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
ABOUT PHOSAGRO

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

- **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.

- **Our guiding principles:** The high quality of the apatit-nepheline 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.

- **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.

**DOWNSSTREAM PRODUCTION**

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.

**LOGISTICS**

PhosAgro’s logistics infrastructure includes warehouses, mineral hoppers and two port terminals. These assets enable PhosAgro to produce 39 grades of fertilizers and other finished products to meet demand from customers in more than 100 countries.

**SALES**

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.

**THE COMPANY’S POSITION IN THE GLOBAL INDUSTRY**

- **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

**RAILCARS**

- **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

**COUNTRIES**

- **>100 countries:** currently use PhosAgro products
- **10 trading offices worldwide**

**NUMBERS TO KNOW**

- **>39% P₂O₅:** nutrient content of high-grade phosphate rock produced at Apatit
- **93%:** Recovery rate achieved at ANOP-3 following upgrades completed in 2018
- **39 grades:** of fertilizers and other finished products are produced by PhosAgro
- **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

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 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.

We maintain a continuous focus on improving all aspects of our logistics, striving to provide the most efficient, reliable and customer-focused service to our customers and build long-term relationships with them.

We plan to further increase our fleet to reduce costs incurred by contracting cars from third-party operators.

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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+/Ra3/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

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

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2018 PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

<table>
<thead>
<tr>
<th>Revenue, RUB bln</th>
<th>EBITDA, RUB bln</th>
<th>EBITDA margin</th>
<th>Net profit, RUB bln</th>
<th>Dividend yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018: 233.4 % 233.4</td>
<td>2017: 185.4</td>
<td>185.4</td>
<td>64.9</td>
<td>7.3%</td>
</tr>
<tr>
<td>2016: 187.7</td>
<td>74.9</td>
<td>32%</td>
<td>41.8</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

Cash flow from operating activities, RUB bln

| 2018: 59.7 % 59.7 | 2017: 50.5 | 50.5 | 2016: 50.4 | 135.3 | 135.3 |

Net debt, RUB bln

| 2018: 1.8 | 2017: 1.8 | 1.45 | 105.1 |

Net debt/EBITDA

| 2018: 1.8 % 1.8 | 2017: 1.6 | 1.6 | 2016: 1.45 | 3.5 | 3.5 |

Invested in environmental programmes, RUB bln

| 2018: 7.3% 7.3% | 2017: 5.5% | 2016: 6.0% | 24.9 | 24.9 |

OPERATIONAL HIGHLIGHTS

Total fertilizer production, kt

| 2018: 8,975 | 2017: 10,067 | 2016: 6,852 |

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 Chepetsk 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 70% and in 2018 amounted to 9 million tonnes of primary material.

PhosAgro's share of the Russian market is about 65%, making the Company the leading supplier in that market.

Nitrogen fertilizers production, kt

| 2018: 2,123 | 2017: 1,755 | 2016: 1,495 |

SUSTAINABILITY

Emissions into the air per unit of production, kg/t

| 2018: 1.6 | 2017: 1.6 | 2016: 1.8 |

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.

Lost time injury frequency rate (LTIFR), per 1 million hours worked

| 2018: 0.22 | 2017: 0.32 | 2016: 0.32 |

Along with ensuring profitability for shareholders, the Company devotes 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.

The Company has implemented a series of successive steps in recent years aimed at consolidating its leading global positions as a producer of phosphate-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.

In 2018, PhosAgro focused on organic growth projects aimed at increasing efficiency and improving raw material self-sufficiency and not requiring significant capital expenditures.

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.
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.

**Sales in North America and Latin America, kt**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in North America and Latin America, kt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,710</td>
</tr>
<tr>
<td>2017</td>
<td>2,245</td>
</tr>
</tbody>
</table>

**Sales in Europe, kt**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in Europe, kt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,050</td>
</tr>
<tr>
<td>2017</td>
<td>1,855</td>
</tr>
</tbody>
</table>

**Sales in CIS, kt**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in CIS, kt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>330</td>
</tr>
<tr>
<td>2017</td>
<td>752</td>
</tr>
</tbody>
</table>

Due to the cessation of deliveries to the Ukrainian market.

**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**

**TRADE OFFICES**

- Hamburg, Germany
- Bayonne, France
- Zug, Switzerland
- Belgrade, Serbia
- Limassol, Cyprus
- Warsaw, Poland
- Singapore
- Vilnius, Lithuania
- São Paulo, Brazil
- Buenos Aires, Argentina
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 oil and oil products, is being determined by the further development of the Russian economy. A number of measures are being taken to increase the proportion of domestic content in finished goods, which, according to the Federal Customs Service, currently stands at 6.5%.

The zoning 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 46 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.

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.
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.
KEY ASPECTS OF PHOSAGRO’S VALUE CHAIN

1. UPSTREAM

PhosAgro has the largest captive phosphate resource base in Russia, which is the backbone of our phosphate rock production activities. We are committed to continuously seeking opportunities to make rational use of our extensive phosphate rock stock. PhosAgro is continuously seeking opportunities to further improve its upstream operations. As a result of our upstream optimisation programme, we have achieved a recovery ratio of more than 93%, the highest level ever achieved in the industry. In 2018, PhosAgro turned the Kirovsk branch of JSC Apatit into a sustainable, world-class mining and phosphate rock production site.

For more information, please refer to the Rationale Board of Apatit.

Manufacturing of fertilizers, feed and industrial phosphates

Our portfolio offers two production lines – phosphates (clinical) and concentrated fertilizers, which are produced at four downstream production sites in Russia.

2. DOWNSTREAM

PhosAgro’s downstream activities include production of phosphates, nitric and sulphuric acids, phosphoric acid, and feed and industrial phosphates. We continue to develop our downstream manufacturing facilities. We have achieved a recovery ratio of more than 93%, the highest level ever achieved from at the plant. In 2018, PhosAgro continuously seek opportunities to improve the cost efficiency of production activities.

Production of phosphate-based fertilizers and feed and industrial phosphates

Our fertilizer production assets enjoy domestic market concentration and sufficient in this input. 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.

PhosAgro’s logistics infrastructure includes warehouses, rail and road transport. PhosAgro supports our operations through a modern and efficient logistics system, which includes our own railways and road logistics and a railway line in Balakovo with an annual production capacity of 4.9 million tonnes.

In-house logistics infrastructure

In 2017, we completed the construction of an ammonia pipeline at Balakovo with an annual production capacity of 4.9 million tonnes, which has increased the Company’s capacity by 28%.

Production of phosphates

Underground and open-pit mining operations, along with highly qualified human resources, are the core businesses and capabilities. We have every effort to find the right balance between investments in underground mining and beneficiation capacities, and below average social and social security. We are committed to continuously seeking opportunities to make rational use of our extensive phosphate rock stock.

In 2018, we increased our underground mining and beneficiation capacities by 7.6 million tonnes, which resulted in higher production volumes of both phosphate rock and concentrates. At Kirovsk, we mined apatite-nepheline ore and process it into phosphate rock. The Kirovsk branch of JSC Apatit, which is the heart of our business, is continuously seeking opportunities to improve the production ratio of these concentrates and beneficiation process. In 2018, PhosAgro extracted 4,4 billion tonnes of apatite-nepheline ore, which has a production ratio of more than 93%, the highest level ever achieved from at the plant. In 2018, PhosAgro turned the Kirovsk branch of JSC Apatit into a sustainable, world-class mining and phosphate rock production site.

3. LOGISTICS

Our distribution and sales operations serve farmers in all inhabited continents, allowing us to fully utilise our available sales volumes and market share on the global market, maintaining a stable supply of our own products.

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In-house logistics infrastructure

Having our own logistics infrastructure helps us significantly reduce costs and overcome the inefficiencies of logistics activities.

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PHOSAGRO INTEGRATED REPORT 2018

CHARMAIN’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-cost advantage, enhanced its natural hedge against market headwinds and become one of the most sustainable profitable companies in the industry. The financial and operating results we reported for FY 2018 are testimony to this.

SUSTAINABILITY HIGHLIGHTS

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 integration, 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 10 to 39 grades of crop nutrients in order to better meet demand from farmers all over the world.

Over RUB 1.5 billion invested in community support and charity programmes

47%

EBITDA GROWTH COMPARED TO 2017

Over RUB 3.5 billion invested in environmental protection programmes

LTPF decreased by 35% year-on-year to 0.22 (1.1 million hours)

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

 STRATEGY HIGHLIGHTS

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.

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 modernisation 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 1 billion on environmental protection measures over the past five years and has 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.

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

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.

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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 our integrated logistics and port infrastructure, with direct access to priority export markets and downstream and sales offices in key priority markets. Investing in vertical integration and low cash-cost advantage

After finalising 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 Aphat, on to our cutting-edge production facilities, integrated logistics and port infrastructure, and sales offices in key priority markets.

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 2025, we will 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 Aphat, on to our cutting-edge production facilities, integrated logistics and port infrastructure, and sales offices in key priority markets.

Taking on local and global sustainability issues

PhosAgro operates large-scale mining and chemical production facilities, is a major employer in Russia, 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 industrial 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 are relevant to our industry and key stakeholders.

CEOs STATEMENT

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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.

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 cost 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.

Andrey A. Guryev
Chief Executive Officer and Chairman of the Management Board
OVERVIEW OF THE FERTILIZER MARKET

NUTRIENT DEMAND DRIVERS

THE GLOBAL ECONOMY

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 3.5% 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 food, 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 — Iran 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.

Agricultural production, 2018/19

The IGC estimates that 2018/19 cereal production was driven by bumper yields in the EU, Russia, China, and India. The trend for cereal production in 2018/19 is less encouraging though, with the IGC estimating production to recover to 54.2 million tonnes.

Global agricultural production, million tonnes

Country’s position against rest of the world

<table>
<thead>
<tr>
<th>Country</th>
<th>DAP/NPK 2018 Imports, million tonnes</th>
<th>Devaluation vs. USD throughout 2018, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>25</td>
<td>-2</td>
</tr>
<tr>
<td>Brazil</td>
<td>23</td>
<td>-4</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.9</td>
<td>-1</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.4</td>
<td>-1</td>
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</tr>
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<td>0</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.2</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Global Mining/Gledge

Performance of selected currencies of major phosphate importers

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.

While 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 2019/20 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 Sahel in Brazil, and unusually rain that had a negative impact on yields in the south cone of Latin America. However, a recovery to 1,075.4 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 less anomalous, 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.

Source: IGC

Performance of selected currencies of major phosphate importers


Global agricultural production, million tonnes

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 estimates 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 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. The IFA assessed demand for non-fertilizer uses at 61 million tonnes in 2018.

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

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

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 falters 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.
OVERVIEW OF THE FERTILIZER MARKET
continued

NUTRIENT DEMAND DRIVERS

FOCUS ON PHOSPHATE FERTILIZER MARKETS IN 2018

90% of the country's fertilizer deliveries
inland transportation network. With around
impacted nutrient surpluses.
year, as it was also impacted by regulation
IFA assessing its demand 2.5% lower year-
Germany was among those affected, with the
drought conditions followed by an economic
Argentina also had a challenging 2018, with
delayed. This slowed
demand ground

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
during the summer months that severely
impacted harvests and transportation (i.e.
through the Danube and Rhine rivers).

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.

Argentinian farmers also had a challenging 2018, with
drought conditions followed by an economic
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 FIA at 6.9 million tonnes of P₂O₅ despite a
10% deficit of rainfall through the monsoon
season compared with long-term averages.
Good reserves levels along with an increase of
minimum support prices in October on all major
farm crops (including wheat, barley and rapeseed)
helped to support fertilizer sales during H2.

Notably, a much larger amount of DAP was
imported during 2018, as the Mexican government lifted
its consumption a further 5.6% higher in
2018, following the 13.1% growth recorded
in recent years. The IFA has assessed
approximately 6.2 million tonnes due to
the high cost of production using imported
phosphoric acid. Much of this stemmed from
China (2.0 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
availability 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 southwest of the
continent in 2018/19.

On the supply side of the phosphate industry,
CRU estimated a (prorated) 2% year-on-year
increase in global phosphoric acid capacity at
69.8 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.

Demand developments in key markets,

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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.

However, 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
during the summer months that severely
impacted harvests and transportation (i.e.
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Germany was among those affected, with the
IFA increasing its demand 2.5% lower year-on-year, as it was also impacted by regulation
limiting nutrient surpluses.

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formulations, further reducing phosphoric
acid requirements.
OVERVIEW OF THE FERTILIZER MARKET

PHOSPHATE FERTILIZER MARKETS IN 2018

Global DAP, MAP, TSP and NPK production index

Production index 2010=100

Phosphoric acid capacity by largest producer, mln t P₂O₅

Top 10

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

China benefited largely from the changing P₂O₅ 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.

PHOSPHATE ROCK, MGA, NPK FORMULATION

Phosphate rock, FOB India

MGA, CFR India

Sulphur, CFR Middle East

Ammonia, FOB Black Sea

DAP versus other commodities in 2018, Price index, 2 Jan 2010=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 market, 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

MARKETABLE ROCK PRODUCTION IN 2018

Global phosphate rock capacity 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. Misaat, 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.

Global phosphate rock capacity and production, mln t

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>66.0</td>
<td>200.0</td>
</tr>
<tr>
<td>2017</td>
<td>78.0</td>
<td>209.7</td>
</tr>
<tr>
<td>2018</td>
<td>83.3</td>
<td>224.7</td>
</tr>
</tbody>
</table>

Source: CRU, IFA.

OTHER FERTILIZERS

AMMONIA

The recovery in the ammonia market has been less pronounced than in the urea market. Ammonia 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 220/tonne over 2017 values at FOB Yuzhny 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 forecasted a challenge for ammonia and some of the EU’s nitrate producers to cease ammonia production and switch to upgrading imported 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 9.0–10.0 million tonnes in 2018, with the full, stable operation of the Dyna Hobital plant in Louisiana and the opening of the newly completed Yara/BASP plant in Texas. This ongoing reduction in ammonia imports from around 5.2 million tonnes in 2015 to 2.8 million tonnes in 2018 has forced the US main import supplier, Trinidad, to look further afield to US markets, including Morocco and the Asia-Pacific region for new export opportunities, thus lowering Caribbean prices and increasingly challenging Black Sea exporters for business.

China’s regulator-triggered capacity rationalisation is increasing the country’s ammonia import requirement, which has not reached 1.0 million tonnes in 2018. MPMNKh in Asia, higher oil prices helped drive a recovery in downstream petrochemical processing (including acrylonitrile and nitrile), 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 contributed export availability from Australia.

POTASH

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. Brazil 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, 1.5 Canada ramped up new export-oriented supply and benefited most from the contract delays in China. Combined, the country’s prices and increasingly challenging Black Sea exporters for business.

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. Full-year urea exports from India more than halved in 2018, falling from 4.6 million tonnes to 2.1 million tonnes. Lossing demand growth across South-East Asia towards the end of the year, a 10-year low in Malaysia palm oil prices, dry summer weather conditions in Europe and muted supply from new capacity in Russia and Turkmenistan helped balance the market.

UREA

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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 exports out of the traded market. Ukrainian urea exports were reduced by around 1.0 million tonnes to just 456,000 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 225/tonne. And with India coming back to the market for yet another tender and Chinese availability looking severely limited, sentiment remained positive for urea.

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 prices in H2 2018, with decreasing 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.

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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 a record high cash flow of RUB 21.3 billion for FY 2018.
- Delivered a record high cash flow of RUB 21.3 billion for FY 2018.

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.

STRATEGY

GOALS OF THE STRATEGY TO 2020

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.

<table>
<thead>
<tr>
<th>Goal: Increase share of direct sales in all PhosAgro sales</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>90%</td>
</tr>
<tr>
<td>2016</td>
<td>50%</td>
</tr>
<tr>
<td>2018</td>
<td>90%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Total sales to Latin America</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2.0</td>
</tr>
<tr>
<td>2016</td>
<td>1.3</td>
</tr>
<tr>
<td>2018</td>
<td>2.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Total sales to Europe</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2.4</td>
</tr>
<tr>
<td>2016</td>
<td>2.0</td>
</tr>
<tr>
<td>2018</td>
<td>3.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Domestic market share</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>79%</td>
</tr>
<tr>
<td>2016</td>
<td>60%</td>
</tr>
<tr>
<td>2018</td>
<td>70%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Total sales to Russia</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2.6</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Goal: Launch new 500,000 tonne/year granulated urea line in 2017</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>9.0</td>
</tr>
<tr>
<td>2014</td>
<td>8.5</td>
</tr>
<tr>
<td>2018</td>
<td>10.1</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Goal: Phosphate rock production</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>3.7</td>
</tr>
<tr>
<td>2014</td>
<td>7.4</td>
</tr>
<tr>
<td>2018</td>
<td>3.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Modernisation of Benefication Plant No 3</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>80%</td>
</tr>
<tr>
<td>2014</td>
<td>64%</td>
</tr>
<tr>
<td>2018</td>
<td>79%</td>
</tr>
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<table>
<thead>
<tr>
<th>Goal: One of the lowest cash costs in the industry</th>
<th>Achieved</th>
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<tr>
<td></td>
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<table>
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<tr>
<th>Goal: Increase PhosAgro self-sufficiency in ammonia to 100% at JSC Apatit in 2020</th>
<th>Achieved</th>
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3. INCREASING OPERATING EFFICIENCY

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

<table>
<thead>
<tr>
<th>Goal: Reduce mining cash cost by increasing share of underground mining up to 80%</th>
<th>Achieved</th>
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<td>2020</td>
<td>On track</td>
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<tr>
<td>2014</td>
<td>On track</td>
</tr>
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<td>2018</td>
<td>On track</td>
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<table>
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<tr>
<th>Goal: Capex/EBITDA target ratio of 50%</th>
<th>Achieved</th>
</tr>
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<tbody>
<tr>
<td>2020</td>
<td>On track</td>
</tr>
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<td>On track</td>
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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.

<table>
<thead>
<tr>
<th>Goal: Merge all of our production facilities into a single legal entity</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>On track</td>
</tr>
<tr>
<td>2014</td>
<td>On track</td>
</tr>
<tr>
<td>2018</td>
<td>On track</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal: Increase PhosAgro self-sufficiency in ammonium sulphate to 100% at JSC Apatit in 2020</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>On track</td>
</tr>
<tr>
<td>2014</td>
<td>On track</td>
</tr>
<tr>
<td>2018</td>
<td>On track</td>
</tr>
</tbody>
</table>

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.
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 farm 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 0.9 million tonnes in 2018 to 1.1 million tonnes by 2025.

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 nitric acid, water-soluble fertilizers and nonphosphate 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 farms.
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

**Board of Directors**
- Reviews information on management of the Company’s key risks on a quarterly basis.
- Has overall responsibility for management of financial and nonfinancial risks
- Establishes and monitors the performance of the risk management system
- Holds management accountable for implementation of the risk management system

**Executive management (CEO and Management Board)**
- Oversees implementation of and adherence to risk management policies
- Monitors and manages risks relevant to job functions
- Carries out risk identification and reporting
- Performs operational risk management

**Functional and business units**

**Risk Management Committee**
- Coordinates issues related to risk management on behalf of the Board of Directors.
  - Carries out regular assessments of the risk management system and principles.
  - Provides recommendations to the Board on necessary changes and improvements to the financial risk management system.

**Risk Commission**
- Regularly reviews the status of implementation of risk management activities.
  - Reviews the status of risk management
  - Evaluates the effectiveness of risk management measures

**Risk Management and Internal Control Department**
- The Director of the Department reports operationally to the CEO and functionally to the chair of the Risk Management Committee.
  - Facilitates work across the Company’s divisions to identify and assess risks, as well as develop programmes to manage and minimise risks
  - Provides PhosAgro employees with methodological and consultative support on issues related to risk management
  - Organises risk management training

**Audit Committee**
- Has oversight responsibility for the finance function
  - Provides recommendations to the Board on necessary changes and improvements to the financial risk management system

**Internal Audit Department**
- Carries out regular assessments of the Company’s internal control and risk management systems
- Oversees compliance of PhosAgro’s financial and economic operations with Russian legislation and the Company’s Charter
- Develops recommendations for the Audit Committee and the Board of Directors on sound strategic changes to the risk management system

**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

<table>
<thead>
<tr>
<th>Description</th>
<th>Risk of inadequate strategic planning</th>
<th>Social and human resources risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

Mitigation

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.

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.

PhosAgro carries out independent and joint programmes aimed at attracting talented young specialists, including from other regions, developing employee professional competencies and increasing employee motivation to ensure long-term retention.

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.

PRODUCTION RISKS

<table>
<thead>
<tr>
<th>Production risks</th>
<th>Workplace health and safety risks</th>
<th>Environmental risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>Environmental risks cover the occurrence of potential damage to the environment as a result of the Company’s activities.</td>
</tr>
</tbody>
</table>

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.

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.

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 fields 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. 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.
MANAGING OUR RISKS

OPERATIONAL RISKS

<table>
<thead>
<tr>
<th>Description</th>
<th>Project risks</th>
<th>Risks of inefficiency and infringement of business processes</th>
<th>Taxation risks</th>
<th>Information security risks</th>
<th>Risks to economic security</th>
</tr>
</thead>
</table>

**Project risks**

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.

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.

**Risks of inefficiency and infringement of business processes**

Risks associated with inefficiency or the intentional or unintentional infringement of the Company's business processes, including counterparty risk related to the supply chain.

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.

**Taxation risks**

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.

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.

**Economic security risks**

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.

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

### Regulatory Risks

<table>
<thead>
<tr>
<th>Description</th>
<th>Compliance with legal and regulatory requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corruption risks</td>
</tr>
<tr>
<td></td>
<td>Reputational risks</td>
</tr>
</tbody>
</table>

**Compliance with legal and regulatory requirements**

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 monitors all covenants against its currency positions. Where needed, the Company monitors all covenants against major currencies. Where needed, the Company carefully tracks analyst forecasts and factors in exchange rates with respect to the price of oil and fluctuations in the rouble exchange rate against major currencies. The Company’s debt is denominated in US dollars and the currency structure of its debt financing with major currencies is maintained. 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.

**Corruption risks**

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 combating 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.

**Reputational risks**

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, providing comments in response to media enquiries and regularly monitors all relevant coverage in both Russian and international media. 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.

**Credit risks**

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.

**Currency risks**

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. 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.

**Marketable goods risks**

In the environment of volatile prices for its core products, the Company is continually optimizing 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 additional services to customers such as packaging, blending and storage. In 2018, PhosAgro opened a trade office in Buenos Aires (Argentina), in addition to existing offices in Hamburg (Germany), Bayonne (France), Zug (Switzerland), Belgrade (Serbia), Limassol (Cyprus), Warsaw (Poland), Vilnius (Lithuania), São Paulo (Brazil) and Singapore. With a presence in priority export markets, the Company will be able to respond more quickly to changes in market demand and customer needs. 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

Appointed by

General Shareholders’ Meeting

Reports to

General Shareholders’ Meeting

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.

Monitors compliance with current legislation, the Company Charter and internal regulations.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Boards of Directors

General Shareholders’ Meeting

Functions

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:

- 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.

Supervises the Internal Audit Department.

BOARD OF DIRECTORS

General Shareholders’ Meeting

Functions

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.

Internal control body

CHIEF EXECUTIVE OFFICER

Appointed by

Board of Directors

Reports to

Board of Directors and General Shareholders’ Meeting

Functions

Functioning of PhosAgro’s internal control system.

Implements internal control procedures and ensures that they are put into practice.

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.

Tells the Board what measures have been or will be taken to address issues and the results of these actions.

INTERNAL AUDIT DEPARTMENT

Functional: Audit Committee

Appointed by

Board of Directors

Reports to

Board of Directors and General Shareholders’ Meeting

Functions

Provides an independent and objective assessment of the Company’s internal control and risk management systems.

Assists top management in developing and monitoring the implementation of procedures and measures to improve the risk management, internal control and corporate governance systems.

Coordinates with the Company’s external auditors and other third parties.

Conducts internal audits of subsidiaries in line with established procedures.

Prepares and presents information about the internal audit function’s operations to the Board of Directors, Audit Committee and General Shareholders’ Meeting.

INTERNAL AUDIT DEPARTMENT

Functions

Verifies the compliance, in terms of accuracy and completeness, of the Company’s annual financial statements with IFRS.

Inspects the Company’s financial and commercial operations and its internal control systems.

Prepares a report that is submitted to the Audit Committee at least once a year.

In case of a disagreement between the Company’s management and the independent auditor, the Audit Committee oversees the resolution of the disagreement.

JSC KPMG is currently PhosAgro’s external auditor.

EXTERNAL AUDITOR

Contract based on tender procedures

Board of Directors

Audit Committee

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.

Monitors compliance with current legislation, the Company Charter and internal regulations.
BUSINESS REVIEW

A YEAR OF INDUSTRY-LEADING PERFORMANCE
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.

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 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.

In 2018, we extracted 35.3 million tonnes of apatite-nepheline ore 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.

**PRODUCTION AND SALES VOLUMES — APATIT MINE AND BENEFICIATION PLANT**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Change, y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phosphate rock</td>
<td>16,067</td>
<td>15,349</td>
<td>5.3%</td>
</tr>
<tr>
<td>Nepheline concentrate</td>
<td>686</td>
<td>666</td>
<td>-3.0%</td>
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</tbody>
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<tr>
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</tr>
</tbody>
</table>

*Not including Intra-Group sales.

**LICENCES**

<table>
<thead>
<tr>
<th>Mining Licence</th>
<th>Resources, kt (Categories A+B+C1)</th>
<th>Average P&lt;sub&gt;2O5&lt;/sub&gt; content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kukisvumchour</td>
<td>380,853</td>
<td>14.2%</td>
</tr>
<tr>
<td>Yukopor</td>
<td>484,791</td>
<td>14.1%</td>
</tr>
<tr>
<td>Apatitovy Cirque</td>
<td>100,841</td>
<td>14.1%</td>
</tr>
<tr>
<td>Rasvumchour Plateau</td>
<td>314,157</td>
<td>13.0%</td>
</tr>
<tr>
<td>Including the Plot Plateau</td>
<td>1,931,289</td>
<td>14.78%</td>
</tr>
<tr>
<td>Koashva</td>
<td>560,038</td>
<td>16.88%</td>
</tr>
<tr>
<td>Njorkparh</td>
<td>54,703</td>
<td>13.35%</td>
</tr>
<tr>
<td>Iyolitovy otrog</td>
<td>124</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

**GEOLOGICAL SURVEY, EXPLORATION AND PRODUCTION LICENCES**

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Resources, kt (Categories A+B+C1)</th>
<th>Average P&lt;sub&gt;2O5&lt;/sub&gt; content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rasvumchorsky mine</td>
<td>967,330</td>
<td>14.2%</td>
</tr>
<tr>
<td>(Koashva deposit)</td>
<td>31 December 2024</td>
<td></td>
</tr>
<tr>
<td>Tairoostroy mine</td>
<td>420,200</td>
<td>13.3%</td>
</tr>
<tr>
<td>(Rasvumchour Plateau deposit)</td>
<td>31 December 2020</td>
<td></td>
</tr>
</tbody>
</table>

**PHOSAGRO ORE RESERVES AS OF 1 JANUARY 2019**

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Resources, kt (Categories A+B+C1)</th>
<th>Average P&lt;sub&gt;2O5&lt;/sub&gt; content</th>
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<td>14.1%</td>
</tr>
<tr>
<td>Apatitovy Cirque</td>
<td>100,841</td>
<td>14.1%</td>
</tr>
<tr>
<td>Rasvumchour Plateau</td>
<td>314,157</td>
<td>13.0%</td>
</tr>
<tr>
<td>Including the Plot Plateau</td>
<td>1,931,289</td>
<td>14.78%</td>
</tr>
<tr>
<td>Koashva</td>
<td>560,038</td>
<td>16.88%</td>
</tr>
<tr>
<td>Njorkparh</td>
<td>54,703</td>
<td>13.35%</td>
</tr>
<tr>
<td>Iyolitovy otrog</td>
<td>124</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

**MINING LICENCE**

- **Kirovsky mine** (Kukisvumchour and Yukopor deposits) 31 December 2025
- **Rasvumchorsky mine** (Apatitovy Cirque and Rasvumchour Plateau deposits) 1 January 2024
- **Vostochny mine** (Koashva deposit) 31 December 2019
- **Tairoostroy mine** (Rasvumchour Plateau deposit) 31 December 2020
- **Vostochny mine** (Njorkparh deposit) 31 December 2023

**Plot Plateau** 14 December 2040

**Iyolitovy otrog deposit** 1 February 2024
OPERATIONAL REVIEW

PHOSPHATE SEGMENT — DOWNSSTREAM

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.

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.

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 conveyor 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.

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.

Outlook
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Nitrogen production increased by 28.4% year-on-year to 1,600 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%.

PRODUCTION AND SALES VOLUMES — NITROGEN-BASED FERTILIZERS

<table>
<thead>
<tr>
<th>Production volume, kt</th>
<th>Sales volume, kt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Urea</td>
<td>1,560.0</td>
</tr>
<tr>
<td>Ammonium nitrate</td>
<td>456.0</td>
</tr>
</tbody>
</table>

PRODUCTION AND SALES VOLUMES — PHOSPHATE-BASED FERTILIZERS AND MCP

<table>
<thead>
<tr>
<th>Production volume, kt</th>
<th>Sales volume, kt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>DAP/MAP</td>
<td>2,995.0</td>
</tr>
<tr>
<td>NPK</td>
<td>2,799.0</td>
</tr>
<tr>
<td>NPS</td>
<td>419.0</td>
</tr>
<tr>
<td>APP</td>
<td>216.0</td>
</tr>
<tr>
<td>MCP</td>
<td>356.0</td>
</tr>
<tr>
<td>PKS</td>
<td>87.0</td>
</tr>
</tbody>
</table>
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.

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 appreciation 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 66.8% 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 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 52% of total sales, while export markets brought in the remaining 48%. 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.

PhosAgro’s profitability benefited directly from 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 29% year-on-year increase in gross profit to RUB 51.6 billion (USD 0.8 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 57.9 billion (USD 0.9 billion), with a gross margin of 70%, compared to 46% in 2017.

PhosAgro’s 2018 revenue came from Asia (including India), the CIS, Africa and Australia, representing 66% of total sales, while export markets brought in 34%. North America accounted for approximately 35% and 27% of total sales, respectively. 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 accounted for 70%.

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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 57% 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 negative 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 0.95 billion), compared to RUB 30.6 billion (USD 514 million) in 2017. Gross debt (including finance lease liabilities) as of 31 December 2018 amounted to RUB 136 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 1.8x as of 31 December 2018, down from 2.6x 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 36.6 billion (USD 584 million) driven by a 9% year-on-year increase in overall production and a 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 22.2 billion (USD 346 million) mainly due to salary indexation (an increase of around RUB 1.5 billion in medical services and meals;
• Spending on natural gas by 32% year-on-year to RUB 12.1 billion (USD 196 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 79% 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 PP4A with higher indices);
• Electricity costs remained almost flat and amounted to RUB 5.6 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 purchases 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 60 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 494 million) due to 21% growth in consumption (thanks to a higher share of NPS and NPK grades with high ammonium sulphate content) and a 4% 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 13% increase in O&A, which was partially offset by a 6% 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 2.6 billion (USD 41 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.

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

PhosAgro Integrated Report 2018

FINANCIAL PERFORMANCE continued

COST OF SALES IN 2018 GROWTH OF SPENDING ON

124 RUB BLN

<table>
<thead>
<tr>
<th>COST OF SALES RUB mln</th>
<th>FY 2018</th>
<th>FY 2017</th>
<th>Change y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and services</td>
<td>38,493</td>
<td>30,886</td>
<td>18%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>18,926</td>
<td>13,242</td>
<td>43%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>12,396</td>
<td>9,514</td>
<td>32%</td>
</tr>
<tr>
<td>Salaries and social contributions</td>
<td>12,259</td>
<td>11,265</td>
<td>9%</td>
</tr>
<tr>
<td>Sulphur and sulphuric acid</td>
<td>10,682</td>
<td>6,120</td>
<td>75%</td>
</tr>
<tr>
<td>Potash</td>
<td>10,238</td>
<td>8,719</td>
<td>18%</td>
</tr>
<tr>
<td>Chemical fertilizers for resale</td>
<td>6,287</td>
<td>4,932</td>
<td>27%</td>
</tr>
<tr>
<td>Electricity</td>
<td>5,474</td>
<td>5,451</td>
<td>0%</td>
</tr>
<tr>
<td>Ammonium sulphate</td>
<td>3,115</td>
<td>3,287</td>
<td>9%</td>
</tr>
<tr>
<td>Ammonia</td>
<td>4,195</td>
<td>6,287</td>
<td>32%</td>
</tr>
<tr>
<td>Fuel</td>
<td>3,775</td>
<td>3,354</td>
<td>15%</td>
</tr>
<tr>
<td>Heating energy</td>
<td>561</td>
<td>617</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>123,564</td>
<td>101,817</td>
<td>22%</td>
</tr>
</tbody>
</table>
PHOSAGRO JOINED THE UN GLOBAL COMPACT AND FOCUSED ON CONTRIBUTING TO THE ACHIEVEMENT OF 10 OF ITS GOALS
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.

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 formalized 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.

By the end of the second stage, the Company aims to have a more specific 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.

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

- **Economic:**
  - Risk of inadequate strategic planning
  - Production risks
  - Risk of inefficiency and infringement of business processes
  - Corruption risks

- **Environmental:**
  - Compliance with legal and regulatory requirements
  - Environmental risks

- **Social:**
  - Reputational risks
  - Workplace health and safety risks
  - Social and human resources risks

### Topic

- Economic performance
- Market presence
- Indirect economic impact
- Anticorruption
- Water
- Emissions
- Energy
- Effluent and waste
- Occupational health and safety
- Employment
- Training and education

### Pages

- Environmental: On pages 72–87
- Social: On pages 88–111
MANAGEMENT APPROACH

REPORT BOUNDARIES

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

ASSETS INCLUDED IN THE REPORT BOUNDARIES*

<table>
<thead>
<tr>
<th>Name of enterprise referred to in this integrated report as</th>
<th>Name of enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Apatit</td>
<td>Apatit</td>
</tr>
<tr>
<td>Kirovsk branch of JSC Apatit</td>
<td>KB of Apatit</td>
</tr>
<tr>
<td>Balakovo branch of JSC Apatit</td>
<td>BB of Apatit</td>
</tr>
<tr>
<td>JSC Metachem</td>
<td>Metachem</td>
</tr>
</tbody>
</table>

* 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
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

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

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

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
• Maintaining 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
• 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.

People and economic stability
• Code of ethics;
• Anti-fraud and anti-corruption policy;
• Personnel management policy.

Stakeholder engagement and local communities
• Charity policy;
• Policy on interaction with state authorities;
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

6% REDUCTION IN EMISSIONS PER TONNE OF PRODUCT IN 2018 COMPARED TO 2017

7.6 RUB BLN SPENT ON ENVIRONMENTAL PROTECTION IN THE LAST 5 YEARS

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 our objectives on a systematic basis, so that our environmental obligations and achieving our objectives on a systematic basis, so that our environmental obligations and 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.

**HIGHLIGHTS**

**POLICY**

**APPROACH**

**MANAGEMENT**

**Spending on environmental protection, RUB mln**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Investments in fixed assets</th>
<th>Operating costs for environmental protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8,053.06</td>
<td>3,465.35</td>
<td>4,587.71</td>
</tr>
<tr>
<td>2017</td>
<td>5,162.20</td>
<td>3,045.76</td>
<td>2,116.44</td>
</tr>
<tr>
<td>2016</td>
<td>1,312.58</td>
<td>889.22</td>
<td>423.36</td>
</tr>
</tbody>
</table>

**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

**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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Waste</th>
<th>Aquatic environment</th>
<th>Atmosphere</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1,867.06</td>
<td>1,249.99</td>
<td>2,499.00</td>
<td>156,343.00</td>
</tr>
<tr>
<td>2017</td>
<td>1,548.00</td>
<td>1,225.46</td>
<td>2,534.00</td>
<td>149,638.00</td>
</tr>
<tr>
<td>2016</td>
<td>1,234.50</td>
<td>1,206.20</td>
<td>2,499.00</td>
<td>149,638.00</td>
</tr>
</tbody>
</table>

**Over-limit payments in 2018**

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 Kirov branch of Apatit.

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

continued

SYSTEM HIGHLIGHTS

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.


We systematically monitor, measure and evaluate not only the intended results in the area of environmental protection, but 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 fertilisers, our main product, begins at our Kirovsk branch of the JSC Apatit mine on the Kola Peninsula in northwest 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 fertilisers 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.

MANAGEMENT AND REPORTING

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, monitoring and automating the production process and conducting rapid analysis of working environments.

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, those 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 contractors and suppliers of products and services for suppliers of products and services and for contractors that are published in the supply chain. The Company has certain environmental requirements for suppliers of products and services and for contractors that are published in the supply chain. The Company has certain environmental requirements for suppliers of products and services and for contractors that are published in the supply chain.

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 in the supply chain. The Company has certain environmental requirements for suppliers of products and services and for contractors that are published in the supply chain. The Company has certain environmental requirements for suppliers of products and services and for contractors that are published in the supply chain. The Company has certain environmental requirements for suppliers of products and services and for contractors that are published in the supply chain.
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 Volga River.
- More than RUB 152 million was spent in order to ensure the uninterrupted operation of gas cleaning equipment.

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+ (Production, Trade and Services standard).

The Balakovo branch of Apatit passed a witness audit for compliance of its monosodium 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 products. 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

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.

1.6 KT PER T

THE EMISSION OF POLLUTANTS PER TONNE OF MANUFACTURED PRODUCT IN 2018

In 2018, the total volume of waste generated amounted to 9.1 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.

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

<table>
<thead>
<tr>
<th>Kiln of Apatit</th>
<th>BB of Apatit</th>
<th>KB of Apatit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5,702.0</td>
<td>2,778.6</td>
<td>8,480.6</td>
</tr>
<tr>
<td>2018</td>
<td>5,399.8</td>
<td>2,658.6</td>
<td>8,058.4</td>
</tr>
<tr>
<td>SOLIDS</td>
<td>791.1</td>
<td>791.1</td>
<td>1,582.2</td>
</tr>
<tr>
<td>SULPHUR</td>
<td>2,766.0</td>
<td>2,766.0</td>
<td>5,532.0</td>
</tr>
<tr>
<td>CARBON</td>
<td>486.1</td>
<td>486.1</td>
<td>972.2</td>
</tr>
<tr>
<td>MONOSULPHATE</td>
<td>373.4</td>
<td>373.4</td>
<td>746.8</td>
</tr>
<tr>
<td>HYDROCARBONS</td>
<td>426.4</td>
<td>426.4</td>
<td>852.8</td>
</tr>
<tr>
<td>OTHERS</td>
<td>24.5</td>
<td>24.5</td>
<td>49.0</td>
</tr>
</tbody>
</table>

* 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.

WASTE

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Waste, t

<table>
<thead>
<tr>
<th>Kiln of Apatit</th>
<th>BB of Apatit</th>
<th>KB of Apatit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>12,887.8</td>
<td>7,378.6</td>
<td>20,266.4</td>
</tr>
<tr>
<td>2017</td>
<td>16,433.2</td>
<td>9,855.4</td>
<td>26,288.6</td>
</tr>
<tr>
<td>REUSED WASTE</td>
<td>11,086.7</td>
<td>6,951.2</td>
<td>18,037.9</td>
</tr>
<tr>
<td>STORED AT WASTE DUMP</td>
<td>2,778.6</td>
<td>2,970,411.4</td>
<td>2,973,184.0</td>
</tr>
<tr>
<td>TRANSFERRED TO THIRD PARTIES FOR RECYCLING</td>
<td>2,778.6</td>
<td>2,970,411.4</td>
<td>2,973,184.0</td>
</tr>
<tr>
<td>TRANSFERRED TO THIRD PARTIES FOR TREATMENT</td>
<td>7,097.5</td>
<td>7,917.5</td>
<td>14,915.0</td>
</tr>
<tr>
<td>TRANSFERRED TO THIRD PARTIES FOR DISPOSAL</td>
<td>6,255.5</td>
<td>6,255.5</td>
<td>12,511.0</td>
</tr>
<tr>
<td>TRANSFERRED TO THIRD PARTIES FOR STORAGE</td>
<td>0.7</td>
<td>0.7</td>
<td>1.4</td>
</tr>
<tr>
<td>TRANSFERRED TO THIRD PARTIES FOR PROCESSING</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

* 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.

** IMPACT OF COMPANY ENTERPRISES ON THE ENVIRONMENT IN 2018 **

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 per tonne of product compared to 1.7 kg per tonne the year before.*
## WASTE

### WASTE GENERATION BY HAZARD CLASS

<table>
<thead>
<tr>
<th>Hazard Class</th>
<th>Kirovsk branch of JSC Apatit</th>
<th>Balakovo branch of JSC Apatit</th>
<th>JSC Metachem</th>
<th>JSC Apatit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.4</td>
<td>0.2</td>
<td>2.7</td>
<td>0.3</td>
<td>9.5</td>
</tr>
<tr>
<td>2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>3</td>
<td>3.0</td>
<td>2.7</td>
<td>0.0</td>
<td>0.0</td>
<td>1.3</td>
</tr>
<tr>
<td>4</td>
<td>2,829.3</td>
<td>6,710.5</td>
<td>154,583.8</td>
<td>123,472.4</td>
<td>253,396.8</td>
</tr>
<tr>
<td>5</td>
<td>79,907,048.7</td>
<td>88,406,793.5</td>
<td>4,647,047.5</td>
<td>4,786,328.1</td>
<td>98,947,198</td>
</tr>
<tr>
<td>Total</td>
<td>79,910,278.3</td>
<td>88,413,741.6</td>
<td>4,801,894.9</td>
<td>4,909,840.6</td>
<td>99,124,822.6</td>
</tr>
</tbody>
</table>

### 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.

### Total water withdrawal by source

<table>
<thead>
<tr>
<th>Source</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water (including received from suppliers)</td>
<td>3,206.7</td>
<td>3,201.0</td>
</tr>
<tr>
<td>Ground water</td>
<td>2,081</td>
<td>2,071</td>
</tr>
<tr>
<td>Drinking water from municipal supply</td>
<td>1,999</td>
<td>2,024</td>
</tr>
<tr>
<td>Total</td>
<td>7,288</td>
<td>7,296</td>
</tr>
</tbody>
</table>

### Drainage

<table>
<thead>
<tr>
<th>Source</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water-water discharge</td>
<td>171,787</td>
<td>152,784</td>
</tr>
<tr>
<td>Discharged without treatment (% of total waste-water discharge)</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

---

1. For Apatit, the BB of Apatit and Metachem, specific emissions of greenhouse gases are given per tonne of fertilizer.
2. For the GB of Apatit, specific emissions of greenhouse gases are given per tonne of concentrate.
3. The values of emissions and specific emissions of the items 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.

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 Rosprinrud to 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.
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

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 2018

<table>
<thead>
<tr>
<th>Gross consumption</th>
<th>Specific consumption, per tonne of output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross volume of electricity, kWh</td>
<td>Natural gas, m³</td>
</tr>
<tr>
<td>3,647,220</td>
<td>2,687,970</td>
</tr>
<tr>
<td>1.146</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Cost, RUB bln

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.

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>First half</th>
<th>Second half</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,142.81</td>
<td>391.69</td>
</tr>
<tr>
<td>2017</td>
<td>911.69</td>
<td>140.62</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 2017–2018, the amount of water used in the closed-loop water circulation system increased, and the amount of waste water discharged into the Volkhov River decreased accordingly.

#### CLOSED-LOOP WATER CIRCULATION SYSTEM
- Retrofitting the industrial and rainwater drainage system
- Upgrading the waste-water discharge system
- Redirecting the streams of treated industrial rainwater

#### RECOVERY OF AQUATIC LIFE

- **2,276 JUVENILE VOLKHOV WHITEFISH** were released into the Volkhov River in 2018

#### PLANTING GREENERY IN ADJACENT TERRITORY
- Greenery is planted in the adjacent territory every year

#### 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.

**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.**

**OF WASTE WATER DISCHARGED INTO THE VOLKHOV RIVER IN THE SECOND HALF OF 2018**
HEALTH AND SAFETY REVIEW

2018 HIGHLIGHTS

4
MINOR INJURIES

0
SERIOUS INJURIES

0
FATAL ACCIDENTS

0.22
LTIFR (PER 1 MLN HOURS WORKED)

SUSTAINABILITY REVIEW

2018 HIGHLIGHTS

4
MINOR INJURIES

0
SERIOUS INJURIES

0
FATAL ACCIDENTS

0.22
LTIFR (PER 1 MLN HOURS WORKED)

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

3. Good Health and Well-being
8. Decent Work and Economic Growth

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.

Total number of workplace accidents in 2015-2018, people

<table>
<thead>
<tr>
<th>Year</th>
<th>Minor Injuries</th>
<th>Serious Injuries</th>
<th>Fatal Accidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>2</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>2018</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

The number of injuries at the Kirovsk branch of JSC Apatit has decreased by 80% compared to 2015.

LTIFR, per 1 mln working hours

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Apatit</td>
<td>0.22</td>
<td>0.26</td>
<td>0.49</td>
<td>0.84</td>
</tr>
</tbody>
</table>
HEALTH AND SAFETY REVIEW

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 partnership 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 2014–2016, 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 workers and contractors. 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 at heights, the availability of safety 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 70%. However, there is still much work to be done, and we will continue to improve in this field.

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 bid winners. 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.

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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 workers 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.

Organisational unit

Environment, Health and Safety Committee

Management Board

Directorate of Occupational Health and Safety

Directors of production sites

Enterprise OHS management

Key responsibilities

• Sets strategic priorities and policies
• Holds management accountable for health and safety monitoring and performance
• Receives quarterly reports on health and safety performance

• Provides functional OHS management in the Company’s enterprises in order to implement OHS policies and strategies
• Gathers data and prepares reports on OHS for the Board and the OHS committee
• Works with external consultants to implement best OHS management practices
• Conducts audits and investigations within Company enterprises

• Responsible for implementing OHS policies and strategies directly at production sites
• Responsible for the development and implementation of effective measures based on the results of internal and external audits, as well as on the results of accident investigations
• Monitors the enterprise’s compliance with OHS regulations and corporate standards
• Develops targeted programmes, conducts training and arranges new measures
• Interacts with regulatory authorities in the OHS sphere on behalf of the enterprise and accompanies their inspections
• Conducts its own inspections and performs analytical reports to enterprise management
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 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 developed by contractors. 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

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

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

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

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

PhosAgro pays close attention to OHS issues when engaging contractors.

Opened by the Company in 2018.

NEW TRAINING CENTRE FOR WORKING AT HEIGHTS

CONTRACTOR MANAGEMENT

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

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.

Additional facilities:
- Lockers
- Staff room
- Equipment warehouse
- Classroom

PhosAgro Integrated Report 2018

Safety harness

Additional facilities:
- Lockers
- Staff room
- Equipment warehouse
- Classroom

Functional Training Zones

1. Working in a confined space
2. Working with vertical and horizontal entry tanks
3. Working with metal props
4. Working with systems
5. Working on an inclined surface, such as a roof or with two or more angles of inclination
6. Working in a confined space equipped with stands containing defective protective equipment (PPE)
7. Working with scaffolding
8. Working with rope access systems
9. Self-evacuation from danger zones
10. Ascending/descending ladders
11. Ascending/descending vertical metal structures
12. Working on a ladder
13. Working near openings without barriers
14. Practising skills for safe lifting and passing of tools, materials and equipment at heights
15. General work at heights using PPE
16. Practising hands-on skills at our training facility is the best means of prevention
17. Checks and removal of defective equipment and PPE
18. Pipeline tressle zones
19. Practising skills for safe lifting, load pick-up, lowering, materials and equipment at heights
20. General work at heights using PPE

Additional Information

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 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.

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.

1. The valve is connected directly to the power switch and not to the equipment controls.
2. The valve can only be removed by the employee who installed it.
3. Employees of Virtex and PwC conducted an audit to determine which units required locking mechanisms.
4. A scheme designating the necessary BFC installation points was compiled.
5. BFC maps were developed and locking mechanism installation spaces marked with special tags.
6. 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.
7. BFC systems are being successfully piloted in workshops at JSC Apatit, along with its Kirovsk and Balakovo branches, JSC Metachem, and LLC Mechan.
8. A plan to collect information and assess the impact of the BFC system on employee and contractor injuries has been drawn up.

THE COMPANY’S IMPLEMENTATION OF BFC SECURITY

As of 31 December 2018

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PEOPLE DEVELOPMENT

2018 HIGHLIGHTS

17,458
AVERAGE HEADCOUNT*

6,447
NUMBER OF ATTENDEES OF PROFESSIONAL TRAINING COURSES

6.0%
EMPLOYEE TURNOVER RATE

>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

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/

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.

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

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.

TOTAL NUMBER OF EMPLOYEES BY REGION, GENDER AND AGE, PEOPLE

Saratov region Murmansk region Moscow region Leningrad region Vologda region

Total number of employees 1,160 4,923 787 3,662 82

— average number of employees in 2018

under 25 25–34 35–44 45–55 over 55

Men Women

100%
37%
33%
20%
34%
29%
26%
7%
4%
6%
4% 100%
4% 33% 34% 23% 6%

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.
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 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 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

<table>
<thead>
<tr>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vologda region</td>
<td>1.47</td>
</tr>
<tr>
<td>Vologda region</td>
<td>1.47</td>
</tr>
<tr>
<td>Leningrad region</td>
<td>2.00</td>
</tr>
<tr>
<td>Leningrad region</td>
<td>2.01</td>
</tr>
<tr>
<td>Moscow region</td>
<td>3.07</td>
</tr>
<tr>
<td>Moscow region</td>
<td>3.07</td>
</tr>
<tr>
<td>Murmansk region</td>
<td>1.37</td>
</tr>
<tr>
<td>Murmansk region</td>
<td>1.27</td>
</tr>
<tr>
<td>Saratov region</td>
<td>2.00</td>
</tr>
<tr>
<td>Saratov region</td>
<td>1.75</td>
</tr>
</tbody>
</table>

PROPORTION OF STAFF AND SENIOR MANAGEMENT HIRE FROM LOCAL COMMUNITY

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Proportion of staff hired from local community</th>
<th>Proportion of senior management hired from local community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vologda</td>
<td>95%</td>
<td>54%</td>
</tr>
<tr>
<td>Leningrad</td>
<td>91%</td>
<td>50%</td>
</tr>
<tr>
<td>Moscow</td>
<td>86%</td>
<td>83%</td>
</tr>
<tr>
<td>Murmansk</td>
<td>94%</td>
<td>50%</td>
</tr>
<tr>
<td>Saratov</td>
<td>98%</td>
<td>33%</td>
</tr>
<tr>
<td>Average</td>
<td>95%</td>
<td>55%</td>
</tr>
</tbody>
</table>

EFFECTIVE REMUNERATION SYSTEM

supports a culture of constant development across the whole business
A comprehensive overview of PhosAgro’s commitment to fairness and focused compensation and benefits in 2018, covering the assessment of work and increase in personnel. The report highlights the organization’s defined benefit plan obligations, current value of employee benefit obligations, and the results of periodic performance and career development assessments.

**FAIR AND FOCUSED COMPENSATION AND BENEFITS**

Coverage of the organization's defined benefit plan obligations, RUB mln:

<table>
<thead>
<tr>
<th>Retirement-related obligations (other than employee benefit obligations)</th>
<th>Actual pension payments 2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vologda region</td>
<td>Payment of retirement benefits</td>
<td>13.978</td>
</tr>
<tr>
<td></td>
<td>Merit benefit plans</td>
<td>15.387</td>
</tr>
<tr>
<td></td>
<td>Financial aid for retired former employees</td>
<td>16.761</td>
</tr>
<tr>
<td>Leningrad region</td>
<td>Payment of retirement benefits</td>
<td>4.178</td>
</tr>
<tr>
<td></td>
<td>Merit benefit plans</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Financial aid for retired former employees</td>
<td>0.285</td>
</tr>
<tr>
<td>Murmansk region</td>
<td>Payment of retirement benefits</td>
<td>47.135</td>
</tr>
<tr>
<td></td>
<td>Merit benefit plans</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Financial aid for retired former employees</td>
<td>5.297</td>
</tr>
<tr>
<td>Saratov region</td>
<td>Payment of retirement benefits</td>
<td>4.026</td>
</tr>
<tr>
<td></td>
<td>Merit benefit plans</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Financial aid for retired former employees</td>
<td>4.415</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Payment of retirement benefits</td>
<td>68.516</td>
</tr>
<tr>
<td></td>
<td>Merit benefit plans</td>
<td>15.387</td>
</tr>
<tr>
<td></td>
<td>Financial aid for retired former employees</td>
<td>127.817</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vologda region</td>
<td>188</td>
<td>268</td>
<td>456</td>
</tr>
<tr>
<td>Leningrad region</td>
<td>31</td>
<td>44</td>
<td>75</td>
</tr>
<tr>
<td>Murmansk region</td>
<td>2</td>
<td>135</td>
<td>137</td>
</tr>
<tr>
<td>Moscow region</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

**ASSESSMENT OF WORK AND INCREASE IN PERSONNEL**

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

- **Employees that took part in the assessments**
  - Ikol of JSC Apatit: Men 167, Women 52
  - JSC Apatit: Men 79, Women 32
  - JSC Metachem: Men 13, Women 4

- **Percentage of staff participating in periodic performance and career development assessments**
  - Knovok branch of JSC Apatit: Men 4.5%, Women 4.3%, Not broken down by sex 4.4%
  - Balakovo branch of JSC Apatit: Men 4.1%, Women 3.9%, Not broken down by sex 4.1%
  - JSC Metachem: Men 5.0%, Women 2.2%, Not broken down by sex 4.2%
  - JSC Apatit: Men 3.5%, Women 4.2%, Not broken down by sex 3.8%
  - Total: Men 4.2%, Women 4.0%, Not broken down by sex 4.2%
### 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 in 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.

### PEOPLE DEVELOPMENT

**Number of attendees of professional training courses in 2018**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Attendees</th>
<th>Number of Training Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apatit</td>
<td>3,547</td>
<td>366,953</td>
</tr>
<tr>
<td>BB of Apatit</td>
<td>1,459</td>
<td>81,399</td>
</tr>
<tr>
<td>MetaChem</td>
<td>1,309</td>
<td>30,145</td>
</tr>
<tr>
<td>Group average</td>
<td></td>
<td>791,622</td>
</tr>
</tbody>
</table>

**Number of training hours**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Number of Training Hours</th>
<th>Average Number of Training Hours per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apatit</td>
<td>373,125</td>
<td>75</td>
</tr>
<tr>
<td>BB of Apatit</td>
<td>36,484</td>
<td>75</td>
</tr>
<tr>
<td>MetaChem</td>
<td>8,492</td>
<td>75</td>
</tr>
</tbody>
</table>

**Total number of training hours in 2018:** 791,622

**Average number of training hours per employee in 2018:** 75
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. Specifically funded is allocation to 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 15;• In Apsher, 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 Groups 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 2015 Graduate Awards, a Russian national competition for recent graduates and young professionals.

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 YOUTH 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
INVESTING IN FUTURE GENERATIONS OF POTENTIAL EMPLOYEES

Green Planet’s 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 IFE 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. PhosAgro also supports the Company’s image among industrial and business partners and other external parties. Commitment to these principles unifies the values of our Company to ensure that all of our key 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.

>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 of 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.

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, 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 Model 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 20 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 LNK 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
**HOW 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

**WHY WE INTERACT**

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- To promote the health and well-being of the communities where we operate
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- 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

**REGIONAL GOVERNMENTS AND LOCAL COMMUNITIES**

**WHY 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
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

EMPLOYEES AND TRADE UNIONS

HOW 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

WHY WE INTERACT

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- 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 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.

EMPLOYEES AND TRADE UNIONS

STAKEHOLDER ENGAGEMENT

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

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 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

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

>200 ISSUES

OF CORPORATE NEWSPAPERS WERE PREPARED IN 2018

~25,000

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

**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 RAFP 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
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

SUSTAINABILITY REPORT

PhosAgro Integrated Report 2018

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.

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 at 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.

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.

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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spiritual renewal</td>
<td>61</td>
</tr>
<tr>
<td>Social development in the regions where the Company operates</td>
<td>430</td>
</tr>
<tr>
<td>Other</td>
<td>557</td>
</tr>
<tr>
<td>Education and youth sport</td>
<td>466</td>
</tr>
</tbody>
</table>

>1.5 RUB BLN

THE TOTAL AMOUNT OF CONTRIBUTIONS FOR SOCIAL NEEDS AND CHARITABLE ACTIVITIES IN 2018

MANAGEMENT OF THE SYSTEM OF CHARITABLE ACTIVITIES

Organisational unit: Key responsibilities

<table>
<thead>
<tr>
<th>Executive body</th>
<th>The Company’s Management Board and CEO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company’s Management Board and CEO (within the limits of the allocated funds)</td>
<td>Make decisions on financing and supporting charity and social investment projects and programmes on the basis of reports</td>
</tr>
<tr>
<td>Deputy CEO</td>
<td>Leadership and coordination in respect of charity and social investment activities.</td>
</tr>
<tr>
<td>The Office for External Communications</td>
<td>Initiates bylaws, arranges and processes all information on ongoing projects and organises public hearings, case studies, etc.</td>
</tr>
<tr>
<td>Departments for Social Development at the Company’s enterprises</td>
<td>Provide administrative support, approving agreements, transferring funds, verifying reports from beneficiaries.</td>
</tr>
<tr>
<td>Commissions for Social Issues and Charity</td>
<td>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.</td>
</tr>
</tbody>
</table>

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- 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.).

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

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

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.

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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.

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COMMISSION FOR
CHARITABLE PROJECTS

Management Board and CEO

Deputy CEO

The Office for External Communications

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

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

Management Board and CEO

Deputy CEO

The Office for External Communications

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

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

Management Board and CEO

Deputy CEO

The Office for External Communications

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

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Primary activities are carried out by the following departments and offices of the Company:

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.

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

Some programmes 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.

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CORPORATE GOVERNANCE

COMMITTED TO BEST PRACTICES IN CORPORATE GOVERNANCE

70% OF MEMBERS OF THE BOARD OF DIRECTORS ARE INDEPENDENT DIRECTORS
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 eight years as Director-General of the London Stock Exchange, and Andrey Sharinnov, 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.

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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 and external competitiveness, which includes changes aim to improve internal efficiency (GRI).

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 on issues which 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 general guidance to the Board of Directors and the Chief Executive Officer (CEO) by forming an independent basis for the Board of Directors and the CEO to decide on the Company’s strategy and operations, as well as for making decisions on ordinary issues. The CEO must make decisions in the interests of the Company and the shareholders. The Committee acts as a source of information for the Board of Directors and management.

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
- reorganization or liquidation of the Company
- election and removal of members of the Board of Directors
- increases or reductions in the Company’s authorized capital
- 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
- adoption of a new version of the Charter
- amendments to the Company’s Charter or other internal documents
- adoption of the principles and recommendations set forth in the Corporate Governance Code
- 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 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 the Russian corporate law, more 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 Nina Bokova was added, bringing to the Board her unique knowledge, skills and competences.

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.

The 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

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 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 authorized capital or a number of voting shares (stakes).
3. Are related to 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 or the managing company, 2. Are an owner or a beneficiary of shares of a major counterparty or competitor 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 shareholder of the Company or competitor 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 shareholder of the Company or competitor 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.

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

• assessment and quarterly monitoring of the risks of the Company's activities;
• assessment of the work of the Corporate
Safety and Environment Committee;
• supervising activities aimed at formulating
the Company's strategy in the area
of international projects;
• 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;
• overseeing 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

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 underway 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.

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.

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
SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

continued

STRUCTURE OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>In relation to the Company</th>
<th>Period of service on the Board</th>
<th>Age</th>
<th>Place of residence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive</td>
<td>10%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>Executive</td>
<td>20%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Independent</td>
<td>70%</td>
<td>60%</td>
<td>10%</td>
</tr>
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</table>

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 and approving PhosAgro’s quarterly and annual budgets;
- Determination of the Company’s investment policy and new areas of operation;
- Approval of PhosAgro’s capital expenditure plans and strategy with respect to any new business activities;
- Approval of PhosAgro’s financial statements and approval of the 2019 budget in December.

During the reporting period, the Management Board held 11 meetings at which it reviewed the Company’s quarterly financial and operational performance, considered the results of the Company’s 2017 activities, and approved the 2019 budget in December. The Management Board also made decisions to approve and amend the charter 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 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 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 in which they exercise their duties, and also reimburses expenses related to their performance as members of the Board of Directors. Regular (quarterly) remuneration is paid quarterly, and additional compensation paid to employees is paid twice a year.

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, by bank transfer to the account indicated in the request.

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.
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 (pursuant to a decision of the 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 the Company's 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 obeying 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 Board of Directors establishes a transparent procedure for determining the dividend amount and 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 for the period until the next annual General Shareholders' Meeting. The Review Committee comprises these members and is led by the Chairman of the Review Committee. Members of the Company's Board of Directors can be elected by the Company's Board of Directors at the same time, nor can they hold positions in the Company's executive bodies.

**SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE continued**

**BOARD OF DIRECTORS REMUNERATION RUB**

<table>
<thead>
<tr>
<th>Name</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irina Bokova</td>
<td>9,875,788.00</td>
<td>11,478,000.00</td>
</tr>
<tr>
<td>Andrey Sharonov</td>
<td>2,592,009.00</td>
<td>11,478,000.00</td>
</tr>
<tr>
<td>Marcus Rhodes</td>
<td>16,147,461.81</td>
<td>19,131,000.00</td>
</tr>
<tr>
<td>Andrey G. Guryev</td>
<td>1,012,000.00</td>
<td>1,030,000.00</td>
</tr>
<tr>
<td>Xavier Baland</td>
<td>11,784,176.00</td>
<td>11,784,176.00</td>
</tr>
</tbody>
</table>

Total: 65,472,631.92 RUB 97,317,831.89 RUB

**Insider Information Policy**

Insider information is precise and specific information that has not been distributed or shared with the public 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 the rules on insider 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 insiders' notification of the Company and the authorities in charge of the regulation; 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 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 obeying the rights of shareholders, as stipulated by the applicable Russian legislation, the Company's Charter and its bylaws, and is aimed at increasing 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 IFRSs for the relevant reporting period.

When determining the recommended dividend amount, the Company's Board of Directors takes into account the Company's financial performance for the relevant reporting period; the amount of profit allocated for the dividend payments; 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 10% 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 these members and is led by the Chairman of the Review Committee. Members of the Company's Board of Directors can be elected by 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 and Internal Control and Economic Security, as well as with Company management.

In 2018, the Internal Audit Department assisted the Company's management in the following areas: procurement of materials and services, inventory management, accounting regulations and investments, as well as IT audits of the Company's business systems.

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 G. Guryev
2. Andrey G. Guryev
3. Sven Ombudsmit
4. James Rogers
5. Ivan Rodionov
6. Marcus Rhodes
7. Mikhail Rybnikov
8. Natalia Pushkoevsk
9. Alexander Sharabako
10. Andrey Sharonov

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

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

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

1. Iina Bokova
2. Andrey G. Guryev
3. Andrey G. Guryev
4. Sven Ombudsmit
5. James Rogers
6. Ivan Rodionov
7. Marcus Rhodes
8. Mikhail Rybnikov
9. Natalia Pushkoevsk
10. Andrey Sharonov

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.

**About PhosAgro**

**Governance**

**Business Review**

**Sustainability Report**

**Additional Information**

**Financial Report**

**Strategic Report**

**PhosAgro Integrated Report 2018 phosagro.com**
BOARD OF DIRECTORS OF PJSC PHOSAGRO
As of 31 December 2018

OMBUDDSTVEDT SVEN
Chairman
Title: Independent Director
Year of election: 2011
Equity interest / Stake of ordinary shares: 0.001%
Date of birth: 27 July 1966
Education:
The Thunderbird School of Global Management
Bachelor’s degree in Business Administration
Master’s degree in International Management
Key competencies:
• Strategy
• Finance and audit
• Chemistry and mining engineering

CURYEV ANDREY G.
Deputy Chairman
Title: Non-executive Director
Year of election: 2013
Equity interest / Stake of ordinary shares: no
Date of birth: 26 March 1960
Education:
The G. V. Plekhanov St. Petersburg State Mining Institute
Bachelor’s degree in Business Administration
Central State Institute for Physical Education
Enterprises
Degree in Economics and Management of Mining and Exploration Enterprises
Key competencies:
• Strategy
• Chemistry and mining engineering

CURYEV 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
Key competencies:
• Strategy
• Environment, health and safety
• Human resources
ROGERS
JAMES BEELAND JR.

Title: Independent Director

Year of election: 2014

Equity interest / Stake of ordinary shares: 0.0064%

Date of birth: 10 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

Key competencies:

- Finance and audit
- Human resources
- Corporate governance
- Chemistry and mining engineering

Advices:

- Director of Virtus Total Return Fund Inc.
- Director of Virtus Global Dividend & Income Fund Inc.
- Director of Beeland Interests, Inc.
- Director of Beeland Enterprises, Inc.
- Director of Beeland Holdings Pte Ltd
- Director of Spanish Mountain Gold Limited
- Director of Geo Energy Resources Limited
- Director of Beeland Holdings Pte Ltd
- Director of Beeland Enterprises, Inc.
- Director of Beeland Interests, Inc.
- Director of VIRTUS GLOBAL DIVIDEND & INCOME FUND INC.
- Director of VIRTUS TOTAL RETURN FUND INC.
- Director of SPANISH MOUNTAIN GOLD LIMITED
- Director of BEELAND ENTERPRISES, INC.
- Director of BEELAND HOLDINGS PTE LTD
- Director of BEELAND ENTERPRISES, INC.
- Director of GEON CAPITAL ADVISORS LLC
- Director of Quantum Digital Asset Management Pte. Ltd.
- Director of Sirius International Insurance Group, Ltd.
- Director of VIRTUS GLOBAL DIVIDEND & INCOME FUND INC.
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- Director of SIRIUS INTERNATIONAL INSURANCE GROUP, LTD.
- Director of VIRTUS GLOBAL DIVIDEND & INCOME FUND INC.
- Director of VIRTUS TOTAL RETURN FUND INC.

Date of birth: 19 October 1942

Equity interest / Stake of ordinary shares: 0.0064%

Title: Independent Director

Year of election: 2014

Equity interest / Stake of ordinary shares: 0.0064%

Date of birth: 10 October 1942

Education:

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- Director of SIRIUS INTERNATIONAL INSURANCE GROUP, LTD.
# BOARD OF DIRECTORS

## OF PJSC PHOSAGRO

### 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:** 31 November 1975

**Education:** Moscow State University

**Major:** Master’s degree in Economics

**Board Memberships:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Position</th>
<th>Company or Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011–2013</td>
<td>Member of the Management Board</td>
<td>LLC PhosAgro-Region</td>
</tr>
<tr>
<td>2012–2015</td>
<td>CEO</td>
<td>CJSC PhosAgro AG</td>
</tr>
<tr>
<td>2015–2017</td>
<td>CEO</td>
<td>JSC PhosAgro-Chemoplast</td>
</tr>
<tr>
<td>2013–2015</td>
<td>Member of the Board of Directors</td>
<td>OJSC Moscow Stock Exchange</td>
</tr>
<tr>
<td>2013–2015</td>
<td>Member of the Board of Directors</td>
<td>OJSC AviHer</td>
</tr>
<tr>
<td>2014–2015</td>
<td>Member of the Board of Directors</td>
<td>JSC PhosAgro-Chemoplast</td>
</tr>
<tr>
<td>2015</td>
<td>Member of the Management Board</td>
<td>PJSC PhosAgro</td>
</tr>
<tr>
<td>2015</td>
<td>Chairman of the Management Board</td>
<td>JSC PhosAgro-Chemoplast</td>
</tr>
</tbody>
</table>

**Personal Information:**

- **Title:** First Deputy CEO of PJSC PhosAgro
- **Year of election:** 2016
- **Equity interest / Stake of ordinary shares:** 0.0258%
- **Date of birth:** 31 November 1975
- **Education:** Moscow State University

**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:** 0.0258%

**Date of birth:** 11 February 1964

**Education:**

- Ulfa Aviation Institute
- Major in Aviation Instrument Making

**Board Memberships:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Position</th>
<th>Company or Institution</th>
</tr>
</thead>
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<tr>
<td>2010–2013</td>
<td>Member of the Management Board</td>
<td>Government of Moscow</td>
</tr>
<tr>
<td>2011–2013</td>
<td>Member of the Management Board</td>
<td>National Research University Higher School of Economics</td>
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<tr>
<td>2011–2013</td>
<td>Member of the Management Board</td>
<td>JSCB Bank of Moscow</td>
</tr>
<tr>
<td>2013–2015</td>
<td>Member of the Management Board</td>
<td>Moscow School of Management SKOLKovo</td>
</tr>
<tr>
<td>2013</td>
<td>Chairman of the Management Board</td>
<td>JSC MC Bio-Sistema</td>
</tr>
<tr>
<td>2013</td>
<td>Chairman of the Management Board</td>
<td>ALROSA INC (JSC)</td>
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<tr>
<td>2014–2015</td>
<td>Member of the Management Board</td>
<td>LLC MC NefteTransServis</td>
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<tr>
<td>2014–2015</td>
<td>Chairman of the Management Board</td>
<td>PJSC Sovcomflot</td>
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<tr>
<td>2014</td>
<td>Member of the Management Board</td>
<td>PJSC PhosAgro</td>
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<tr>
<td>2014</td>
<td>Chairman of the Management Board</td>
<td>PJSC NOVATEK</td>
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<tr>
<td>2014</td>
<td>Chairman of the Management Board</td>
<td>PJSC VTB Bank</td>
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<tr>
<td>2015–2017</td>
<td>Member of the Management Board</td>
<td>JSC ROSGEO</td>
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<td>2015–2017</td>
<td>Member of the Management Board</td>
<td>PJSC Moscow Exchange</td>
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<tr>
<td>2015</td>
<td>Chairman of the Management Board</td>
<td>Moscow School of Management SKOLKovo</td>
</tr>
<tr>
<td>2016</td>
<td>Chairman of the Management Board</td>
<td>PJSC Mosagro</td>
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<tr>
<td>2017</td>
<td>Chairman of the Management Board</td>
<td>PJSC VTB Bank</td>
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<tr>
<td>2018</td>
<td>Chairman of the Management Board</td>
<td>Medicina JSC</td>
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</table>

**Personal Information:**

- **Title:** Independent Director
- **Year of election:** 2017
- **Equity interest / Stake of ordinary shares:** 0.0258%
- **Date of birth:** 11 February 1964
- **Education:**
  - Ulfa Aviation Institute
  - Major in Aviation Instrument Making

**Key competencies:**

- Finance and audit
- Law and corporate governance
- Human resources
## BOARD OF DIRECTORS
### OF PJSC PHOSAGRO

### 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 Sciences, International Business  
- Columbia Business School (USA)  
- MBA, International Finance  
- The Institute for Higher National Defence Studies (IHEDN) (France)  
- Post-graduate degree

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2011—Present</td>
<td>Columbia Business School</td>
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<td>2013—2017</td>
<td>HLM Treasury</td>
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<tr>
<td>2014—2017</td>
<td>The European Securities and Markets Authority (ESMA)</td>
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<td>2017—Present</td>
<td>The Institute for Higher National Defence Studies (IHEDN) (France)</td>
<td>2017—Present</td>
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<tr>
<td>2017—2018</td>
<td>London Stock Exchange Group (LSEG)</td>
<td>2017—2018</td>
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<tr>
<td>2018—Present</td>
<td>Department for International Trade</td>
<td>2018—Present</td>
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<tr>
<td>2018</td>
<td>Shanghai Institute of Finance for the Real Economy — SIFRE</td>
<td>2018</td>
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<tr>
<td>2018—2019</td>
<td>Versys</td>
<td>2018—2019</td>
</tr>
<tr>
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<td>PJSC PhosAgro</td>
<td>2018—Present</td>
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</table>

**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

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>1989</td>
<td>University of Maryland School of Public Affairs</td>
<td>1989</td>
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<tr>
<td>1989</td>
<td>Ford Foundation Fellow on US Foreign Policy</td>
<td>1989</td>
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<tr>
<td>1990—1991</td>
<td>Bulgaria’s First Secretary of State for European Integration</td>
<td>1990—1991</td>
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<tr>
<td>1990—1991</td>
<td>Member of the National Assembly</td>
<td>1990—1991</td>
</tr>
<tr>
<td>2009—Present</td>
<td>UNESCO</td>
<td>2009—Present</td>
</tr>
<tr>
<td>2017—Present</td>
<td>Ban Ki-moon Centre for Global Citizens</td>
<td>2017—Present</td>
</tr>
<tr>
<td>2017—Present</td>
<td>International Automobile Federation</td>
<td>2017—Present</td>
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<tr>
<td>2018—Present</td>
<td>PJSC PhosAgro</td>
<td>2018—Present</td>
</tr>
<tr>
<td>2018—Present</td>
<td>Member of the Board of Directors</td>
<td>2018—Present</td>
</tr>
</tbody>
</table>

**Key competencies:**  
- Environment, health and safety  
- Human resources

---

**Board of Directors**  
**OF PJSC PHOSAGRO**  
**continued**
MANAGEMENT BOARD
As of 31 December 2018

CURYEV ANDREY A.

Date of birth: 7 March 1962
Education:
- The University of Greenwich in London BA in Economics
- Moscow State University Master degree in Economics
- The University of Greenwich in London Master’s degree (MSc) in Economics
- Manchester International Business School, United Kingdom – 2011

PhosAgro Integrated AG
- Deputy CEO
- Member of the Board of Directors
- Member of the Management Board
- Member of the Risk Management Committee
- Member of the Strategy Committee
- Chairman of the Environmental, Health and Safety Committee
- Chairman of the Management Board
- Member of the Board of Trustees, Vice-President of the Gymnastics Federation
- Member of the Management Board
- Member of the Board of Trustees of the Foundation of the Russian Federation
- Member of the Board of Trustees, President of the Russian Association of Fertilizer Producers

MIKHAIL K. RYBNIKOV

Date of birth: 20 November 1955
Education:
- Tashkent State University Bachelor's degree in Economics

PhosAgro Integrated AG
- CEO
- Member of the Board of Directors
- Member of the Management Board
- Member of the Risk Management Committee, Member of the Strategy Committee, Chairman of the Environmental, Health and Safety Committee
- Chairman of the Management Board
- Member of the Board of Trustees of the Russian Olympians Foundation
- Member of the Board of Trustees of the Russian Chess Federation
- Member of the Management Board
- Member of the Board of Trustees of the Foundation of the Russian Federation
- Member of the Board of Trustees, President of the Russian Association of Fertilizer Producers

LOIKOV SIBIOJ A.

Date of birth: 9 September 1972
Education:
- Nottingham Trent University BA (Hons) in Business Management

PhosAgro Integrated AG
- Human Resources Director
- Member of the Board of Directors
- Member of the Management Board
- Member of the Risk Management Committee
- Member of the Strategy Committee
- Chairman of the Environmental, Health and Safety Committee
- Chairman of the Management Board
- Member of the Board of Trustees of the Russian Olympians Foundation
- Member of the Board of Trustees of the Russian Chess Federation
- Member of the Management Board
- Member of the Board of Trustees of the Foundation of the Russian Federation
- Member of the Board of Trustees, President of the Russian Association of Fertilizer Producers

...
MANAGEMENT BOARD
continued

SHARABAiko
ALEXANDER F.
Date of birth: 25 February 1977
Education:
Baltic State Technical University
Bachelor of Economics with honours

OSIPOv
ROMAN V.
Date of birth: 4 November 1971
Education:
Nottingham University Business School
MBA in Finance

GIlGENBERG
ALEXANDER A.
Date of birth: 2 December 1983
Education:
The Vologda branch of the Moscow State Law Academy
Law degree

SIOTENko
ALEXEI A.
Date of birth: 3 January 1969
Education:
Moscow State University
Degree in jurisprudence

PhosAgro Integrated Report 2018
phosagro.com
COMMITTEES OF THE BOARD OF DIRECTORS

RISK MANAGEMENT COMMITTEE

Committee members
Xavier R. Rolet
Committee Chairman
Ivan Rodionov
Committee Member, Executive Director
Andrey A. Guriev
Committee Member, Executive Director
Mikhail Rybnikov
Committee Member, Executive Director

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.

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.

In 2018, the Risk Management Committee held four meetings. The main issues considered by the Committee in 2018 were:

- 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.

Key issues to be considered by the Risk Management Committee in 2019:

- 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.
- Quarterly monitoring of the management of key corporate risks (quarterly).
- Improvement of the 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.
- Preparations of recommendations regarding improvement of the risk management system.
- Risk appetite determination.

AUDIT COMMITTEE

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

KEY AREAS

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.

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.

The Committee’s remit includes:

- 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.
- Developing a 2019 performance plan for the Company’s Internal Audit Department.
- Monitoring the implementation of the 2019 plan, as well as assessing the performance of the Internal Audit Department and monitoring the implementation of recommendations.
- Developing a 2019 performance plan for the Company’s Internal Audit Department.
- Monitoring the implementation of the 2019 plan, as well as assessing the performance of the Internal Audit Department and monitoring the implementation of recommendations.

ACTIVITIES IN 2018

During the reporting period, the Audit Committee held five meetings, where it assessed various developments. Following are some of the main issues discussed:

- Developing a 2019 performance plan for the Company’s Internal Audit Department.
- Monitoring the implementation of the 2019 plan, as well as assessing the performance of the Internal Audit Department and monitoring the implementation of recommendations.
COMMITTEES OF THE BOARD OF DIRECTORS

continued

STRATEGY COMMITTEE

Committee members
Andrey A. Guryev
Committee Chairman, Executive Director
Andrey G. Guryev
Committee Member, Non-executive Director
Mikhail R. Rybakov
Committee Member, Executive Director
Sven Ombudstvedt
Committee Member, Independent Director

Andrey A. Guryev
Committee Chairman

KEY AREAS

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 viewpoints.

ACTIVITIES IN 2018

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.

In 2018, the Strategy Committee held one meeting, where the following issues were considered:
• Implementation status of the approved Corporate Development Strategy;
• A strategy for the development of fertilizer production, an assessment of the Company’s economic efficiency, and the outlook to 2025 in terms of the expansion of output;
• 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 2018.

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.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

Committee members
James Rogers
Committee Chairman
Andrey Sharonov
Chairman, Independent Non-executive Director
Irina Bokova
Chairman, Independent Non-executive Director
Sven Ombudstvedt
Chairman, Independent Non-executive Director
Marcus Rhodes
Chairman, Independent Non-executive Director

James Rogers
Committee Chairman

KEY AREAS

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.

ACTIVITIES IN 2018

Andrey Sharonov and Irina Bokova (independent directors) became members of the Committee in 2018. Both have the relevant experience.

My Sharonov’s key areas of responsibility include finance and audit, law and corporate governance, and HR management, while Ms Bokova’s key areas of responsibility include HR management and environment, health and safety.

During the reporting period, the Remuneration and Human Resources Committee held four meetings. The main issues considered by the Committee in 2018 were:
• Assessment of the professional skills and independence of all candidates for the Board of Directors;
• 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 Remuneration and Human Resources Committee and the guidelines established by the Corporate Governance Code; and
• 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.

The Committee’s remit includes:
• 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.
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, and 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 experience 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;
- 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: RU000A0JRKT8).

Global depositary receipts (three GDRs represent one share) are traded in the Main Market of the London Stock Exchange under the symbol PHOR.

Common code: 065008939 SEDOL: 0B5N6Z48
RIC: GBB5N6Z48.L

Regulation S GDRs
CUSIP number: T19220209 ISIN US719220293
Common code: 065008939 SEDOL: 0B52QF1
RIC: PHOSq.L

Rule 144A GDRs
CUSIP number: T19220100 ISIN US719220104

Analyst coverage
PhosAgro is covered by analysts from leading Russian and international brokers:

<table>
<thead>
<tr>
<th>Company</th>
<th>Analyst</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aton</td>
<td>Andrey Lobasov</td>
<td>+7 (495) 723 0337</td>
</tr>
<tr>
<td>BCS Investment Bank</td>
<td>Oleg Petropavlovskiy</td>
<td>+7 (495) 752 5336</td>
</tr>
<tr>
<td>BMO</td>
<td>Joel Jackson</td>
<td>+1 (416) 359 4730</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>Samyra Milevina</td>
<td>+7 (495) 662 8510</td>
</tr>
<tr>
<td>Gazprombank</td>
<td>Maksym Tikhon</td>
<td>+7 (495) 863 1800</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>Nina Berugina</td>
<td>+7 (495) 645 4730</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Muretta Kizyany</td>
<td>+971 (4) 720 7117</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Denis Gabrielev</td>
<td>+971 (4) 428 3810</td>
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<tr>
<td>Rajilsson</td>
<td>Konstantin Yumnov</td>
<td>+7 (495) 221 0842</td>
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<tr>
<td>Sberbank CIB</td>
<td>Ivars Lapshina</td>
<td>+7 (495) 258 0031.1</td>
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<tr>
<td>VTB Capital</td>
<td>Elena Sakhnovs</td>
<td>+7 (495) 963 4662</td>
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<tr>
<td>Unicredit</td>
<td>Denis Vorchik</td>
<td>+7 (495) 788 0888</td>
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<tr>
<td>BAML</td>
<td>Stephanie Bothwell</td>
<td>+44 (20) 799 93271</td>
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<tr>
<td>Alfa Bank</td>
<td>Boris Krasnopolsky</td>
<td>+7 (495) 765 3612</td>
</tr>
</tbody>
</table>

SHARE/GDR PERFORMANCE

LONDON STOCK EXCHANGE

MOSCOW EXCHANGE
SHARES AND DIVIDENDS

continued

Ownership structure
Based on information available to the Company, the shares of Chodovgy Enterprises Limited and Adorabella Limited are held in trusts where the economic beneficiaries are Mr Andrey Suryan 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.

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 10 March 2019, PhosAgro’s Board of Directors recommended a final 2018 dividend of RUB 51 per share (RUB 17 per depositary receipt), or RUB 5.5 billion in total. If approved by the Annual General Shareholders’ Meeting (AGSM) 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 which 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 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.

Information disclosure

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 the declared dividends are (were) paid
Declared dividends, total, RUB
Declared dividends per
ordinary share, RUB
depository receipt, RUB

AGSM 1 January 2019  –  6,334,500,000  22.00  24.00
AGSM 10 October 2018  –  5,837,500,000  24.00  18.00
AGSM 7 July 2018  –  3,108,000,000  30.00  9.00
AGSM 30 May 2018  –  1,042,500,000  19.00  5.00
AGSM 29 February 2018  –  2,719,500,000  21.00  7.00
AGSM 2 October 2017  –  3,108,000,000  30.00  9.00
AGSM 1 July 2017  –  2,719,500,000  21.00  7.00
AGSM 30 May 2017  2016  3,888,000,000  30.00  10.00
AGSM 15 January 2017  –  5,030,500,000  30.00  13.00
AGSM 3 October 2016  –  4,273,500,000  33.00  11.00
AGSM 29 July 2016  –  8,118,500,000  63.00  21.00
AGSM 31 May 2016  2015  7,381,500,000  57.00  19.00
AGSM 15 January 2016  –  8,118,500,000  63.00  21.00
AGSM 6 October 2015  –  7,381,500,000  57.00  19.00
AGSM 14 July 2015  –  6,219,500,000  48.00  16.00
AGSM 8 June 2015  2014  5,942,500,000  55.00  18.00
AGSM 31 December 2014  9 M 2014  2,950,000,000  20.00  6.77
AGSM 16 September 2014  6 M 3014  3,237,500,000  25.00  9.33
AGSM 13 June 2014  –  2,495,300,000  19.30  6.43

* Payments were made from understand profits for previous years.
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 COMPANY’S MANAGEMENT HEREBY CONFIRMS THAT, TO THE BEST OF ITS KNOWLEDGE:

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175 Consolidated Statement of Profit or Loss and Other Comprehensive Income
176 Consolidated Statement of Financial Position
177 Consolidated Statement of Cash Flows
178 Consolidated Statement of Changes in Equity

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191 7. Revenue
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194 16. Investments in associates
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197 20. Inventories
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Andrey A. Guryev
Chairman of the Management Board and Chief Executive Officer of PJSC PhosAgro
### INDEPENDENT AUDITORS’ REPORT

#### Opinion

We have audited the consolidated financial statements of 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 (the “consolidated financial statements”).

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

<table>
<thead>
<tr>
<th>The key audit matter</th>
<th>How the matter was addressed in our audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Group has recognised significant deferred tax assets in respect of tax losses.</td>
<td>Our audit procedures included the following:</td>
</tr>
<tr>
<td>The recovery of the deferred tax assets depends on achieving sufficient taxable profits in the future.</td>
<td>We evaluated the underlying methodology and reviewed the mathematical accuracy of the taxable profit forecasts used to estimate the likelihood of the recovery of deferred tax assets.</td>
</tr>
<tr>
<td>From taxable profits to be used for utilisation of tax losses accumulated by the Group, the subsidiaries less expenses of the Company.</td>
<td>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.</td>
</tr>
<tr>
<td>The assessment of the potential to utilise the tax losses is dependent on the forecast profitability of the Group subsidiaries, the amount of debt to be distributed to the Company, expected foreign currency exchange and interest rates for loans.</td>
<td>We corroborated expected interest rates for loans to be issued and financing to be received by the Company in publicly available marker benchmarks.</td>
</tr>
<tr>
<td>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, the key audit judgment area is the recoverability of deferred tax assets.</td>
<td>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.</td>
</tr>
</tbody>
</table>

#### 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**

Materiality is a basis for responsibility 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 do 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.

#### 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 IFRS will always detect a material misstatement when it exists.

#### Reporting on Financial Statements

As part of our audit in accordance with IFRS, 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 in connection with IFRS, and whether 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.

#### Management’s Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS. Management’s use of the going concern basis of accounting and the related disclosures in the consolidated financial statements are material to our opinion.

#### Auditor’s Emphasis

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.

These charged with governance are responsible for overseeing the Group’s financial reporting process. Auditors’ responsibilities for the audit of the consolidated financial statements include:

- Obtaining 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 reasonable basis for accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, if applicable, 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that presents fairly the financial position, financial performance and cash flows of the Group.

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.
- Consider whether the results from the relevant audit procedures are indicative of material misstatements resulting from fraud, if any, and the risk of not detecting a material misstatement resulting from fraud is higher than for any other error.
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**

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>7</td>
<td>(233,438)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>9</td>
<td>(123,964)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>10</td>
<td>109,466</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>11</td>
<td>(14,864)</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>12</td>
<td>(34,410)</td>
</tr>
<tr>
<td>Taxes, other than income tax</td>
<td>13</td>
<td>(3,469)</td>
</tr>
<tr>
<td>Other expenses, net</td>
<td>14</td>
<td>(2,726)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>15</td>
<td>53,997</td>
</tr>
<tr>
<td>Finance income</td>
<td>16</td>
<td>447</td>
</tr>
<tr>
<td>Finance costs</td>
<td>17</td>
<td>(6,098)</td>
</tr>
<tr>
<td>Foreign exchange (loss)/gain, net</td>
<td>18</td>
<td>(19,613)</td>
</tr>
<tr>
<td>Share of (loss)/profit of associates, net of provision</td>
<td>19</td>
<td>(623)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>20</td>
<td>28,110</td>
</tr>
<tr>
<td>Provisions</td>
<td>21</td>
<td>(10,916)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>22</td>
<td>22,135</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests*</td>
<td>23</td>
<td>66</td>
</tr>
<tr>
<td>Shareholders of the Parent</td>
<td>24</td>
<td>22,069</td>
</tr>
<tr>
<td>Other comprehensive income/(loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will never be reclassified to profit or loss</td>
<td>25</td>
<td>(170)</td>
</tr>
<tr>
<td>Actuarial gains and losses</td>
<td>26</td>
<td>(170)</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation difference</td>
<td>27</td>
<td>2,872</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year</td>
<td>28</td>
<td>3,042</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>29</td>
<td>25,177</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests*</td>
<td>30</td>
<td>66</td>
</tr>
<tr>
<td>Shareholders of the Parent</td>
<td>31</td>
<td>25,111</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (in RUB)</td>
<td>32</td>
<td>170</td>
</tr>
</tbody>
</table>

* 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. Sharabako
Chief financial officer
# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018,

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>15</td>
<td>186,231</td>
</tr>
<tr>
<td>Catalysts</td>
<td>2</td>
<td>4,143</td>
</tr>
<tr>
<td>Advances issued for property, plant and equipment</td>
<td></td>
<td>6,785</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1</td>
<td>1,786</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>16</td>
<td>506</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>17</td>
<td>8,993</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>18</td>
<td>1,885</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td>208,534</td>
<td>189,415</td>
</tr>
<tr>
<td><strong>Other current investments</strong></td>
<td>19</td>
<td>313</td>
</tr>
<tr>
<td>Inventories</td>
<td>20</td>
<td>25,075</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>30,594</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22</td>
<td>9,320</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>77,689</td>
<td>62,215</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>286,223</td>
<td>251,630</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>23</td>
<td>372</td>
</tr>
<tr>
<td>Share premium</td>
<td>7,494</td>
<td>7,494</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>93,951</td>
<td>85,480</td>
</tr>
<tr>
<td>Other reserves</td>
<td>7,894</td>
<td>4,161</td>
</tr>
<tr>
<td><strong>Equity attributable to shareholders of the Parent</strong></td>
<td>109,626</td>
<td>98,113</td>
</tr>
<tr>
<td><strong>Equity attributable to non-controlling interests</strong></td>
<td>195</td>
<td>129</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>109,821</td>
<td>98,242</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>25</td>
<td>128,877</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>27(a)</td>
<td>379</td>
</tr>
<tr>
<td>Defined benefit obligations</td>
<td>26</td>
<td>630</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>17</td>
<td>50,026</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>132,065</td>
<td>86,356</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>54,468</td>
<td>45,265</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>27(a)</td>
<td>718</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>28</td>
<td>21,473</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>54,468</td>
<td>45,265</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>186,233</td>
<td>131,621</td>
</tr>
<tr>
<td><strong>Net equity</strong></td>
<td>120,990</td>
<td>119,009</td>
</tr>
</tbody>
</table>

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018,

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>28,110</td>
<td>34,042</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>20</td>
<td>14,807</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment and intangible assets</td>
<td>12</td>
<td>624</td>
</tr>
<tr>
<td>Finance income</td>
<td>13</td>
<td>6,980</td>
</tr>
<tr>
<td>Finance costs</td>
<td>13</td>
<td>6,980</td>
</tr>
<tr>
<td>Share of profit of associates, net of provision</td>
<td>16</td>
<td>624</td>
</tr>
<tr>
<td><strong>Operating profit before changes in working capital and provisions</strong></td>
<td>35,610</td>
<td>31,170</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other receivables</td>
<td>17</td>
<td>12,417</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other payables</td>
<td>18</td>
<td>13,240</td>
</tr>
<tr>
<td>Cash flows from operations before income taxes and interest paid</td>
<td>48,025</td>
<td>42,876</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(8,146)</td>
<td>(8,286)</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(5,210)</td>
<td>(4,558)</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>39,875</td>
<td>39,148</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment and intangible assets</td>
<td>(38,416)</td>
<td>(35,918)</td>
</tr>
<tr>
<td>Issuance/repayment of loans issued, net</td>
<td>(257)</td>
<td>475</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>19</td>
<td>365</td>
</tr>
<tr>
<td>Finance income received</td>
<td>371</td>
<td>371</td>
</tr>
<tr>
<td><strong>Other payments</strong></td>
<td>22</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows used in investing activities</strong></td>
<td>(39,169)</td>
<td>(34,348)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>25</td>
<td>80,094</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>25</td>
<td>(83,572)</td>
</tr>
<tr>
<td>Dividends paid to shareholders of the Parent</td>
<td>23</td>
<td>(13,598)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>23</td>
<td>(2)</td>
</tr>
<tr>
<td>Payments for settlement of derivatives</td>
<td>(22)</td>
<td></td>
</tr>
<tr>
<td><strong>Other payments</strong></td>
<td>22</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows used in financing activities</strong></td>
<td>(13,603)</td>
<td>(306)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>5,907</td>
<td>(4,659)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>2,691</td>
<td>7,261</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>5,907</td>
<td>(4,659)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>9,320</td>
<td>2,691</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS

ATRIBUTABLE 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 74,502 (284) 5,870 137 88,421
Total comprehensive income for the year
Profit for the year – – 25,393 – – (3) 25,391
Actuarial gains and losses – – – (342) (342)
Foreign currency translation difference – – – (377) (377) – (3) 24,611
Transactions with owners recognized directly in equity
Actuarial gains and losses – – –
Other – – (22) – (22)
Profit and loss items were translated at the closing exchange rate of RUB 69.4706 for USD 1 (31 December 2017: RUB 62.7078 for USD 1); Profit and loss items were translated at the average exchange rate for 2018 of RUB 62.7078 for USD 1 (for USD 1). Equity items arising during the year are revalued at the exchange rate ruling at the date of transaction; The resulting foreign exchange difference is recognized in other comprehensive income.
Dividends to shareholders of the Parent – – (14,769) – (6) (14,769)
Other – – (22) – (22)
Other financial items – – – – – –
Balance at 31 December 2017 372 7,494 85,060 (726) 5,493 129 109,821
Balance at 1 January 2018 372 7,494 85,480 (726) 5,493 129 109,821
Total comprehensive income for the year
Profit for the year – – 22,069 – – 86 22,155
Actuarial gains and losses – – – (342) (342)
Foreign currency translation difference – – – 2,872 2,872 – –
Transactions with owners recognized directly in equity
Dividends to shareholders of the Parent, note 23 – – (13,598) – – (13,598)
Other – – (22) – (22)
Other financial items – – – – – –
Balance at 31 December 2018 372 7,494 93,661 (504) 8,365 168 119,651
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 2000 and its location is Leningradsky prospect 55/1 building 1, Moscow, Russian Federation, 111203.

The Group’s principal activity is production of phosphate concentrates and mineral fertilizers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region), Balakovo (Samara 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.

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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.

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.
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 68.8688 for EUR 1);
• Profit and loss items were translated at the average exchange rate for 2018 of RUB 73.9446 for EUR 1 (for 2017: RUB 65.9514 for EUR 1);
• Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
• Where the foreign exchange differences 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 4(vi) – estimated useful lives of fixed assets;
• Note 17 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax allowances 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 debt 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 recognises revenue from 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, IFRS 4 – 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 at 1 January 2018:
(g) New standards and interpretations not yet adopted
The following standard is not yet effective as at 31 December 2018, and has 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, IFRIC 12 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 leases. 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. Lessees 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 the right-of-use assets and lease liabilities is similar to the pre-adoption model.
The Group recognises right-of-use assets at fair value, and lease liabilities at present value of the minimum lease payments at the date that control is obtained.

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 IFRIC 15 from 1 January 2018.
(i) Basis of consolidation
Subsidiaries are entities controlled by the Group. The Group recognises a loss of control, if the Group丧失了对被投资企业的控制权，丧失影响的那部分按照丧失控制日的公允价值减去处置费用确认为投资损失，同时丧失控制日与处置日之间被投资单位产生的净损益中应享有部分按比例冲减资本公积。将处置后的剩余股权转按金融工具确认和计量处理。

(ii) Leased assets
Leased assets are measured at the lower of carrying amount or fair value at the date that control commences. The Group recognises a lease liability for the present value of lease payments at the date control is obtained. The Group does not discount lease payments in respect of operating leases.

(c) Property, plant and equipment
(i) Owned assets
Property, plant and equipment are stated at the lower of cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment is determined by reference to its fair value at the date of acquisition. The cost includes expenditure that is directly attributable to bringing the asset to its intended use, the costs of demolition and site restoration, and other costs directly attributable to the acquisition of the asset provided the criteria for capitalising such items have been met.

(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 in the month of acquisition or, in respect of internally constructed assets, from the month when the asset is completed and ready for use. Land is not depreciated.

Financial statements continued

(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 treated as 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.

(e) Financial assets
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 (“FVPL”):

- The asset is held within a business model whose objective it 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 inflows, 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 FVPL:

- 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.

Financial assets at fair value through profit or loss (“FVPL”)
Financial asset that do not meet the criteria 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 which 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 ECL that result from default events that are possible within the 12 months after the reporting date; and lifetime ECL that result from all possible default events over the expected life of a financial instrument.

For trade receivables 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.

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.
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 that 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.

The Group makes contributions 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, recovery of the consideration is not probable that the related tax benefit will be realised.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the 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. Revenue is recognised when it is probable that the related tax benefit will be realised.
(e) 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.

(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.

4. DETERMINATION OF FAIR VALUES

A number of the Group’s accounting policies 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 (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs that are not based on observable market data (unobservable inputs).

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. If 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 overall 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 or disposal purposes based on the methodologies 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.

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;
- inventory, catalysts (as non-current assets), trade and other payables;
- segment information.

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**RUB mln**

<table>
<thead>
<tr>
<th></th>
<th>As previously presented</th>
<th>Reclassifications</th>
<th>As adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>(101,429)</td>
<td>(388)</td>
<td>(101,817)</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>(24,466)</td>
<td>(735)</td>
<td>(25,201)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(14,602)</td>
<td>644</td>
<td>(14,602)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(2,136)</td>
<td>489</td>
<td>(2,625)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(5,063)</td>
<td>(12)</td>
<td>(5,075)</td>
</tr>
</tbody>
</table>

**RUB mln**

<table>
<thead>
<tr>
<th></th>
<th>As previously presented</th>
<th>Reclassifications</th>
<th>As adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalysts</td>
<td>–</td>
<td>1,900</td>
<td>1,900</td>
</tr>
<tr>
<td>Inventories</td>
<td>27,245</td>
<td>(1,500)</td>
<td>25,745</td>
</tr>
</tbody>
</table>
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 ammonium, ammonium nitrate and urea on the factory located in Cherepovets. Specific assets, revenue and expenses are not allocated to any particular segment and are, therefore, included in the “other operations” column.

- 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:

- Phosphate-based products segment includes mainly production and distribution of ammonium, ammonium nitrate and urea on the factory located in Cherepovets.
- Nitrogen-based products segment includes mainly production and distribution of ammophos, diammoniumphosphate, sodium tripolyphosphate and other phosphate based and complex (NPK) fertilizers on the factories located in Cherepovets, Balakovo and Volgograd, and the factory located in Cherepovets. Specific assets, revenue and expenses are not allocated to any particular segment and are, therefore, included in the “other operations” column.

The analysis of export revenue by regions is as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>87,308</td>
<td>44,213</td>
</tr>
<tr>
<td>South America</td>
<td>43,894</td>
<td>28,597</td>
</tr>
<tr>
<td>North America</td>
<td>27,389</td>
<td>12,982</td>
</tr>
<tr>
<td>Asia</td>
<td>11,860</td>
<td>7,867</td>
</tr>
<tr>
<td>Africa</td>
<td>11,857</td>
<td>17,287</td>
</tr>
<tr>
<td>Australia</td>
<td>7,985</td>
<td>7,958</td>
</tr>
<tr>
<td>Other</td>
<td>3,293</td>
<td>4,220</td>
</tr>
<tr>
<td>Total</td>
<td>163,779</td>
<td>129,863</td>
</tr>
</tbody>
</table>

7. REVENUES

<table>
<thead>
<tr>
<th>Rub mln</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phosphate-based products</td>
<td>186,971</td>
<td>151,519</td>
</tr>
<tr>
<td>Sales of chemical fertilizers</td>
<td>151,753</td>
<td>123,227</td>
</tr>
<tr>
<td>Sales of apatite concentrate</td>
<td>25,398</td>
<td>21,158</td>
</tr>
<tr>
<td>Sales of other phosphate-based products and services</td>
<td>8,326</td>
<td>6,493</td>
</tr>
<tr>
<td>Sales of nitrogen fertilizer concentrate</td>
<td>81,4</td>
<td>681</td>
</tr>
<tr>
<td>Nitrogen-based products</td>
<td>37,011</td>
<td>22,495</td>
</tr>
<tr>
<td>Other</td>
<td>9,448</td>
<td>7,387</td>
</tr>
<tr>
<td>Total</td>
<td>233,430</td>
<td>181,361</td>
</tr>
</tbody>
</table>

8. PERSONNEL COSTS

<table>
<thead>
<tr>
<th>Rub mln</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>(12,209)</td>
<td>(11,265)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(8,217)</td>
<td>(7,875)</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>(1,888)</td>
<td>(1,490)</td>
</tr>
<tr>
<td>Total</td>
<td>(22,314)</td>
<td>(20,646)</td>
</tr>
</tbody>
</table>

9. COST OF SALES

<table>
<thead>
<tr>
<th>Rub mln</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and services</td>
<td>(26,456)</td>
<td>(24,496)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(18,606)</td>
<td>(13,942)</td>
</tr>
<tr>
<td>Salaries and social contributions</td>
<td>(12,209)</td>
<td>(11,265)</td>
</tr>
<tr>
<td>Natural gas</td>
<td>(10,356)</td>
<td>(9,842)</td>
</tr>
<tr>
<td>Sulphur and sulphate salt</td>
<td>(10,662)</td>
<td>(8,782)</td>
</tr>
<tr>
<td>Potash</td>
<td>(10,239)</td>
<td>(8,779)</td>
</tr>
<tr>
<td>Chemical fertilizers and other products for resale</td>
<td>(6,287)</td>
<td>(4,952)</td>
</tr>
<tr>
<td>Electricity</td>
<td>(5,476)</td>
<td>(4,452)</td>
</tr>
<tr>
<td>Ammonia</td>
<td>(4,198)</td>
<td>(3,287)</td>
</tr>
<tr>
<td>Fuel</td>
<td>(3,778)</td>
<td>(3,054)</td>
</tr>
<tr>
<td>Ammonium sulphate</td>
<td>(3,015)</td>
<td>(2,887)</td>
</tr>
<tr>
<td>Heating energy</td>
<td>(3,664)</td>
<td>(2,488)</td>
</tr>
<tr>
<td>Total</td>
<td>(123,864)</td>
<td>(101,817)</td>
</tr>
</tbody>
</table>
10. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and social contributions</td>
<td>(8,271)</td>
<td>(7,875)</td>
</tr>
<tr>
<td>Professional services</td>
<td>(1,780)</td>
<td>(1,970)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(3,342)</td>
<td>(2,442)</td>
</tr>
<tr>
<td>Other</td>
<td>(3,596)</td>
<td>(3,183)</td>
</tr>
<tr>
<td><strong>Total Administrative Expenses</strong></td>
<td>(14,864)</td>
<td>(14,018)</td>
</tr>
</tbody>
</table>

11. SELLING EXPENSES

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight, port and chartering expenses</td>
<td>(7,148)</td>
<td>(11,070)</td>
</tr>
<tr>
<td>Russian Railways infrastructure tariff and operators’ fees</td>
<td>(10,939)</td>
<td>(9,210)</td>
</tr>
<tr>
<td>Materials and services</td>
<td>(267)</td>
<td>(1,980)</td>
</tr>
<tr>
<td>Salaries and social contributions</td>
<td>(1,288)</td>
<td>(1,492)</td>
</tr>
<tr>
<td>Custom duties</td>
<td>(1,288)</td>
<td>(884)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(732)</td>
<td>(622)</td>
</tr>
<tr>
<td><strong>Total Selling Expenses</strong></td>
<td>(5,412)</td>
<td>(8,530)</td>
</tr>
</tbody>
</table>

12. OTHER EXPENSES, NET

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social expenditures</td>
<td>(1,602)</td>
<td>(1,692)</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment and intangible assets</td>
<td>(944)</td>
<td>(614)</td>
</tr>
<tr>
<td>Increase in provision for bad debts</td>
<td>(492)</td>
<td>(519)</td>
</tr>
<tr>
<td>Increase/decrease in provision for inventory obsolescence</td>
<td>(98)</td>
<td>(85)</td>
</tr>
<tr>
<td>Recovery of accrued (receipt) of contingent liabilities</td>
<td>36</td>
<td>(38)</td>
</tr>
<tr>
<td>Other income, net</td>
<td>345</td>
<td>735</td>
</tr>
<tr>
<td><strong>Total Other Expenses, Net</strong></td>
<td>(2,726)</td>
<td>(1,647)</td>
</tr>
</tbody>
</table>

13. FINANCE INCOME AND FINANCE COSTS

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>230</td>
<td>254</td>
</tr>
<tr>
<td>Unrealised discount of financial assets</td>
<td>57</td>
<td>68</td>
</tr>
<tr>
<td>Dividend income</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Other financial income</td>
<td>198</td>
<td>419</td>
</tr>
<tr>
<td><strong>Total Finance Income</strong></td>
<td>417</td>
<td>612</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(2,763)</td>
<td>(2,415)</td>
</tr>
<tr>
<td>Provision for bad debt on financial investments (note 18)</td>
<td>(568)</td>
<td>(2,242)</td>
</tr>
<tr>
<td>Bank fees</td>
<td>(158)</td>
<td>(535)</td>
</tr>
<tr>
<td>Other finance costs</td>
<td>(718)</td>
<td>(154)</td>
</tr>
<tr>
<td><strong>Total Finance Costs</strong></td>
<td>(3,598)</td>
<td>(5,990)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(5,515)</td>
<td>(6,477)</td>
</tr>
</tbody>
</table>

14. INCOME TAX EXPENSE

The Company’s applicable corporate income tax rate is 20% (2017: 20%).

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense</td>
<td>(8,487)</td>
<td>(8,805)</td>
</tr>
<tr>
<td>Reorganisation and reversal of temporary differences, including change in unrecognised assets</td>
<td>2,912</td>
<td>(2,848)</td>
</tr>
<tr>
<td><strong>Total Income Tax Expense</strong></td>
<td>(5,975)</td>
<td>(6,957)</td>
</tr>
</tbody>
</table>

15. PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>44,979</td>
<td>84,150</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>1,381</td>
<td>2,714</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>2,285</td>
<td>988</td>
</tr>
<tr>
<td><strong>Total Property, Plant and Equipment</strong></td>
<td>48,645</td>
<td>88,252</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>28,506</td>
<td>29,856</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>77,151</td>
<td>118,108</td>
</tr>
</tbody>
</table>

16. RECONCILIATION OF EFFECTIVE TAX RATE

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>28,110</td>
<td>80%</td>
</tr>
<tr>
<td>Income tax at applicable tax rate</td>
<td>(5,622)</td>
<td>(20%)</td>
</tr>
<tr>
<td>Under/over provided in respect of prior years</td>
<td>(3)</td>
<td>–</td>
</tr>
<tr>
<td>Unrecognised tax (asset)/liability on (loss)/profit from associates</td>
<td>(125)</td>
<td>–</td>
</tr>
<tr>
<td>Non-deductible item</td>
<td>(1,454)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Change in unrecognised deferred tax assets</td>
<td>17</td>
<td>–</td>
</tr>
<tr>
<td>Effect of tax rates in foreign jurisdictions</td>
<td>39</td>
<td>–</td>
</tr>
<tr>
<td>Reduction in tax rate</td>
<td>1,153</td>
<td>4%</td>
</tr>
<tr>
<td>Reconciliation of provisionally unrecognised deferred tax liabilities</td>
<td>(5,975)</td>
<td>(31%)</td>
</tr>
</tbody>
</table>

17. ACCUMULATED DEPRECIATION

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2017</td>
<td>76,232</td>
<td>146,648</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>32,322</td>
<td>146,648</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>70,554</td>
<td>146,648</td>
</tr>
</tbody>
</table>

18. RECOGNITION OF INCOME TAX ASSETS/LIABILITIES

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax asset/liability</td>
<td>39,620</td>
<td>50,628</td>
</tr>
<tr>
<td><strong>Total Recognition</strong></td>
<td>39,620</td>
<td>50,628</td>
</tr>
</tbody>
</table>

19. OTHER INCOME AND EXPENSES

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income, net</td>
<td>345</td>
<td>735</td>
</tr>
<tr>
<td><strong>Total Other Income and Expenses</strong></td>
<td>345</td>
<td>735</td>
</tr>
</tbody>
</table>

20. NET INCOME

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>76,232</td>
<td>146,648</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>76,232</td>
<td>146,648</td>
</tr>
</tbody>
</table>

21. FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Financial Statements</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and social contributions</td>
<td>(8,271)</td>
<td>(7,875)</td>
</tr>
<tr>
<td>Professional services</td>
<td>(1,780)</td>
<td>(1,970)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(3,342)</td>
<td>(2,442)</td>
</tr>
<tr>
<td>Other</td>
<td>(3,596)</td>
<td>(3,183)</td>
</tr>
<tr>
<td><strong>Total Administrative Expenses</strong></td>
<td>(14,864)</td>
<td>(14,018)</td>
</tr>
<tr>
<td>Freight, port and chartering expenses</td>
<td>(7,148)</td>
<td>(11,070)</td>
</tr>
<tr>
<td>Russian Railways infrastructure tariff and operators’ fees</td>
<td>(10,939)</td>
<td>(9,210)</td>
</tr>
<tr>
<td>Materials and services</td>
<td>(267)</td>
<td>(1,980)</td>
</tr>
<tr>
<td>Salaries and social contributions</td>
<td>(1,288)</td>
<td>(1,492)</td>
</tr>
<tr>
<td>Custom duties</td>
<td>(1,288)</td>
<td>(884)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(732)</td>
<td>(622)</td>
</tr>
<tr>
<td><strong>Total Selling Expenses</strong></td>
<td>(5,412)</td>
<td>(8,530)</td>
</tr>
<tr>
<td>Social expenditures</td>
<td>(1,602)</td>
<td>(1,692)</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment and intangible assets</td>
<td>(944)</td>
<td>(614)</td>
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<td>(492)</td>
<td>(519)</td>
</tr>
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<td>(98)</td>
<td>(85)</td>
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</tr>
<tr>
<td>Interest income</td>
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<td>254</td>
</tr>
<tr>
<td>Unrealised discount of financial assets</td>
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<td>68</td>
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<td>419</td>
</tr>
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<td>612</td>
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<td>(2,415)</td>
</tr>
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<td>(568)</td>
<td>(2,242)</td>
</tr>
<tr>
<td>Bank fees</td>
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</tr>
<tr>
<td>Other finance costs</td>
<td>(718)</td>
<td>(154)</td>
</tr>
<tr>
<td><strong>Total Finance Costs</strong></td>
<td>(3,598)</td>
<td>(5,990)</td>
</tr>
<tr>
<td><strong>Net finance costs</strong></td>
<td>(5,515)</td>
<td>(6,477)</td>
</tr>
</tbody>
</table>
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 1,976 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 7,067 million;
- The development of Rasvumchorrsky mine in the amount of RUB 5,329 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB 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

\[
\begin{array}{cccc}
\text{Carrying values of the Group's investments in associates} & \text{2018} & \text{2017} \\
\text{Balance at 1 January} & 999 & 810 \\
\text{Share in profit for the period} & 99 & 297 \\
\text{Provision for investments in associates} & (723) & (277) \\
\text{Foreign currency translation difference} & 148 & (134) \\
\text{Balance at 31 December} & 506 & 565 \\
\end{array}
\]

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

\[
\begin{array}{cccc}
\text{Summary financial information for associates is as follows:} & \text{2018} & \text{2017} \\
\text{JSC Khibinskaya Teplovaya Kompaniya} & 421 & 338 \\
\text{LLC PhosAgro-Ukraine} & 229 & 123 \\
\text{JSC Giproruda} & 221 & 92 \\
\text{JSC Soligalichskiy izvestkovyi kombinat} & 506 & 665 \\
\end{array}
\]
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 48,562 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

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>Recognised in profit or loss</th>
<th>Recognised in other comprehensive income</th>
<th>1 January 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>(9,767)</td>
<td>(951)</td>
<td>(1)</td>
<td>(8,815)</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>(27)</td>
<td>(6)</td>
<td>–</td>
<td>(21)</td>
</tr>
<tr>
<td>Current assets</td>
<td>579</td>
<td>655</td>
<td>4</td>
<td>(80)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>745</td>
<td>(186)</td>
<td>–</td>
<td>559</td>
</tr>
<tr>
<td>Tax loss carry forwards</td>
<td>(4,482)</td>
<td>2,989</td>
<td>–</td>
<td>5,490</td>
</tr>
<tr>
<td>Unrecognised deferred tax assets</td>
<td>(49)</td>
<td>117</td>
<td>–</td>
<td>(32)</td>
</tr>
<tr>
<td>Total tax (liabilities)/assets</td>
<td>(26)</td>
<td>2,512</td>
<td>3</td>
<td>(5,545)</td>
</tr>
</tbody>
</table>

### RUB mln

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>Recognised in other comprehensive income</th>
<th>1 January 2019</th>
<th>1 January 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>(6,811)</td>
<td>(361)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>(12)</td>
<td>(6)</td>
<td>–</td>
</tr>
<tr>
<td>Current assets</td>
<td>(80)</td>
<td>(414)</td>
<td>–</td>
</tr>
<tr>
<td>Liabilities</td>
<td>91</td>
<td>(146)</td>
<td>(145)</td>
</tr>
<tr>
<td>Tax loss carry forwards</td>
<td>(4,496)</td>
<td>802</td>
<td>–</td>
</tr>
<tr>
<td>Unrecognised deferred tax assets</td>
<td>(21)</td>
<td>13</td>
<td>–</td>
</tr>
<tr>
<td>Net tax assets</td>
<td>(3,543)</td>
<td>(2,906)</td>
<td>(145)</td>
</tr>
</tbody>
</table>

### 18. OTHER NON-CURRENT ASSETS

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans issued to third parties, at amortised cost</td>
<td>779</td>
<td>290</td>
</tr>
<tr>
<td>Financial assets, at fair value</td>
<td>734</td>
<td>155</td>
</tr>
<tr>
<td>Loans issued to employees, at amortised cost</td>
<td>80</td>
<td>77</td>
</tr>
<tr>
<td>Financial assets, at amortised cost</td>
<td>39</td>
<td>31</td>
</tr>
<tr>
<td>Loans issued to related parties, at amortised cost</td>
<td>–</td>
<td>58</td>
</tr>
<tr>
<td>Loans issued to associates, at amortised cost</td>
<td>–</td>
<td>20</td>
</tr>
<tr>
<td>Provision for loans issued to third parties</td>
<td>(871)</td>
<td>–</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>795</td>
<td>153</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,843</td>
<td>1,945</td>
</tr>
</tbody>
</table>

### 19. OTHER CURRENT INVESTMENTS

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans issued to related parties, at amortised cost</td>
<td>151</td>
<td>97</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>80</td>
<td>46</td>
</tr>
<tr>
<td>Loans issued to employees, at amortised cost</td>
<td>82</td>
<td>36</td>
</tr>
<tr>
<td>Loans issued to third parties, at amortised cost</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Investments in debt securities, at amortised cost</td>
<td>32</td>
<td>–</td>
</tr>
<tr>
<td>Loans issued to associates, at amortised cost</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>(26)</td>
<td>(4)</td>
</tr>
<tr>
<td>Net assets</td>
<td>313</td>
<td>352</td>
</tr>
</tbody>
</table>

### 20. INVENTORIES

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and spare parts</td>
<td>12,803</td>
<td>9,812</td>
</tr>
<tr>
<td>Finished goods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical fertilisers</td>
<td>12,982</td>
<td>9,363</td>
</tr>
<tr>
<td>Other products</td>
<td>851</td>
<td>1,200</td>
</tr>
<tr>
<td>Apatite concentrate</td>
<td>327</td>
<td>250</td>
</tr>
<tr>
<td>Work-in-progress:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical fertilisers and other products</td>
<td>3,782</td>
<td>3,540</td>
</tr>
<tr>
<td>Chemical fertilisers for resale, purchased from the third parties</td>
<td>1,729</td>
<td>1,276</td>
</tr>
<tr>
<td>Other goods for resale</td>
<td>83</td>
<td>94</td>
</tr>
<tr>
<td>Provision for obsolescence</td>
<td>(184)</td>
<td>(64)</td>
</tr>
<tr>
<td>Net assets</td>
<td>31,870</td>
<td>25,445</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS

21. TRADE AND OTHER RECEIVABLES

RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts receivable</td>
<td>20,379</td>
<td>15,507</td>
</tr>
<tr>
<td>VAT and other taxes receivable</td>
<td>8,073</td>
<td>10,336</td>
</tr>
<tr>
<td>Advances issued</td>
<td>3,716</td>
<td>4,893</td>
</tr>
<tr>
<td>Income tax receivable</td>
<td>393</td>
<td>2,794</td>
</tr>
<tr>
<td>Deferred expenses</td>
<td>199</td>
<td>272</td>
</tr>
<tr>
<td>Receivables from employees</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,033</td>
<td>818</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>(918)</td>
<td>(530)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,185</strong></td>
<td><strong>33,727</strong></td>
</tr>
</tbody>
</table>

The movements in provision for doubtful accounts are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January</td>
<td>(536)</td>
<td>(499)</td>
</tr>
<tr>
<td>Foreign currency translation difference</td>
<td>(16)</td>
<td>17</td>
</tr>
<tr>
<td>Written off provision through trade receivables</td>
<td>380</td>
<td>110</td>
</tr>
<tr>
<td>Increase in provision for doubtful accounts</td>
<td>(446)</td>
<td>(194)</td>
</tr>
<tr>
<td><strong>Balance at 31 December</strong></td>
<td>(618)</td>
<td>(536)</td>
</tr>
</tbody>
</table>

See note 26 (c) for the analysis of overdue trade accounts receivable.

22. CASH AND CASH EQUIVALENTS

RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank</td>
<td>5,126</td>
<td>2,459</td>
</tr>
<tr>
<td>Call deposits</td>
<td>4,188</td>
<td>277</td>
</tr>
<tr>
<td>Petty cash</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,320</strong></td>
<td><strong>2,691</strong></td>
</tr>
</tbody>
</table>

23. EQUITY

(a) Share capital

<table>
<thead>
<tr>
<th>Number of shares unless otherwise stated</th>
<th>Ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares on issue as at 31 December 2018, RUB 2.5 par value</td>
<td>129,500,000</td>
</tr>
<tr>
<td>Shares authorised for additional issue as at 31 December 2018, RUB 2.5 par value</td>
<td>994,077,080</td>
</tr>
<tr>
<td>Shares on issue as at 31 December 2017, RUB 2.5 par value</td>
<td>129,500,000</td>
</tr>
<tr>
<td>Shares authorised for additional issue as at 31 December 2017, RUB 2.5 par value</td>
<td>994,077,080</td>
</tr>
</tbody>
</table>

(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 PJS C “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).

Prepared by the Board of Directors in

<table>
<thead>
<tr>
<th>Approved by shareholders in</th>
<th>Amount per share, RUB</th>
<th>Amount of Dividends, RUB mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2017</td>
<td>February 2018</td>
<td>21</td>
</tr>
<tr>
<td>March 2018</td>
<td>May 2018</td>
<td>13</td>
</tr>
<tr>
<td>May 2018</td>
<td>July 2018</td>
<td>24</td>
</tr>
<tr>
<td>August 2018</td>
<td>October 2018</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total dividends approved during the reporting period</strong></td>
<td><strong>13,598</strong></td>
<td></td>
</tr>
</tbody>
</table>

Total dividends approved subsequent to the reporting date

| November 2018 | January 2019 | 72 | 9,304 |
| March 2019    | To be approved in May 2019 | 51 | 6,605 |
| **Total dividends approved subsequent to the reporting date** | **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.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of ordinary shares in issue</td>
<td>129,500,000</td>
<td>129,500,000</td>
</tr>
<tr>
<td>Profit for the year attributable to shareholders of the Parent, RUB million</td>
<td>22,069</td>
<td>25,333</td>
</tr>
<tr>
<td>Basic and diluted earnings per share, RUB</td>
<td>170</td>
<td>196</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS

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.

The breakdown of the loans and borrowings denominated in different currencies is as follows:

### RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and borrowings</td>
<td>143,728</td>
<td>120,656</td>
</tr>
<tr>
<td>Non-current loans and borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan participation notes1</td>
<td>–</td>
<td>26,800</td>
</tr>
<tr>
<td>Bank commission (share term) (2)</td>
<td>–</td>
<td>(9)</td>
</tr>
<tr>
<td>Bank commission (long term) (148) (101)</td>
<td>122,877</td>
<td>76,536</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143,728</strong></td>
<td><strong>120,656</strong></td>
</tr>
</tbody>
</table>

The maturity of the loans and borrowings is as follows:

- **Less than 1 year** 20,679 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

Reconciliation of liabilities arising from financing activities:

### RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and borrowings</td>
<td>119,609</td>
<td>121,730</td>
</tr>
<tr>
<td>Cash inflows (excluding interest payable)</td>
<td>83,874</td>
<td>83,874</td>
</tr>
<tr>
<td>Cash outflows</td>
<td>(83,572)</td>
<td>(81,572)</td>
</tr>
<tr>
<td><strong>Net cash (outflow)</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation of bank commission</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Foreign exchange loss (gain) (42) (130)</td>
<td>22,865</td>
<td>142,823</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>121,730</strong></td>
<td><strong>143,728</strong></td>
</tr>
</tbody>
</table>

### RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and borrowings</td>
<td>2,045</td>
<td>1,094</td>
</tr>
<tr>
<td>Cash inflows (excluding interest payable)</td>
<td>1,213</td>
<td>(1,285)</td>
</tr>
<tr>
<td>Cash outflows</td>
<td>(28)</td>
<td>(1,994)</td>
</tr>
<tr>
<td><strong>Net cash (outflow)</strong></td>
<td><strong>2,122</strong></td>
<td><strong>(1,967)</strong></td>
</tr>
<tr>
<td>Amortisation of bank commission</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>21,130</td>
<td>143,917</td>
</tr>
</tbody>
</table>

1 in February 2013 the Company’s SPV issued a USD 500 million 5-year Eurobond at a coupon rate of 5.25%, 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 at 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 at 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

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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension obligations, long term</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Post-retirement obligations other than pensions</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>767</strong></td>
<td><strong>767</strong></td>
</tr>
</tbody>
</table>

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

- **Discount rate**: 8.8% 7.7%
- **Future pension increases**: 4.1% 4.2%
- **Net cash flows resulting from plan activities**: – 258

The Group has a defined benefit plan 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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligations at 1 January 2017</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current service costs and interest</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Post service costs</td>
<td>(112)</td>
<td>(112)</td>
</tr>
<tr>
<td>Actuarial loss in other comprehensive income</td>
<td>(166)</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>767</strong></td>
<td><strong>767</strong></td>
</tr>
</tbody>
</table>

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

- **Discount rate**: 8.8% 7.7%
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- **Net cash flows resulting from plan activities**: – 258

The Group has a defined benefit plan 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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligations at 1 January 2018</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current service costs and interest</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Post service costs</td>
<td>(112)</td>
<td>(112)</td>
</tr>
<tr>
<td>Actuarial loss in other comprehensive income</td>
<td>(166)</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>767</strong></td>
<td><strong>767</strong></td>
</tr>
</tbody>
</table>

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

- **Discount rate**: 8.8% 7.7%
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- **Net cash flows resulting from plan activities**: – 258

The Group has a defined benefit plan 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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligations at 1 January 2018</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current service costs and interest</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Post service costs</td>
<td>(112)</td>
<td>(112)</td>
</tr>
<tr>
<td>Actuarial loss in other comprehensive income</td>
<td>(166)</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>767</strong></td>
<td><strong>767</strong></td>
</tr>
</tbody>
</table>

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

- **Discount rate**: 8.8% 7.7%
- **Future pension increases**: 4.1% 4.2%
- **Net cash flows resulting from plan activities**: – 258

The Group has a defined benefit plan 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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligations at 1 January 2018</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current service costs and interest</td>
<td>767</td>
<td>767</td>
</tr>
<tr>
<td>Post service costs</td>
<td>(112)</td>
<td>(112)</td>
</tr>
<tr>
<td>Actuarial loss in other comprehensive income</td>
<td>(166)</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>767</strong></td>
<td><strong>767</strong></td>
</tr>
</tbody>
</table>

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

- **Discount rate**: 8.8% 7.7%
- **Future pension increases**: 4.1% 4.2%
- **Net cash flows resulting from plan activities**: – 258


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.

(b) Operating leases

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.

<table>
<thead>
<tr>
<th>Period</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>=RUB mln.</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>786</td>
<td>1,158</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>342</td>
<td>64</td>
</tr>
<tr>
<td>Interest</td>
<td>48</td>
<td>64</td>
</tr>
<tr>
<td>Principal</td>
<td>718</td>
<td>1,004</td>
</tr>
</tbody>
</table>

RUB mln.

<table>
<thead>
<tr>
<th>Period</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum lease payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>1,247</td>
<td>1,039</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Interest</td>
<td>130</td>
<td>1,117</td>
</tr>
<tr>
<td>Principal</td>
<td>1,017</td>
<td>1,004</td>
</tr>
</tbody>
</table>

28. TRADE AND OTHER PAYABLES

RUB mln.

<table>
<thead>
<tr>
<th>Period</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable</td>
<td>11,022</td>
<td>12,129</td>
</tr>
<tr>
<td>Accrued accounts payable for property, plant and equipment and intangible assets</td>
<td>4,248</td>
<td>5,838</td>
</tr>
<tr>
<td>Advances received (contract liabilities)</td>
<td>3,444</td>
<td>4,414</td>
</tr>
<tr>
<td>Payables to employees</td>
<td>3,058</td>
<td>3,923</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>2,229</td>
<td>2,014</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>298</td>
<td>106</td>
</tr>
<tr>
<td>Rent</td>
<td>35</td>
<td>51</td>
</tr>
<tr>
<td>Other payables</td>
<td>276</td>
<td>198</td>
</tr>
<tr>
<td>Total</td>
<td>21,473</td>
<td>21,846</td>
</tr>
</tbody>
</table>

FINANCIAL STATEMENTS

continued

29. FINANCIAL RISK MANAGEMENT

(a) View

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 returns.

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.

RUB mln.

<table>
<thead>
<tr>
<th>Period</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>3,789</td>
<td>3,002</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,004</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>(14,414)</td>
<td>(10,817)</td>
</tr>
<tr>
<td>Finance lease liability</td>
<td>(275)</td>
<td>(1,004)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>(14,747)</td>
<td>(10,914)</td>
</tr>
<tr>
<td>Finance lease liability</td>
<td>(36)</td>
<td>(1,117)</td>
</tr>
<tr>
<td>Payables</td>
<td>(495)</td>
<td>(74)</td>
</tr>
<tr>
<td>Total</td>
<td>(130,937)</td>
<td>(101,170)</td>
</tr>
</tbody>
</table>

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:

Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.
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 as the sensitivity analysis.

The foreign exchange loss recognised in profit or loss of RUB 18,613 million (RUB 4,141 million of foreign exchange gain for the comparative period) resulted from the devaluation of the Russian Ruble 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 18,426 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 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:

- 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:

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due 0–30 days</td>
<td>3,143</td>
<td>2,369</td>
</tr>
<tr>
<td>Past due 31–90 days</td>
<td>79</td>
<td>33</td>
</tr>
<tr>
<td>Past due 91–180 days</td>
<td>137</td>
<td>78</td>
</tr>
<tr>
<td>Past due 181–365 days</td>
<td>102</td>
<td>47</td>
</tr>
<tr>
<td>More than one year</td>
<td>21,412</td>
<td>16,365</td>
</tr>
</tbody>
</table>

The Group’s policy is to provide financial guarantees only to the subsidiaries or related parties 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:

<table>
<thead>
<tr>
<th>Liability</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term borrowings</td>
<td>17,600</td>
<td>12,300</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Commitments</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

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 32,861 million).

At 31 December 2018, the Group’s financial assets measured at amortised cost amounted to RUB 31,567 million (31 December 2017: RUB 20,813 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 customers include 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

### Fixed rate instruments

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other non-current assets</td>
<td>2,040</td>
<td>2,541</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>(113,781)</td>
<td>(84,476)</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>(14,655)</td>
<td>(40,035)</td>
</tr>
<tr>
<td>Financial lease liabilities</td>
<td>(1,984)</td>
<td>(7,711)</td>
</tr>
</tbody>
</table>

### Variable rate instruments

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term borrowings</td>
<td>(9,309)</td>
<td>(12,151)</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>(5,299)</td>
<td>(9,044)</td>
</tr>
</tbody>
</table>

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.
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 for 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 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 inter-company 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 interpretations 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

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value</td>
<td>Contractual cash flows</td>
<td>0–1 year</td>
</tr>
<tr>
<td>Unsecured bank loans</td>
<td>73,014</td>
<td>80,061</td>
</tr>
<tr>
<td>Unsecured loans from other companies</td>
<td>470</td>
<td>470</td>
</tr>
<tr>
<td>Interest payable</td>
<td>733</td>
<td>733</td>
</tr>
<tr>
<td>Secured financial leases</td>
<td>1,084</td>
<td>1,158</td>
</tr>
<tr>
<td>Loan participation notes</td>
<td>57,600</td>
<td>62,252</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>13,211</td>
<td>12,221</td>
</tr>
<tr>
<td>Financial guarantees issued for associates and related parties</td>
<td>1,007</td>
<td>1,253</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>425</td>
<td>425</td>
</tr>
<tr>
<td>158,728</td>
<td>175,195</td>
<td>56,419</td>
</tr>
</tbody>
</table>

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). 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.

32. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with associates

(i) Transactions with associates

<table>
<thead>
<tr>
<th>RUB mln</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of goods and services</td>
<td>2,150</td>
<td>9,262</td>
</tr>
<tr>
<td>Other income, net</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest expense</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of goods and services</td>
<td>(472)</td>
<td>(392)</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS
continued

(ii) Balances with associates
RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Short-term loans issued, at amortised cost</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>Long-term loans issued, at amortised cost</td>
<td>–</td>
<td>21</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(10)</td>
<td>(13)</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of goods and services</td>
<td>557</td>
<td>1,135</td>
</tr>
<tr>
<td>Other income, net</td>
<td>22</td>
<td>–</td>
</tr>
<tr>
<td>Interest income</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(34)</td>
<td>(54)</td>
</tr>
<tr>
<td>Purchases of goods and services</td>
<td>(353)</td>
<td>(134)</td>
</tr>
</tbody>
</table>

(ii) Balances with other related parties
RUB mln

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Short-term loans issued, at amortised cost</td>
<td>117</td>
<td>213</td>
</tr>
<tr>
<td>Long-term loans issued, at amortised cost</td>
<td>53</td>
<td>1</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>97</td>
<td>–</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(365)</td>
<td>(385)</td>
</tr>
<tr>
<td>Short-term loans received</td>
<td>(20)</td>
<td>(5)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(131)</td>
<td>(65)</td>
</tr>
</tbody>
</table>

(ii) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 60 million (31 December 2017: RUB 55 million).

33. SIGNIFICANT SUBSIDIARIES

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Country of incorporation</th>
<th>31 December 2018 Effective ownership (%)</th>
<th>31 December 2017 Effective ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apatit, JSC (including Balakovo and Kirovsk branches)</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Metachem, JSC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NLФ, JSC</td>
<td>Russia</td>
<td>94%</td>
<td>94%</td>
</tr>
<tr>
<td>PhosAgro Trans, JSC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Region, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Belgorod, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Don, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Kuzb, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Saratov, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Volga, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro SeveroZapad, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Tambov, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Trading house PhosAgro, LLC</td>
<td>Russia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Phosint Trading, Limited</td>
<td>Cyprus</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Phosagro Asia Pte Ltd</td>
<td>Singapore</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Trading SA</td>
<td>Switzerland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Phosint Limited</td>
<td>Cyprus</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Logrino SA</td>
<td>Switzerland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Baltic Sp. z o.o</td>
<td>Poland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Phosagro Deutschland GmbH</td>
<td>Germany</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Phosagro France SAS</td>
<td>France</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PhosAgro Balkans</td>
<td>Serbia</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>UAB PhosAgro Baltic</td>
<td>Lithuania</td>
<td>100%</td>
<td>–</td>
</tr>
</tbody>
</table>

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.
APPENDIX 1

GRI CONTENT INDEX

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 102 GENERAL DISCLOSURES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102–1 Name of the organization</td>
<td>PJSC PhosAgro</td>
<td></td>
</tr>
</tbody>
</table>
| GRI 102–2 Activities, brands, products and services | • Apatite concentrate  
• Nepheline concentrate  
• Monosodium phosphate or MAP  
• Diammonium phosphate or DAP  
• NPK  
• NPS  
• PKS  
• Liquid complex fertilizers (HCS) or APP  
• Carbamide (prilled and granulated)  
• Ammonium nitrate or AN  
• Compound nitrogen phosphate fertilizers (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, bl. 1 | |
| GRI 102–4 Location of operations | PhosAgro locates in Russia and supplies products to 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 96 |
| 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 |

2. STRATEGY

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 10–14 Statement from senior decision-maker</td>
<td></td>
<td>On pages 24–25</td>
</tr>
</tbody>
</table>

3. ETHICS AND INTEGRITY

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 102–16 Values, principles, standards and norms of behavior</td>
<td></td>
<td>On pages 112–118</td>
</tr>
</tbody>
</table>

4. GOVERNANCE

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 102–18 Governance structure</td>
<td></td>
<td>On pages 138–165</td>
</tr>
</tbody>
</table>

5. STAKEHOLDERS ENGAGEMENT

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 102–41 List of stakeholder groups</td>
<td></td>
<td>On pages 116–129</td>
</tr>
<tr>
<td>GRI 102–41 Collective bargaining agreements</td>
<td>Collective bargaining agreements have been concluded with 100% of employees from the Company’s main production enterprises.</td>
<td>On page 125</td>
</tr>
</tbody>
</table>
APPENDIX 1
continued

GRI Indicator  Comment  Page number (or link)
GRI 102–40 Identifying and selecting stakeholders  On page 5 16
GRI 102–42 Approach to stakeholder engagement  On page 5 16
GRI 102–44 Key topics and concerns raised  On page 5 16

6. REPORTING PRACTICE
GRI 102–45 Entities included in the consolidated financial statements  On page 206
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 were 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 102–51 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
GRI 102–52 Reporting cycle  Since 2011, PJSC PhosAgro has published Integrated Reports annually.
GRI 102–53 Contact point for questions regarding the report  https://www.phosagro.com/investors/reports/year/

MATERIAL TOPICS
GRI 200 ECONOMIC
GRI 201 ECONOMIC PERFORMANCE
GRI 103 Management approach  On pages 16–14, 36–39
GRI 201–1 Direct economic value generated and distributed  On pages 58–59

<table>
<thead>
<tr>
<th>Item</th>
<th>Stakeholder</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct economic value generated</td>
<td>Suppliers and contractors</td>
<td>233,996</td>
</tr>
<tr>
<td>Revenue from sales</td>
<td>Employees</td>
<td>20,348</td>
</tr>
<tr>
<td>Revenue from other sales</td>
<td>Shareholders and creditors</td>
<td>9,448</td>
</tr>
<tr>
<td>Revenue from financial investments</td>
<td>447</td>
<td></td>
</tr>
<tr>
<td>Revenue from sale of assets</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Economic value distributed</td>
<td></td>
<td>(218,393)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(175,964)</td>
</tr>
<tr>
<td>Wages and other payments to employees</td>
<td>(12,209)</td>
<td></td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payments to shareholders</td>
<td></td>
<td>(13,598)</td>
</tr>
<tr>
<td>payments to creditors</td>
<td></td>
<td>(4,666)</td>
</tr>
<tr>
<td>Tax expenses and other payments to government</td>
<td>(11,956)</td>
<td></td>
</tr>
<tr>
<td>including income tax expense</td>
<td></td>
<td>(5,375)</td>
</tr>
<tr>
<td>Economic value retained</td>
<td></td>
<td>15,503</td>
</tr>
</tbody>
</table>

GRI 201–3 Defined benefit plan obligations and other retirement plans  On page 104
GRI 202 MARKET PRESENCE
GRI 103 Management approach  On page 106
GRI 202–1 Ratio 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
### APPENDIX 1

#### 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 303 ENERGY**

- **GRI 103 Management approach**
  - On page 84

- **GRI 303–1 Energy consumption within the organization**
  - The company also consumes a small amount of petrol.

- **GRI 303–2 Energy intensity**
  - On page 84–85

**GRI 303 WATER AND EFFLUENTS**

- **GRI 103 Management approach**
  - On page 83

- **GRI 303–1 Interactions with water as a shared resource**
  - On pages 83

- **GRI 303–2 Management of water discharge-related impacts**
  - On pages 83

- **GRI 303–3 Water withdrawal**
  - On pages 83

- **GRI 303–4 Water discharge**
  - On pages 83

**GRI 305 EMISSIONS**

- **GRI 103 Management approach**
  - On page 74

- **GRI 305–1 Direct (Scope 1) GHG emissions**
  - On page 83

- **GRI 305–4 GHG emissions intensity**
  - On page 83

- **GRI 305–7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions**
  - On page 83

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### Additional Information
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<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
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<tbody>
<tr>
<td>GRI 103 Management approach</td>
<td>Data on employee turnover is presented without breakdown by gender, age, and region.</td>
<td>On page 103</td>
</tr>
<tr>
<td>GRI 403–1 Education and training management system</td>
<td>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.</td>
<td>On page 104</td>
</tr>
<tr>
<td>GRI 403–2 Hazard identification, risk assessment, and incident investigation</td>
<td>As of 31 December 2018, 390 employees were on maternity/paternity leave.</td>
<td>On page 104</td>
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<tr>
<td>GRI 403–3 Occupational health services</td>
<td></td>
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</tr>
</tbody>
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**APPENDIX 1 continued**

### GRI 406 SOCIAL

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
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</thead>
<tbody>
<tr>
<td>GRI 406–4 Transport of hazardous waste</td>
<td>The Company performs no cross-border shipping of waste deemed hazardous under the terms of the Basel Convention.</td>
<td>On pages 81–92</td>
</tr>
<tr>
<td>GRI 406–2 Waste by type and disposal method</td>
<td></td>
<td></td>
</tr>
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### GRI 407 EMPLOYMENT

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
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</thead>
<tbody>
<tr>
<td>GRI 401–1 New employee hires and employee turnover</td>
<td>Data on employee turnover is presented without breakdown by gender, age, and region.</td>
<td>On page 86</td>
</tr>
<tr>
<td>GRI 401–2 Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>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.</td>
<td>On page 104</td>
</tr>
<tr>
<td>GRI 401–3 Parental leave</td>
<td>As of 31 December 2018, 390 employees were on maternity/paternity leave.</td>
<td>On page 104</td>
</tr>
</tbody>
</table>

### GRI 408 OCCUPATIONAL HEALTH AND SAFETY

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<thead>
<tr>
<th>GRI Indicator</th>
<th>Comment</th>
<th>Page number (or link)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 403–1 Occupational health and safety management system</td>
<td></td>
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</tr>
<tr>
<td>GRI 403–2 Hazard identification, risk assessment, and incident investigation</td>
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</tr>
<tr>
<td>GRI 403–3 Occupational health services</td>
<td></td>
<td>On page 93</td>
</tr>
</tbody>
</table>
On PUSC PhosAgro’s Sustainability Report for 2018

To the Management of PUSC PhosAgro

Introduction

We were engaged by the Management of PUSC PhosAgro (the “Management”) to perform an engagement to issue an independent limited assurance report on PUSC PhosAgro’s (“the Company”) Sustainability Report for 2018, which is included in the Company’s Integrated Report “Clean Minerals for Healthy Life” for 2018 (the “Integrated Report”) on pages 62-135 with a limited assurance conclusion that, based on our work, nothing has come to our attention that causes us to believe that Management’s statement that the Report is prepared, in all material respects, based on the “core” version of the Global Reporting Initiative Sustainability Reporting Standards (the “GRI Standards”) and is free from material misstatement, is not fairly stated.


Management’s Responsibilities

Management is responsible for the preparation and presentation of the Report that is free from material misstatement in accordance with the GRI Standards, and for the information and statements contained therein.

This responsibility includes designing, implementing and maintaining internal control system relevant to the preparation of the Report, to determine the Company’s objectives in respect of sustainable development performance and reporting, including the identification of key stakeholders and their material issues; selecting applicable requirements of the GRI Standards; preventing and detecting fraud, identifying and ensuring that the Company complies with the laws and regulations applicable to its activities; selecting and applying appropriate policies; making judgments and estimates that are reasonable in the circumstances; maintaining adequate records in relation to the information included in the Report; ensuring that staff involved with the preparation of the Report are properly trained, informing Management of any changes in the reporting system encompassing all key business units.

Our Responsibilities and Applicable Standards

Our responsibility is to perform procedures to obtain evidence in respect of the Report prepared by Management, and to issue a report with an independent limited assurance conclusion regarding Management’s statement in respect of the Report based on the evidence obtained.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether Management’s statement that the Report is prepared, in all material respects, based on the GRI Standards and is free from material misstatement, is fairly stated.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the Rules on Independence of Auditors and Audit Firms and the Code of Professional Ethics for Auditors approved by the Audit Council of the Ministry of Finance of the Russian Federation, and by the Code of Ethics for Professional Accountants adopted by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply the International Standard on Quality Control 1, and accordingly maintain a comprehensive system of quality control including documented policies and procedures, technical requirements, professional standards and applicable legal and regulatory requirements.

Procedures Performed

The procedures selected, and the determination of the nature, timing and extent of these procedures, depend on our professional judgment, including the assessment of risk of material misstatement during the preparation of the Report, whether due to fraud or error, our understanding of the Company’s activities, as well as other engagement circumstances.

In making these risk assessments, we

considered the internal control system relevant to the Company’s preparation of the Report, in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company’s internal control.

Our engagement also included assessing the appropriateness of the information included in the Report and the suitability of the GRI Standards used by Management in preparing the Report in the circumstances included in the engagement, evaluating the appropriateness of the methods and policies used by Management in the preparation of the Report and the reasonableness of estimates made by Management.

The procedures we developed based on the performed risk assessment are a combination of inspections, recalculations, analytical procedures and inquiries.

Our procedures included, but were not limited to the following:

• Inspection of the procedures used by the Company to identify topics and issues material to the Company’s key stakeholder groups, with the purpose of understanding such processes in the Company, as well as analysis of information from open sources on topics and issues material to key stakeholder groups of other organizations in the industry, with the purpose of determining the level of completeness of disclosure of such topics and issues in the Report;
• Interviews with Management representatives and officers at corporate headquarters and subsidiaries regarding the sustainable development strategy and policies regulating material issues in areas of importance for the Company, stage of implementation of such policies, and procedures for collecting information on sustainable development; and
• Interviews with staff at the corporate headquarter level and subsidiaries responsible for providing the information in the Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, "Statement of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Criteria Used

To evaluate the Report, GRI Standards were used which are available at the link: https://globalreporting.org/standards/

Management’s Statement

Management states that the Report is prepared, in all material respects, based on the GRI Standards and is free from material misstatement.

Inherent Limitations

Due to the limitations inherent in any internal control system, it is possible that fraud or errors occur that are not detected. Our engagement is not designed to detect all weaknesses in the internal control system over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the reporting period, and the procedures were performed on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and systems in operation at the reporting date, in our opinion, our conclusion has been reached, and to our attention that causes us to believe that Management’s statement that the Report is prepared, in all material respects, based on the GRI Standards and is free from material misstatement, is not fairly stated.

Engagement entity: PUSC PhosAgro
Registration No. in the United States Register of Legal Entities 1237700185272
Moscow, Russia

Audit firm (practitioner): JSC “KPMG” 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.
Registration No. in the unified State Register of Legal Entities 1237700185282

Acknowledgements

The following persons were responsible for the work performed in connection with this report:

• Engagement Partner: JSC "KPMG"
Moscow, Russia

May 29, 2019

Miaura E. I.
JSC “KPMG”
Moscow, Russia
May 29, 2019

PhosAgro Integrated Report 2018 phosagro.com

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**INDUSTRY TERMS**

**Ammonia**
A colourless combustible gas with the chemical formula \( \text{NH}_3 \). 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.

**Apatite-nepheline ore**
A type of feed phosphate with the highest phosphorus digestibility and content.

**Apatite**
A group of phosphate minerals (phosphate ore), usually referring to hydroxyapatite, fluorapatite and chlorapatite with the chemical formula \((\text{Ca},\text{Mg},\text{Al})_{5}(\text{PO}_4)_{3}(\text{OH},\text{F},\text{Cl})_{n}\). 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 (\(\text{P}_2\text{O}_5\)).

**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.

**Di ammonium phosphate or DAP**
A type of multi-nutrient fertilizer containing nitrogen and phosphorus. Production of DAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating. DAP is often used in the blending of tiny agricultural fertilisers, and sulphate of potash.

**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 smeltingstacks, 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 derived from phosphate rock, which is chemically treated to make phosphoric acid available for animals in the form of quality feed phosphates.

**FOB**
Free on board — an Incoterms rule. The FOB Maritime transport only. Once the goods are loaded on the vessel.

**Grade of mineral fertilizer**
The relative 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.

**K\(\text{O}_\text{2}\)**
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 \(\text{P}_2\text{O}_5\) content.

**Monosodium phosphate or MAP**
A type of multi-nutrient fertilizer containing nitrogen and phosphorus. Production of MAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating. Monosodium phosphate is often used in the blending of tiny agricultural fertilisers.

**Monocalcium phosphate or MCP**
A type of feed phosphate with the highest phosphorus digestibility and content.

**MOP**
Mineral (inorganic) acid having the chemical formula \(\text{H}_3\text{PO}_4\). MOP or (phosphoric pentoxide) is a multi-nutrient fertilizer containing nitrogen, phosphorous and sulphur.

**Nitrogen or \(\text{N}\)**
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, phosphorus and sulphur.

**Open-pit mine**
A mine worked by removing the overburden and transporting miners, supplies, ore or capping.

**Phosphate rock**
Phosphate rock (apatite concentrate or phosphorus concentrate) is an impure term that includes both unprocessed phosphorus-containing ore and beneficiated concentrates. Practically all production of phosphate rock 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 \(\text{H}_3\text{PO}_4\). Phosphoric acid (phosphoric pentoxide) is a term used to express the content of phosphorus in a substance.

**Phosphorus or \(\text{P}\)**
One of the primary plant nutrients essential for plant growth. Phosphorus or \(\text{P}\) are used internally to produce other types of commercial products.

**Potash or \(\text{K}\)**
One of the primary plant nutrients essential for plant growth. Potash or \(\text{K}\) are used internally to produce other types of commercial products.

**Performance indicators of a division**
That help the Company evaluate the implementation of plans and make decisions regarding management remuneration.

**Quality feed phosphates**
Feed phosphates that are high-quality phosphorus source for animal feed. Most inorganic feed phosphates are derived from phosphate rock, which is chemically treated to make quality feed phosphates available for animals in the form of quality feed phosphates.

**Spent or used water from individual homes, communities, farms or industries that contains dissolved or suspended matter.**

**Upstream**
Extraction of solid, liquid and gaseous resources from the earth using specialised equipment.

**Water**
Sediment
**Sedimentation**
Of the deposition of solid, liquid and gaseous resources 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 \(\text{H}_2\text{SO}_4\).

**Tailings**
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.
OTHER TERMS

Base Convention
The Basle 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 Basle 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.

Defra
The Department for Environment, Food and Rural Affairs (Defra) is the government department responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities in the United Kingdom.

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 areas 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.

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. Measurements are also taken in the whole catchment area of the Baltic Sea to reduce land-based pollution.

ISO
International Organization for Standardization.

JSC Apatit
Apatit
Kirov branch of JSC Apatit
KlI of Apatit
Balakovo branch of JSC Apatit
BB of Apatit
JSC Metachem
Metachem
OJSC NIUIF
NIUIF
JSC PhosAgro-Trans
PhosAgro-Regional LLC
Phosagro-Region
Mining and Chemical Engineering LLC
Mining and Chemical Engineering of MOE
Smart Bulk LLC
Smart Bulk
Phosagro Asia Pte Ltd
Phosagro Asia
Phosint Trading Limited
Phosint Trading

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.

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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.

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International Organization for Standardization.

Apatit
KlI of Apatit
BB of Apatit
Metachem
NIUIF
PhosAgro-Regional LLC
Phosagro-Region
Mining and Chemical Engineering LLC
Mining and Chemical Engineering of MOE
Smart Bulk LLC
Smart Bulk
Phosagro Asia Pte Ltd
Phosagro Asia
Phosint Trading Limited
Phosint Trading

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.

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 27-R on Approval of Methodological Recommendations for Application of Classification of Reserves of Deposits and Potential Resources of Solid Minerals.

Ensuring the completeness of palaeontological exploration, rational use and preservation of subsurface 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 authored by Mr Sergey Glubokiy, Chief Geologist of the Kirovsk branch of Apatit.
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