
Bank commission (short-term)	(8)	–
	20,679	44,025
Non-current loans and borrowings		
Loan participation notes ^{2,3}	69,471	28,800
Unsecured bank loans	53,570	46,577
Unsecured letters of credit issued by banks	–	1,254
Bank commission (long-term)	(164)	(101)
	122,877	76,530
	143,556	120,555

The breakdown of the loans and borrowings denominated in different currencies is as follows:

RUB mln		
	31 December 2018	31 December 2017
USD-denominated	123,152	100,874
EUR-denominated	18,531	6,356
RUB-denominated	2,045	13,426
	143,728	120,656
The maturity of the loans and borrowings is as follows		
Less than 1 year	20,687	44,025
1-2 years	19,623	9,483
2-3 years	46,326	16,291
3-4 years	5,665	31,844
4-5 years	38,380	5,064
More than 5 years	13,047	13,949
	143,728	120,656

Reconciliation of liabilities arising from financing activities:

RUB mln						
	31 December 2017	Cash inflows	Cash outflows	Amortisation of bank commision	Foreign exchange loss	31 December 2018
Loans and borrowings (excluding interest payable)	119,609	83,874	(83,572)	47	22,865	142,823
Finance lease liabilities	2,121	—	(1,285)	—	258	1,094
	121,730	83,874	(84,857)	47	23,123	143,917

¹ In February 2013, the Company’s SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 4.204%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB nil million (31 December 2017: RUB 29,342 million). The redemption was financed by the Eurobond placed in January 2018.

² In May 2017, the Company’s SPV issued a USD 500 million 4,5-year Eurobond with a coupon rate of 3.95%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 34,102 million (31 December 2017: RUB 29,258 million).

³ In January 2018 the Company’s SPV issued a USD 500 million 5,25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 33,745 million.

Management believes that the fair value of the Group’s other loans and borrowings approximates their carrying amounts.

26. DEFINED BENEFIT OBLIGATIONS

RUB mln		
	31 December 2018	31 December 2017
Pension obligations, long-term	302	701
Post-retirement obligations other than pensions	328	249
	630	950

The Group has defined benefit plans at JSC “Apatit”, Kirovsk Branch of JSC “Apatit” and JSC “Metachem” which stipulate payment of a lump sum allowance to employees who have a specified period of service in these companies upon their retirement. All defined benefit plans are unfunded. The movement in the present value of the defined benefit obligations is as follows:

RUB mln	
Defined benefit obligations at 1 January 2017	767
Benefits paid	(81)
Current service costs and interest	79
Past service costs	(12)
Actuarial loss in other comprehensive income	197
Defined benefit obligations at 1 January 2018	950
Benefits paid	(102)
Current service costs and interest	87
Past service costs	(135)
Actuarial gain in other comprehensive income	(170)
Defined benefit obligations at 31 December 2018	630

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

	31 December 2018	31 December 2016
Discount rate	8.8%	7.7%
Future pension increases	4.1%	4.2%

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27. LEASES

(a) Finance leases

JSC “PhosAgro-Trans”, a Group subsidiary, has entered into several agreements to lease 2,000 railway wagons in 2011–2014. Other Group subsidiaries also have entered into lease agreements in 2016 and 2017. At the end of the lease term, the ownership for the leased assets will be transferred to the lessee.

RUB mln			2018
	Minimum lease payments	Interest	Principal
Less than one year	766	48	718
Between one and five years	392	16	376
	1,158	64	1,094
RUB mln			2017
	Minimum lease payments	Interest	Principal
Less than one year	1,247	130	1,117
Between one and five years	1,059	55	1,004
	2,306	185	2,121

(b) Operating leases

During 2017–2018, JSC “PhosAgro-Trans”, a group subsidiary, entered into several operating lease agreements to rent 1,200 railway wagons. Also Kirovsk branch of JSC “Apatit”, a group subsidiary, has long-term lease contracts for production facilities.

Operating leases for other companies of the Group are mainly represented by office leases.

The non-cancellable operating lease rentals (excluding VAT) are payable as follows:

RUB mln		
	31 December 2018	31 December 2017
Less than one year	907	717
Between one and five years	1,562	1,202
	2,469	1,919

28. TRADE AND OTHER PAYABLES

RUB mln		
	31 December 2018	31 December 2017
Trade accounts payable	11,922	12,129
incl. accounts payable for property, plant and equipment and intangible assets	4,248	5,838
Advances received (contract liabilities)	3,644	4,414
Payables to employees	3,068	2,933
Taxes payable	2,229	2,014
Income tax payable	298	109
Accruals	36	51
Other payables	276	198
	21,473	21,848

29. FINANCIAL RISK MANAGEMENT

(a) Verrview

In the normal course of its operations, the Group has exposure to market, credit and liquidity risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD and EUR.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group implemented a natural hedge approach (policy) aiming at reducing its exposure to foreign currency risk by means of borrowing in the same currencies in which sales agreements are denominated.

The Group has the following foreign-currency-denominated financial assets and liabilities:

RUB mln				
	31 December 2018		31 December 2017	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Current assets	3,759	11	1,802	51
Non-current assets	–	–	97	–
Non-current liabilities				
Loans and borrowings	(108,405)	(12,615)	(68,705)	(5,807)
Finance lease liability	(375)	–	(1,004)	–
Current liabilities				
Loans and borrowings	(14,747)	(5,916)	(32,169)	(549)
Finance lease liability	(674)	(38)	(1,117)	–
Payables	(495)	(679)	(74)	(321)
	(120,937)	(19,237)	(101,170)	(6,626)

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Management estimate that a 10% strengthening/(weakening) of RUB against USD and EUR, based on the Group's exposure as at the reporting date would have increased/(decreased) the Group's profit for the year by RUB 14,017 million, before any tax effect (2017: would have increased/(decreased) the Group's profit for the year by RUB 10,780 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

The foreign exchange loss recognised in profit or loss of RUB 19,613 million (RUB 4,141 million of foreign exchange gain for the comparative period) resulted from the

devaluation of the Russian Rouble against major currencies during the reporting period (its appreciation during the comparative period).

Foreign currency translation differences

In addition, the net assets of the Group's foreign subsidiaries denominated in USD and EUR amount to RUB 15,069 million as at the reporting date (31 December 2017: RUB 18,429 million).

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. Management does not have a formal policy of determining how much of the Group's exposure should

be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

RUB mln		
	31 December 2018	31 December 2017
Fixed rate instruments		
Other non-current assets	868	427
Other current investments	4,405	541
Long-term borrowings	(113,781)	(64,476)
Short-term borrowings	(14,655)	(40,035)
Finance lease liabilities	(1,094)	(2,121)
	(124,257)	(105,664)
Variable rate instruments		
Long-term borrowings	(9,260)	(12,155)
Short-term borrowings	(5,299)	(3,044)
	(14,559)	(15,199)

At 31 December 2018, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit and equity by RUB 146 million (31 December 2017: RUB 152 million).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Group's receivables from customers, loans issued to related parties, current and non-current financial assets and cash and cash equivalents.

As at 31 December 2018, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets and amounted to RUB 32,281 million (31 December 2017: RUB 20,813 million).

As at 31 December 2018, the Group's financial assets measured at amortised cost amounted to RUB 31,557 million (31 December 2017: RUB 20,058 million).

As at 31 December 2018, the Group's financial assets measured at fair value amounted to RUB 724 million (31 December 2017: RUB 755 million).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual specific characteristics of each customer. The general characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings,

when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum amount of outstanding receivables; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The majority of the Group's customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics. Trade and other receivables relate mainly to the Group's wholesale customers.

The Group does not require collateral in respect of trade and other receivables, except

for new customers who are required to work on a prepayment basis or present an acceptable bank guarantee or set up letter of credit with an acceptable bank.

In addition, the major part of trade receivables in the Group's foreign subsidiaries is insured.

The Group establishes an allowance for impairment that represents its estimate of the expected credit losses in respect of trade and other receivables and other financial assets. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The analysis of overdue trade and other receivables is as follows:

RUB mln		
	31 December 2018	31 December 2017
Not past due	17,956	15,147
Past due 0–90 days	3,143	590
Past due 91–180 days	75	33
Past due 181–365 days	137	78
More than one year	101	477
	21,412	16,325

Current and non-current financial assets

The Group lends money to related parties and to third parties, who have good credit standing. Based on the prior experience, management believes that there is no significant credit risk in respect of related party and third party loans.

Cash and cash equivalents are primarily held with banks with high credit rating.

Guarantees

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements in accordance with IFRS 4 Insurance Contracts, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee (note 32).

The Group's policy is to provide financial guarantees only to the subsidiaries or related parties.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group

maintains several lines of credit in various Russian and international banks.

The table below illustrates the contractual maturities of financial liabilities, including interest payments, which are converted at the closing exchange rates, where applicable:

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RUB mln		31 December 2018						
	Carrying value	Contractual cash flows	0–1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
Unsecured bank loans	73,504	80,901	22,009	21,258	12,795	6,515	4,255	14,069
Unsecured loans from other companies	20	20	20	–	–	–	–	–
Interest payable	733	733	733	–	–	–	–	–
Secured finance leases	1,094	1,158	766	262	130	–	–	–
Loan participation notes	69,471	79,303	2,744	2,751	37,250	1,372	35,186	-
Trade and other payables	12,221	12,221	12,221	–	–	–	–	–
Financial guarantees issued for asso-ciates and related parties	1,057	1,233	300	455	478	–	–	–
Derivative financial liabilities	626	626	626	–	–	–	–	–
	158,726	176,195	39,419	24,726	50,653	7,887	39,441	14,069

RUB mln		31 December 2017						
	Carrying value	Contractual cash flows	0–1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
Unsecured bank loans	60,843	68,276	16,236	9,656	17,483	3,930	5,768	15,203
Unsecured loans from other companies	13	14	14	–	–	–	–	–
Unsecured letters of credit	1,254	1,276	14	1,262	–	–	–	–
Interest payable	946	946	946	–	–	–	–	–
Secured finance leases	2,121	2,306	1,247	734	217	108	–	–
Loan participation notes	57,600	62,252	30,133	1,137	1,141	29,841	–	–
Trade and other payables	12,385	12,385	12,385	–	–	–	–	–
Financial guarantees issued for asso-ciates and related parties	1,374	1,697	301	455	461	480	–	–
	136,536	149,152	61,276	13,244	19,302	34,359	5,768	15,203

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital invested and the level of dividends to shareholders.

There were no changes in the Board's approach to capital management during the year.

The Company and its subsidiaries are subject to externally imposed capital requirements including the statutory requirements of the country of their domicile and the bank covenants.

30. COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 30,826 million (31 December 2017: RUB 26,637 million).

31. CONTINGENCIES

(a) Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided

adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The transfer pricing rules apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code (no threshold is set for the purposes of prices control in such transactions). In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1,000 million in 2014 and thereon). The compliance

of prices with the arm's length level could be as well subject to scrutiny on the basis of unjustified tax benefit concept.

(c) Environmental contingencies

The environmental legislation, currently effective in the Russian Federation, is relatively new and characterised by frequent changes, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different authorities.

The Group is involved in chemical production, which is inherently exposed to significant environmental risks. The Group companies record environmental obligations as they become probable and reliably measurable. The Group companies are parties to different litigations with the Russian environmental authorities. The management believes that based on its interpretations of applicable Russian legislation, official pronouncements and court decisions no provision is required for environmental obligations. However, the interpretations of the relevant authorities could differ from management's position and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

32. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with associates

(i) Transactions with associates

RUB mln	2018	2017
Sales of goods and services	2,150	9,262
Other income, net	4	–
Interest income	3	15
Purchases of goods and services	(472)	(393)

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(ii) Balances with associates

RUB mln		
	31 December 2018	31 December 2017
Trade and other receivables	15	573
Short-term loans issued, at amortised cost	13	23
Long-term loans issued, at amortised cost	–	20
Trade and other payables	(10)	(13)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,007 million (31 December 2017: RUB 1,318 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

RUB mln		
	2018	2017
Sales of goods and services	557	1,135
Other income, net	22	–
Interest income	14	28
Interest expenses	(54)	(54)
Purchases of goods and services	(2,030)	(1,340)

(ii) Balances with other related parties

RUB mln		
	31 December 2018	31 December 2017
Short-term loans issued, at amortised cost	117	213
Trade and other receivables	53	1
Long-term loans issued, at amortised cost	–	97
Finance lease liabilities	–	(285)
Short-term loans received	(20)	(5)
Trade and other payables	(131)	(65)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 50 million (31 December 2017: RUB 56 million).

The balances and transactions with related parties are usually unsecured and denominated in RUB.

(c) Key management remuneration

The remuneration of the Board of Directors and key management personnel amounted to RUB 1,775 million (2017: RUB 1,449 million).

33. SIGNIFICANT SUBSIDIARIES

Subsidiary	Country of incorporation	31 December 2018 Effective ownership (rounded)	31 December 2017 Effective ownership (rounded)
Apatit, JSC (including Balakovo and Ki-rovsk branches)	Russia	100%	100%
Metachem, JSC	Russia	100%	100%
NIUIF, JSC	Russia	94%	94%
PhosAgro-Trans, JSC	Russia	100%	100%
PhosAgro-Region, LLC	Russia	100%	100%
PhosAgro-Belgorod, LLC	Russia	100%	100%
PhosAgro-Don, LLC	Russia	100%	100%
PhosAgro-Kuban, LLC	Russia	100%	100%
PhosAgro-Kursk, LLC	Russia	100%	100%
PhosAgro-Lipetsk, LLC	Russia	100%	100%
PhosAgro-Oryol, LLC	Russia	100%	100%
PhosAgro-Stavropol, LLC	Russia	100%	100%
PhosAgro-Volga, LLC	Russia	100%	100%
PhosAgro-SeveroZapad, LLC	Russia	100%	100%
PhosAgro-Tambov, LLC	Russia	100%	100%
Trading house PhosAgro, LLC	Russia	100%	100%
Phosint Trading Limited	Cyprus	100%	100%
Phosagro Asia Pte Ltd	Singapore	100%	100%
PhosAgro Trading SA	Switzerland	100%	100%
Phosint Limited	Cyprus	100%	100%
PhosAgro Logistics SA	Switzerland	100%	100%
Phosagro Baltic Sp.z o.o.	Poland	100%	100%
Phosagro Deutschland GmbH	Germany	100%	100%
Phosagro France SAS	France	100%	100%
PhosAgro Balkans	Serbia	100%	100%
UAB PhosAgro Baltic	Lithuania	100%	–








34. SEASONALITY








The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group's revenue is partially offset by the fact that the Group sells its fertilisers globally and fertiliser application and purchases vary by region.

The Group's costs are generally stable throughout the year with the exception of a slight increase during May-June as a result of maintenance activities undertaken at the Group's production facilities.

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GRI CONTENT INDEX







GRI Indicator	Comment	Page number (or link)
GRI 102 GENERAL DISCLOSURES		
1. ORGANIZATIONAL PROFILE		
GRI 102–1 Name of the organization	PJSC PhosAgro.	
GRI 102–2 Activities, brands, products and services	<ul style="list-style-type: none">• Apatit concentrate• Nepheline concentrate• Monoammonium phosphate or MAP• Diammonium phosphate or DAP• NPK• NPS• PKS• Liquid complex fertilisers (HCS) or APP• Carbamide (prilled and granulated)• Ammonium nitrate or AN• Compound nitrogen phosphate fertilisers (NArFU) or NP• Monocalcium phosphate or MCP• STPP	 About PhosAgro, Business model on pages 6–7, 16–19
GRI 102-3 Location of head-quarters	119333, Moscow, Leninsky Avenue, apt. 55/1, bld. 1	
GRI 102–4 Location of operations	PhosAgro locates in Russia and supplies products o more than 100 countries.	 About PhosAgro on pages 6–7
GRI 102–5 Ownership and legal form	Public Joint Stock Company "PhosAgro".	
GRI 102–6 Markets served	The Company considers Russia, Latin America and Europe to be the priority markets.	 On pages 12–15
GRI 102–7 Scale of the organization		 On pages 10–11, 16–19, 98
GRI 102–8 Information on employees and other workers		 On pages 98–111
GRI 102–9 Supply chain		 On page 66
GRI 102–10 Significant changes to the organization and its supply chain	There were no significant changes.	
GRI 102–11 Precautionary Principle or approach	Observance of the precautionary principle is part of a comprehensive systemic assessment of various operational risks related to the production and business activities of the Company's enterprises.	 On pages 40–47

GRI Indicator	Comment	Page number (or link)
GRI 102–11 Precautionary Principle or approach	This assessment is conducted as part of the current activities related to modernization projects, reconstruction and new construction. Plans are developed to prevent or reduce the likelihood of incidents according to the biggest risk factors.	
GRI 102–12 External initiatives	PhosAgro has signed an agreement on cooperation in soil management with the Food and Agriculture Organization of the United Nations (FAO). PhosAgro joined the UN Global Compact.	 On pages 73, 123
GRI 102–13 Membership of associations	<ol style="list-style-type: none">1. The International Fertilizer Industry Association (IFA)2. The International Plant Nutrition Institute (IPNI)3. Russian Union of Industrialists and Entrepreneurs4. Russian Chemists Union (RCU)5. Russian Association of Fertiliser Producers (RAFP)6. NPP Mining Society7. UN Global compact8. Anti-Corruption Charter of Russian Business	 On page 113, 123, 129
2. STRATEGY		
GRI 10–14 Statement from senior decision-maker		 On pages 24–25
3. ETHICS AND INTEGRITY		
GRI 102–16 Values, principles, standards and norms of behavior		 On pages 112–115
4. GOVERNANCE		
GRI 102–18 Governance structure		 On pages 138–165
5. STAKEHOLDER ENGAGEMENT		
GRI 102–40 List of stakeholder groups		 On pages 116–129
GRI 102–41 Collective bargaining agreements	Collective bargaining agreements have been concluded with 100% of employees from the Company's main production enterprises.	 On page 125

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GRI Indicator	Comment	Page number (or link)
GRI 102–42 Identifying and selecting stakeholders		 On page 116
GRI 102–43 Approach to stakeholder engagement		 On page 116
GRI 102–44 Key topics and concerns raised		 On page 116
6. REPORTING PRACTICE		
GRI 102–45 Entities included in the consolidated financial statements		 On page 209
GRI 102–46 Defining report content and topic Boundaries		 On page 64–66
GRI 102–47 List of material topics		 On page 65
GRI 102–48 Restatements of information	No restatements of information was done according to previous reporting period.	
GRI 102–49 Changes in reporting	Throughout the reporting period, there were no significant changes to the scope and boundaries of aspects compared to previous reporting periods.	
GRI 102–50 Reporting period	Reporting period — calendar year 2018.	
GRI 102–51 Date of most recent report	The Company does not have a separate report on sustainable development. Information on sustainable development is included in the Integrated Report. Date of publication of last Integrated Report – 28/04/2018	 https://www.phosagro.com/investors/reports/year/
GRI 102–52 Reporting cycle	Since 2011, PJSC PhosAgro has published Integrated Reports annually.	
GRI 102–53 Contact point for questions regarding the report		 On page 67
GRI 102–54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	
GRI 102–55 GRI content index	This appendix.	
GRI 102–56 External assurance		 On pages 172–174

GRI Indicator	Comment	Page number (or link)
MATERIAL TOPICS		
GRI 200 ECONOMIC		
GRI 201 ECONOMIC PERFORMANCE		
GRI 103 Management approach		 On pages 16–19, 36–39
GRI 201–1 Direct economic value generated and distributed		 On pages 58–61
RUB mln		
Item	Stakeholder	2018
Direct economic value generated		233,896
Revenue from sales	Wide range of stakeholders	223,982
Revenue from other sales		9,448
Revenue from financial investments		447
Revenue from sale of assets		19
Economic value distributed		(218,393)
Operating expenses	Suppliers and contractors	(175,964)
Wages and other payments to employees	Employees	(12,209)
Payments to providers of capital	Shareholders and creditors	
payments to shareholders		(13,598)
payments to creditors		(4,666)
Tax expenses and other payments to government	Government	(11,956)
including income tax expense		(5,975)
Economic value retained		15,503
GRI 201–3 Defined benefit plan obligations and other retirement plans		 On page 104
GRI 202 MARKET PRESENCE		
GRI 103 Management approach		 On page 100
GRI 202–1 Ratios of standard entry level wage by gender compared to local minimum wage		 On page 102
GRI 202–2 Proportion of senior management hired from the local community		 On page 103

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GRI Indicator	Comment	Page number (or link)
GRI 203 INDIRECT ECONOMIC IMPACTS		
GRI 103 Management approach		 On page 132
GRI 203–1 Infrastructure investments and services supported		 On pages 130–135
GRI 203–2 Significant indirect economic impacts		 On pages 130–135
GRI 205 ANTICORRUPTION		
GRI 103 Management approach		 On page 112
GRI 205–3 Confirmed incidents of corruption and actions taken		 On page 114
GRI 300 ENVIRONMENTAL		
GRI 302 ENERGY		
GRI 103 Management approach		 On page 84
GRI 302–1 Energy consumption within the organization	The Company also consumes a small amount of petrol.	 On page 84–85
GRI 302–3 Energy intensity		 On page 84–85

GRI Indicator	Comment	Page number (or link)
GRI 303 WATER AND EFFLUENTS		
GRI 103 Management approach		 On page 74
GRI 303–1 Interactions with water as a shared resource		 On pages 83
GRI 303–2 Management of water discharge-related impacts		 On page 83
GRI 303–3 Water withdrawal		 On page 83
GRI 303–4 Water discharge		 On page 83
GRI 305 EMISSIONS		
GRI 103 Management approach		 On page 74
GRI 305–1 Direct (Scope 1) GHG emissions		 On page 82
GRI 305-4 GHG emissions intensity		 On page 82
GRI 305–7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		 On page 80

APPENDIX 1

continued

GRI Indicator	Comment	Page number (or link)
GRI 306 EFFLUENTS AND WASTE		
GRI 103 Management approach		 On page 74
GRI 306–2 Waste by type and disposal method		 On pages 81–82
GRI 306–4 Transport of hazardous waste	The Company performs no crossborder shipping of waste deemed hazardous under the terms of the Basel Convention.	
GRI 400 SOCIAL		
GRI 401 EMPLOYMENT		
GRI 103 Management approach		 On page 100
GRI 401– 1 1 New employee hires and employee turnover	Data on employee turnover is presented without breakdown by gender, age and region.	 On page 98
GRI 401–2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits established by collective bargaining agreements apply to all employees of the Company's main production sites and do not depend on the status or conditions of employment.	 On page 104
GRI 401–3 Parental leave	As of 31 December 2018, 390 from the Company's main production facilities were on maternity/paternity leave.	 On page 104
GRI 403 OCCUPATIONAL HEALTH AND SAFETY		
GRI 103 Management approach		 On page 90
GRI 403–1 Occupational health and safety management system		 On page 91
GRI 403–2 Hazard identification, risk assessment, and incident investigation		 On pages 40–43, 93
GRI 403–3 Occupational health services		 On page 93

GRI Indicator	Comment	Page number (or link)
GRI 403–4 Worker participation, consultation, and communication on occupational health and safety	Health and Safety Committee	 On page 92–93
GRI 403–5 Worker training on occupational health and safety		 On page 94–97
GRI 403–6 Promotion of worker health		 On page 92
GRI 403–7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		 On page 88–97
GRI 403–8 Workers covered by an occupational health and safety management system		 On page 92
GRI 403–9 Work-related injuries		 On page 89
GRI 404 TRAINING AND EDUCATION		
GRI 103 Management approach		 On page 100
GRI 404–1 Average hours of training per year per employee		 On page 107
GRI 404–2 Programs for upgrading employee skills and transition assistance programs		 On pages 106–110
GRI 404–3 Percentage of employees receiving regular performance and career development reviews		 On page 105

GLOSSARY

ABBREVIATIONS

GDR or depositary receipt

Global Depositary Receipt

bln

Billion

km

Kilometres

kt

Thousand metric tonnes

mln

Million

mln t

Million tonnes

MW

Megawatt

RUB

Russian rouble

t

Metric tonne = 1,000 kg

ths

Thousand

CFR

Cost and freight — an Incoterms rule. CFR means that the seller must pay the costs and freight to bring goods to the port of destination, including customs costs for exporting the goods. The buyer pays to insure the goods. Risk is transferred to the buyer once the goods are loaded on the vessel. Maritime transport only.

FOB

Free on board — an Incoterms rule. The seller must load goods on board the vessel nominated by the buyer; costs for delivery of the goods on board of the vessel are the responsibility of the seller.

USD

United States dollars

INDUSTRY TERMS

Ammonia

A colourless combustible gas with the chemical formula NH₃. Ammonia is a compound of nitrogen and hydrogen and is primarily used in the production of mineral fertilizers and a wide variety of nitrogen-containing organic and inorganic chemicals.

Ammonium nitrate or AN

A nitrogen fertilizer with a nitrogen content of approximately 34% produced by reacting nitric acid (an intermediate chemical feedstock produced from ammonia) with ammonia (NH₃).

NP

(Ammonium nitrate-based fertilizers) Complex ammonium nitrate-based fertilizer with phosphorus content. Liquid complex fertilizers or APP liquid phosphate- and nitrogen-based fertilizer.

Apatite

A group of phosphate minerals (phosphate ore), usually referring to hydroxylapatite, fluorapatite and chlorapatite with the chemical formula Ca₅(PO₄)₃(OH, F, Cl). Apatite is the world's major source of phosphorus, found as variously coloured, glassy crystals, masses or nodules. The phosphorus content of apatite is traditionally expressed as phosphorus pentoxide (P₂O₅).

Apatite-nepheline ore

Ore containing minerals of apatite and nepheline.

By-product

Material, other than the principal product, that is generated as a consequence of an industrial process.

Concentrate

Material that is the result of beneficiation of an ore and that has a higher concentration of mineral values than the mineral values originally contained in the ore. Concentrates are produced in beneficiation plants.

Crushing

A mechanical method of reducing the size of rock.

Deposit

An area of reserves identified by surface mapping, drilling or development.

Diammonium phosphate or DAP

A type of multi-nutrient fertilizer containing nitrogen and phosphorous. Production of DAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating.

Downstream

The processing of apatite concentrate, natural gas, sulphur and potash into usable products such as mineral fertilizer, industrial and feed phosphates.

Drillhole

A circular hole made in rock, often in conjunction with a core barrel, in order to obtain a core sample.

EBITDA

Calculated as operating profit adjusted for depreciation and amortisation.

Emission

Pollution discharged into the atmosphere from smokestacks, other vents at commercial or industrial facilities and from transportation exhaust systems.

End product

Commercial product other than those used internally to produce other types of commercial products. For PhosAgro, end products are phosphate-based fertilizers, nitrogen fertilizers, feed and industrial phosphates, and sulphate of potash.

Exploration

The search for minerals. Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralisation.

Feed phosphates

Inorganic feed phosphates are a high-quality phosphorus source for animal feed. Most inorganic feed phosphates are derived from phosphate rock, which is chemically treated to make phosphorus available for animals in the form of quality feed phosphates.

The main inorganic feed phosphates are calcium, magnesium, calcium-magnesium, ammonium and sodium phosphates. These phosphates are constant in composition, low in impurities and considered to be the best available sources of phosphorus for animals. An adequate supply of inorganic feed phosphates in animal feed is essential for animals' well-being.

Grade of mineral fertilizer

The relative quality or percentage content of useful components.

Key performance indicator (KPI)

Performance indicators of a division that help the Company evaluate the implementation of plans and make decisions regarding management remuneration.

K₂O

Universal means of storage of potassium (potash) in potassium-containing products.

MER or 'minor element ratio'

The sum of the iron, aluminium and magnesium content divided by the P₂O₅ content.

Monoammonium phosphate or MAP

A type of multi-nutrient fertilizer containing nitrogen and phosphorous. Production of MAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating. Monoammonium phosphate is often used in the blending of dry agricultural fertilizers.

Monocalcium phosphate or MCP

A type of feed phosphate with the highest phosphorus digestibility and content.

Nepheline

A mineral containing aluminium oxide (Al₂O₃).

Netback price

Revenue net of costs associated with shipping goods from the production site to the buyer.

Nitrogen or N

One of the primary plant nutrients essential for plant growth and a universal way of

storing nitrogen in nitrogen-containing products.

NPK

A multi-nutrient fertilizer containing nitrogen, phosphorus and potassium.

NPS

A multi-nutrient fertilizer containing nitrogen, phosphorous and sulphur.

Open-pit mine

A mine working or excavation that is open to the surface and where material is not put back into the mined-out areas.

Phosphate rock

Phosphate rock (apatite concentrate or phosphorus concentrate) is an imprecise term that includes both unprocessed phosphorus-containing ore and beneficiated concentrates. Practically all production of phosphate fertilizers is based on phosphate rocks containing some form of the mineral apatite.

Phosphates

A salt or ester of phosphoric acid or a fertilizer containing phosphorus compounds.

Phosphoric acid

Mineral (inorganic) acid having the chemical formula H₃PO₄.

P₂O₅ (phosphoric pentoxide)

A term used to express the content of phosphorus in a substance.

Phosphorous or P

One of the primary plant nutrients essential for plant growth.

PKS

A multi-nutrient fertilizer containing phosphorous, potassium and sulphur.

Potash or K

One of the primary plant nutrients essential for plant growth.

Rare earth elements/resources

A group of 15 elements with atomic numbers ranging from 57 to 71: lanthanum, cerium,

praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium and lutetium.

Sedimentary

Formed by the deposition of solid fragmental material that originates from the weathering of rocks and is transported from a source to a site of deposition.

Shaft

A mine working (usually vertical) used to transport miners, supplies, ore or capping.

Sulphate of potash or SOP

A non-chloride potash fertilizer.

Sulphuric acid

A strong sulphur-based inorganic mineral acid with the chemical formula H₂SO₄.

Tailing

The fluid slurry that is left after treatment and extraction of an economically extracted mineral.

Trenches

Lines excavated to a predetermined depth to establish the geological structure of a deposit.

Urea

An organic compound of carbon, nitrogen, oxygen and hydrogen. It is the most widely used and highest-concentration nitrogen-based fertilizer formed by reacting ammonia with carbon dioxide at a high pressure.

Waste

Rock lacking sufficient grade and/or other characteristics of ore to be economical.

Upstream

Extraction of solid, liquid and gaseous resources from the earth using specialised equipment.

Waste water

Spent or used water from individual homes, communities, farms or industries that contains dissolved or suspended matter.

GLOSSARY

continued

OTHER TERMS

Basel Convention

The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal was adopted on 22 March 1989 by the Conference of Plenipotentiaries in Basel, Switzerland. The overarching objective of the Basel Convention is to protect human health and the environment against the adverse effects of hazardous wastes. Its scope of application covers a wide range of wastes defined as "hazardous wastes" based on their origin and/or composition and their characteristics, as well as two types of wastes defined as "other wastes" — household waste and incinerator ash.

The Department for Environment, Food and Rural Affairs (Defra)

Defra is the government department responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities in the United Kingdom.

The International Plant Nutrition Institute (IPNI)

The IPNI is a global organisation with initiatives addressing the world's growing need for food, fuel, fibre and feed.

Environmental assessment (EA)

A process where the breadth, depth and type of analysis depend on the proposed project. An EA evaluates a project's potential environmental risks and impacts in its area of influence and identifies ways to improve project design and implementation by preventing, minimising, mitigating or compensating for adverse environmental impacts and by enhancing positive impacts.

FAO

Food and Agriculture Organization of the United Nations.

Feasibility study

A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to determine the technical and economic viability of a project and to support the search for project financing.

Fertecon/Argus—FMB/CRU

Fertilizer Economic Market Analysis and Consultancy, UK.

Group/Company/PhosAgro

Refers collectively to PJSC PhosAgro and its subsidiaries.

Helsinki Convention

The Helsinki Convention was signed in 1974 by the then-seven Baltic coastal states, and made all the sources of pollution around the entire Baltic Sea subject to a single convention. The 1974 Convention entered into force on 3 May 1980. A new convention was signed in 1992 by all the states bordering on the Baltic Sea and the European Community in light of political changes and developments in international environmental and maritime law. After ratification, the Convention entered into force on 17 January 2000. The Convention covers the whole of the Baltic Sea area, including inland waters as well as the water of the sea itself and the seabed. Measures are also taken in the whole catchment area of the Baltic Sea to reduce land-based pollution.

IFA

International Fertilizer Association, France.

ISO

International Organization for Standardization, the world's largest standards development organisation. Between 1947 and the present day, the ISO has published more than 19,000 international standards, ranging from standards for activities such as agriculture and construction through mechanical engineering and medical devices to the newest information technology developments.

LSE

London Stock Exchange.

Moscow Exchange

Russia's MICEX and RTS stock exchanges were merged into one entity, MICEX—RTS, in December 2011 and rebranded as the Moscow Exchange in May 2012.

Risk assessment

Qualitative and quantitative evaluation carried out in an effort to determine the risk posed to human health or the environment by the presence or potential presence and use of specific pollutants.

NAMES OF LEGAL ENTITIES USED IN THIS REPORT

PJSC PhosAgro

PhosAgro

JSC Apatit

Apatit

Kirovsk branch of JSC Apatit

KB of Apatit

Balakovo branch of JSC Apatit

BB of Apatit

JSC Metachem

Metachem

OJSC NIUIF

NIUIF

JSC PhosAgro-Trans

PhosAgro-Trans

PhosAgro-Region LLC

PhosAgro-Region

Mining and Chemical Engineering LLC

Mining and Chemical Engineering or MCE

Smart Bulk LLC

Smart Bulk

Phosagro Asia Pte Ltd

Phosagro Asia

Phosint Trading Limited

Phosint Trading

Data on ore reserves presented in this report are prepared on the basis of:

- Data from the approved state register as of 1 January 2017;
- Data from Form 70-TP "Information on Mineral Extraction During Production", which contains data on mined volumes (extracted from the subsoil) and losses during mining (regulatory, actual, excess);
- Information on changes in reserves for the 2017 reporting period: mining, losses during mining, reserves remaining at year end (as of 1 January 2018), reflected in the statistical reporting form 5-GR "Information on the state of and changes to solid mineral reserves";
- Approved Rosnedra protocols for deposits.

Calculations and recalculations for approved reserves are compliant with normative documents:

- Order No 40 of the Ministry of Natural Resources of the Russian Federation dated 7 March 1997 on Approval of Classifications of Mineral Reserves (together with "Classification of Reserves of Deposits and Potential Resources of Solid Minerals", "Classification of Currently Mined Reserves and Forecast Groundwater Resources");
- Order of the Ministry of Natural Resources of the Russian Federation of 5 June 2007 No 37-R on Approval of Methodological Recommendations for Application of Classification of Reserves of Deposits and Potential Resources of Solid Minerals.

Ensuring the completeness of geological exploration, rational use and preservation of subsoil is carried out in accordance with the Law of the Russian Federation 2395-1 on Subsoils dated 21 February 1992.

The information in this Report related to mineral resources as of 1 January 2018 is based on information compiled by the Geology Service Department of the Kirovsk branch of Apatit and authorised by Mr Sergey Glubokiy, Chief Geologist of the Kirovsk branch of Apatit.

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