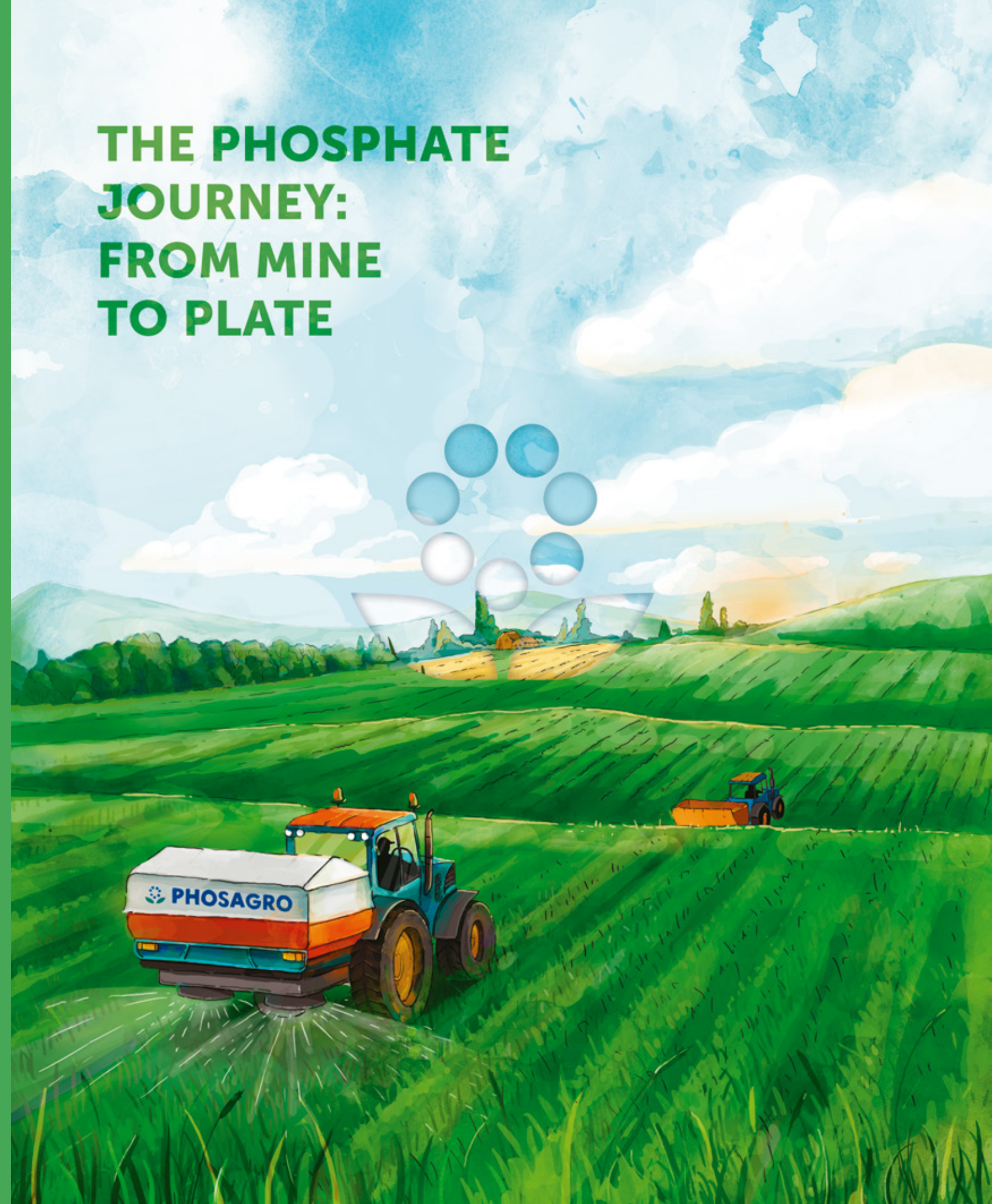
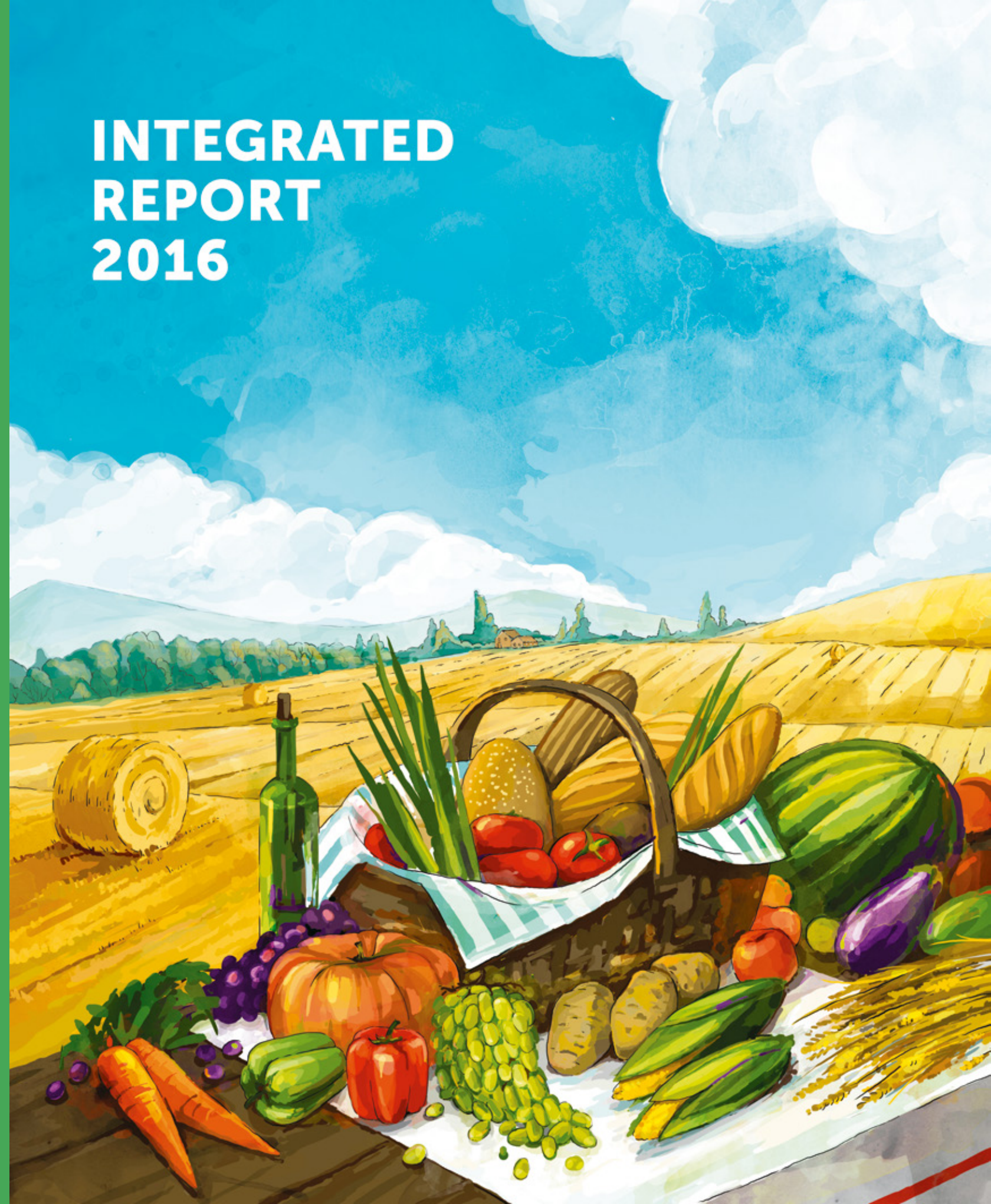


THE PHOSPHATE JOURNEY: FROM MINE TO PLATE





INTEGRATED REPORT 2016





PHOSAGRO

We are a vertically integrated phosphate-based fertilizer producer with mining, processing, logistics and distribution assets in Russia. PhosAgro is one of the largest phosphate-based fertilizer producers by capacity, enjoys a sustainable cash-cost advantage and produces some of the purest phosphate-based fertilizers available worldwide thanks to its high-quality resource base.

The phosphate journey begins at our Apatit mine and beneficiation plant on the Kola Peninsula in north-west Russia, where we extract unique apatite-nepheline ore that contains almost no cadmium or other harmful heavy metals. This high-quality raw material is a key input for our downstream production sites, which make some of the world’s purest and safest phosphate-based fertilizers that farmers use to grow the food that ends up on our plates.

We sell 35 grades of fertilizers and other end products to agricultural producers from over 100 countries. PhosAgro has flexible, efficient production lines, its own distribution and sales network in Russia, as well as sales offices in priority export markets like Latin America, Europe and Asia. With integrated logistics, including a fleet of railcars and a port terminal in Ust-Luga, we are able to further secure our sustainable low cash-cost advantage.

Our vision

We aim to supply safe and effective crop nutrient solutions to farmers around the world. We seek to help our end customers meet increasing global demand for food by enabling them to grow superior-quality crops, utilising the uniquely safe and pure phosphate-based crop nutrients that PhosAgro produces.

We have already completed, or are nearing completion of, major investments in upstream, downstream, logistics and sales operations as part of our strategy to 2020, with the goal of expanding our ability to produce the world’s purest and safest mineral fertilizers.

Our strategy builds value for our shareholders by enabling us to increase our internal use of apatite-nepheline ore for value-added end products and to achieve sustainable cost savings with more efficient technologies or vertical integration of key parts of the value chain.

Our purpose

We contribute to global food security by producing mineral fertilizers that increase the output, quality and heartiness of crops. Thanks to the exceptionally low content of cadmium and other dangerous heavy metals, our crop nutrients minimise the risk of these elements entering the food supply through fertilization.

By 2050, the global population is expected to reach 9.6 billion people, which implies a 60% increase in demand for soft commodities just to feed the increased population. Changing diets and alternative uses for soft commodities add to this already substantial growth in demand.

We believe that, by implementing our strategy aimed at strengthening our core sustainable advantages, we will best serve our shareholders, the local communities where we work, farmers all over the world who use our products, as well as the consumers of the food grown with PhosAgro fertilizers.

About this report

The purpose of this integrated report is to inform the reader about the material issues that have the potential to impact our business, and to help the reader understand how this influences our strategy, our operations, our financial performance, the long-term sustainability of our business and the value we seek to create for our stakeholders. In this report, we answer the eight questions that integrated reporting is meant to address:

1. What does the organisation do and what are the circumstances under which it operates?
2. How does the organisation’s governance structure support its ability to create value for stakeholders in the short, medium and long term?
3. What is the organisation’s business model?
4. What are the specific risks and opportunities that affect the organisation’s ability to create value for stakeholders in the short, medium and long term?
5. What are the Company’s key strategic goals and how does it intend to achieve them?
6. To what extent has the organisation achieved its strategic objectives for the period, and what was the effect on the value of the Company for stakeholders?
7. What are the key challenges and uncertainties that the organisation is likely to encounter in pursuing its strategy, and what are the potential implications for the business model and future performance?
8. How does the organisation determine which matters are worth including in the integrated report, and how are such matters quantified or evaluated?

Pure and safe fertilizers

In this report, we also discuss how the unique quality of our phosphate raw materials allows us to produce some of the purest and safest fertilizers in the world, enabling farmers and consumers to be confident that PhosAgro fertilizers are not introducing dangerous heavy metals like cadmium into the global food supply.

Corporate responsibility

In order to secure the long-term sustainability of our business model and our operations in Russia, we take a broader view of our interaction with stakeholders and the material issues that could affect our business. In this report, we discuss our investments in human capital, health and safety, and the local communities in the regions where we operate. We provide details on how our governance systems have been adapted to address business conduct issues, what we are doing to diminish our impact on the environment and how we maintain relationships with our key stakeholders.

Determining our material issues

The information within this report was compiled after determining and assessing PhosAgro’s material financial and non-financial issues. Matters for inclusion in the report are determined by their scope and relate to the businesses over which the organisation has operational control.

Contents

STRATEGIC REPORT

Year at a glance	6
Oracle	8
Chairman’s statement	10
Chief executive officer’s statement	14
Our assets	18
Business model	20
Strategy	24
Where we operate	28
Market overview	32
Scientific approach	38
Operational review	44
Financial review	48

CORPORATE RESPONSIBILITY REPORT

Environmental review	56
Health and safety review	64
People review	68
Community investment review	76
Business conduct review	82
Stakeholder engagement	84
Managing our risk	96

CORPORATE GOVERNANCE

Board of Directors	104
Executive management	106
Corporate governance	108
Management responsibility statement	122

FINANCIAL STATEMENTS

Independent Auditors’ Report	123
IFRS FS and notes	127

ADDITIONAL INFORMATION

Shareholder information	162
Glossary	164
Names of legal entities used in this report	167
Contacts	168

2016 AT A GLANCE

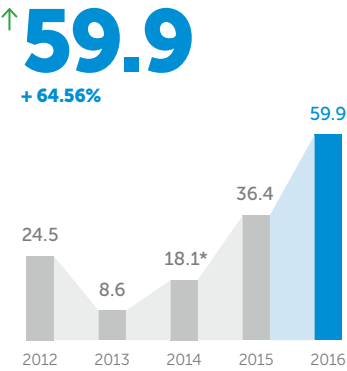
Financial highlights

PhosAgro continued to deliver outstanding value for investors in 2016: we declared dividends totalling RUB 28 billion, or RUB 216 per share (RUB 72 per GDR) backed by sustainable cash flows, we remain on track to launch new, efficient capacities in 2017 that will support further growth, and we finished the year with net debt/EBITDA of just 1.45x.



See additional information
on page 50

Net profit, RUB bln



*Adjusted net profit is calculated as net profit adjusted for unrealised foreign exchange loss

Operating highlights

- While new ammonia and granulated urea capacities are on track to launch in 2017, we increased finished goods output by 8% year-on-year by investing in modernisation and debottlenecking existing capacities
- With the lowest cash cost in the industry, PhosAgro was able to maintain near 100% capacity utilisation throughout 2016, even as other global players were forced to shutter ineffective and loss-making production in the face of historically low prices
- Increased sales in the domestic Russian market, where agricultural production continues to grow and ongoing investments in the agricultural sector represent a significant opportunity for domestic fertilizer producers with well-developed distribution networks like PhosAgro



See additional information
on page 46

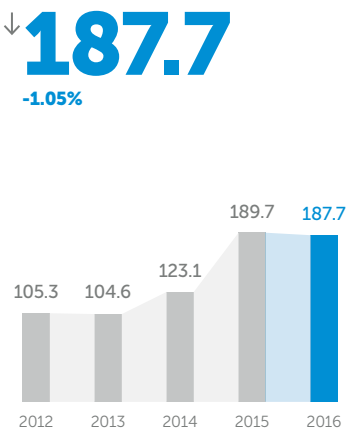
Corporate responsibility highlights

We continue to invest in improving our environmental footprint, as well as in maintaining leading workplace health and safety solutions.

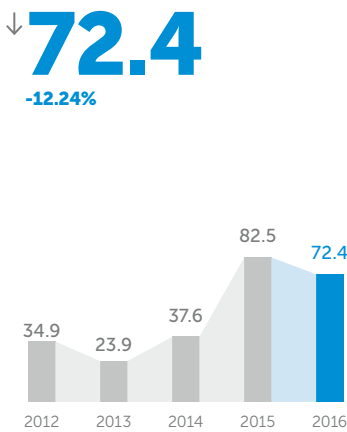


See additional information
on page 58

Revenue, RUB bln

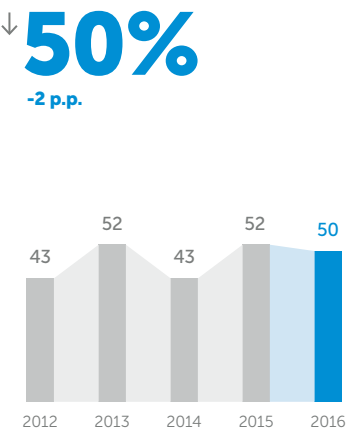


EBITDA, RUB bln

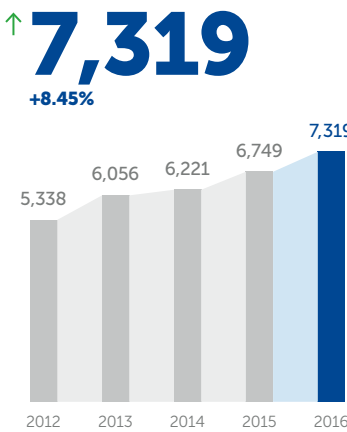


Dividend payout ratio, %

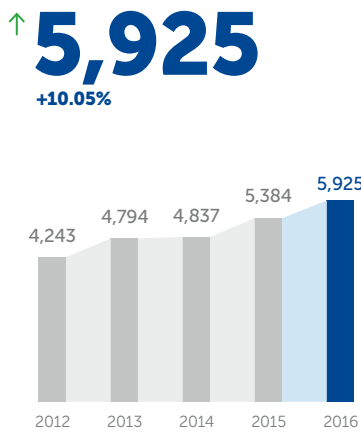
Dividends accrued for a given year



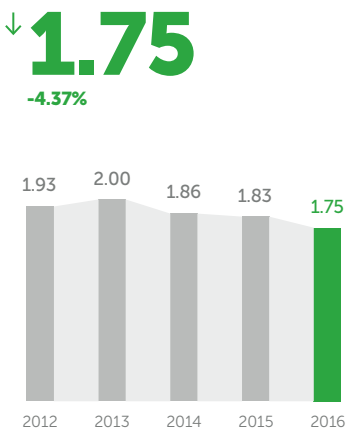
Downstream sales volumes, kt



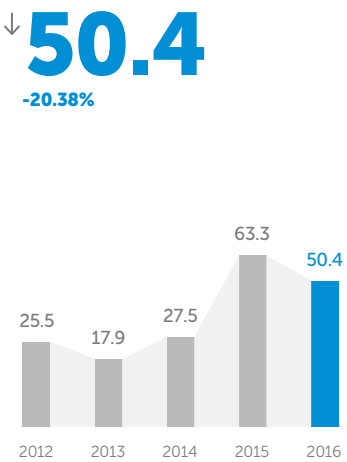
Phosphate-based fertilizers, MCP and STPP sales volumes, kt



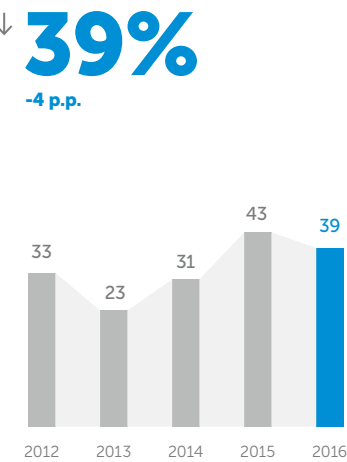
Emissions into the air per unit of production, kg/t



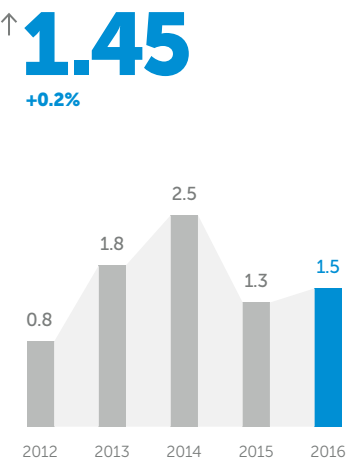
Cash flow from operating activities, RUB bln



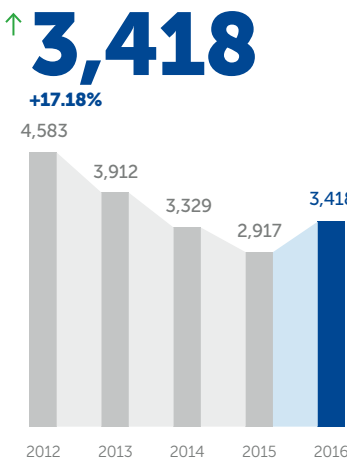
EBITDA margin, %



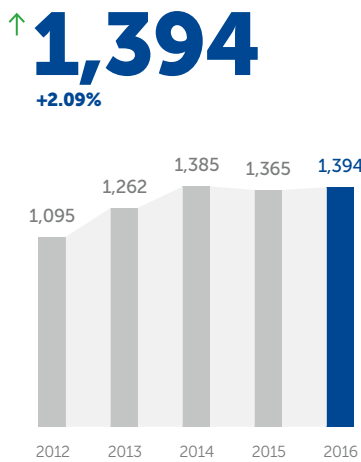
Net debt/EBITDA



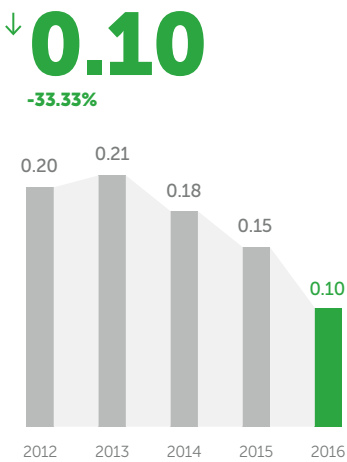
Upstream sales volumes of apatite-nepheline ore products, kt



Nitrogen fertilizers sales volumes, kt



Lost time injury frequency rate (LTIFR), per 200,000 hours worked



In 2016, PhosAgro launched a project to introduce Oracle Enterprise Business Suite (OEBS) R12, an enterprise resource planning (ERP) system that offers integrated and often real-time management of core business processes.



THE NEW SYSTEM WILL INCLUDE:

Oracle Primavera

A project management system that will unify and automate business processes, including capital investment projects, IT projects and organisational restructuring. In testing since December 2016.

Oracle Demantra

A demand forecasting system that gives PhosAgro greater granularity by product category and by market.

Oracle Siebel CRM

Will be used by traders to increase transparency and create a single client database.

Oracle Strategic Network Optimisation (SNO)

An integrated planning solution that will increase efficiency and reduce costs by consolidating Company data and automating processes that previously had to be done by hand. Planning will be brought into a single central function.

Oracle Hyperion Financial Management

Will be used for preparation of IFRS financial statements, reducing preparation time and retaining an audit trail for all data.

Integration of OEBS R12 is a key project to increase the efficiency of PhosAgro's business processes. Around 3,000 employees will use the system once it is fully deployed. As such, the integration project is a substantial undertaking, involving around 150 members of staff, as well as external consultants.

OEBS R12 is being installed from scratch to replace the previous version, R11, which PhosAgro introduced six years ago. Since then, the Company has evolved at a fast pace, and its requirements have outgrown what the previous system could offer in terms of integrated resource planning, project management, forecasting, preparation of financial statements to International Financial Reporting Standards and CRM. These solutions will all be integrated using a corporate database that includes all of the Company's operational and financial data, as well as staff information.

When completed, PhosAgro will have one of the most advanced ERP systems of any Russian corporation, and a significantly higher percentage of automated business processes. This will increase transparency and efficiency and reduce costs across the Company.

Integration of OEBS R12 is a key project to increase the efficiency of PhosAgro's business processes. It is the largest project in Russia, Central and Eastern Europe in 2016–2017, according to Oracle Consulting data

~150 MEMBERS OF STAFF INVOLVED, AS WELL AS EXTERNAL CONSULTANTS

CHAIRMAN'S STATEMENT



“ PhosAgro delivered impressive performance on its strategy to 2020, and the Board is finalising a new set of priorities through 2025 that aim to continue to create value for stakeholders, from the mines of Apatit to food consumers’ plates around the world. ”

Sven Ombudstvedt
Chairman of the Board
of Directors

Nearing completion of 2020 strategic goals
Since announcing its strategy to 2020 at the end of 2014, PhosAgro has made significant progress towards achieving the goals that the Board of Directors set before the Company.

When we approved the current strategy, the Board and I believed that it would create value for stakeholders by making the business more sustainable, more efficient and better able to meet demand from customers around the world.

Efficient growth: Since 2012, PhosAgro's fertilizer production has grown at a CAGR of 7.9%, while the Company has invested just USD 95 million into upgrades and modernisation of existing production capacities. The resulting 1.6 million tonnes of production capacity has strengthened our business and brought an EBITDA uplift of roughly USD 180 million per year.

PhosAgro's strategic strengths benefitted stakeholders in 2016

New production capacity and self-sufficiency: At the same time, PhosAgro is nearing completion of larger, ambitious strategic projects that will secure the Company's position as one of the world's leading fertilizer producers longer-term: the new 760 ths tonnes/year ammonia unit, and a new 500 ths tonnes/year granulated urea line are both on track to launch in 2017, as planned.

With the launch of these new capacities, PhosAgro will further secure its position as one of the lowest cash-cost producers of phosphate-based fertilizers in the world, with significant potential to continue to expand production capacity and remain self-sufficient in key inputs.

Direct access to premium markets: During 2016, in addition to Zug, Warsaw, Sao Paulo and Singapore, PhosAgro opened trading offices in Biarritz and Hamburg. The Company is already benefitting from the ability to work directly with local farmers and distributors in these markets, and this will further strengthen as production capacity ramps up with the launch of new capacities.

Corporate governance
In my role as the Chairman of the Board of Directors, I am directly involved in ensuring that PhosAgro's corporate governance systems meet the needs of the business and its stakeholders. We have worked hard in recent years to introduce policies

KEY MILESTONES 2016			
MAJOR INVESTMENT PROJECTS ON TRACK FOR LAUNCH IN 2017: 760 KT/YEAR AMMONIA AND 500 KT/YEAR GRANULATED UREA	NEARING COMPLETION OF KEY TARGETS FOR STRATEGY TO 2020	RUB 28 BILLION IN DIVIDENDS PAID IN 2016 NET DEBT/EBITDA: 1.45X	STRATEGY TO 2025 WILL AIM TO DEVELOP PHOSAGRO ASSETS FURTHER AS GLOBAL COST LEADER

and systems to ensure proper and efficient monitoring, oversight, communication and accountability across the Company’s assets.

Being well-informed: Members of the Board have access to up-to-date information on financial and operating performance across the Group and regularly interact with the management team, maintaining dialogue on all material issues facing the Company.

Independence: Maintaining representation from independent members of the Board helps to ensure that the interests of all stakeholders in the Company are represented and have a voice at Board meetings.

Experience: Our backgrounds range from global chemical and fertilizer companies to soft commodities trading, audit and internal controls. As a large Russian business, our Board also has individuals with significant experience and expertise that is specifically Russia-focused.

PhosAgro’s growth helps create jobs for highly qualified specialists in the communities where we operate in Russia

Diversity: In addition to diverse backgrounds, we hail from all over the world: Russia, Norway, the United Kingdom and the United States. This helps us to better understand our many international stakeholders, which include customers, shareholders, lenders, suppliers and other business partners.

Constant focus on improvement: Throughout 2016, the Board oversaw implementation of several important initiatives for PhosAgro’s corporate governance, which are discussed on pages 110–123 of this report.

Corporate responsibility from mine to plate
Corporate responsibility for PhosAgro starts at the mines in Apatit where we extract apatite-nepheline ore and continues all the way through every step of the phosphates’ journey to the food on our plates.

We maintain stringent workplace health and safety practices and constantly aim to ensure that we are providing the people who work at our production facilities with the best available practices in this area.

Environmental protection is another high priority: we invest in new capacities and

modernisation to increase efficiency and improve our environmental footprint.

PhosAgro’s growth helps create jobs for highly qualified specialists in the communities where we operate in Russia, and we are constantly investing in education, health and other aspects of local communities in a mutually beneficial way.

PhosAgro continues to implement and refine business conduct policies and practices to ensure that the Company and its suppliers are doing business in an ethical and honest way.

Supported by extensive research and flexible production and sales models, we can supply farmers with the right crop nutrients for specific crops and growing conditions.

Finally, food consumers benefit from proper use of PhosAgro fertilizers because of the unique high quality of the ore that is mined at Apatit: this ore is exceptionally pure and enables us to efficiently produce fertilizers that are free of dangerous contaminants like lead, arsenic or cadmium that could eventually find their way into the food we put on our plates.

Strategic review – looking ahead to 2025

The Board and I have been impressed by the pace at which the Company has reached key milestones in the strategy to 2020. We launched a strategic review in 2016 and are in the process of finalising the strategy to 2025, which specifies a new set of targets for PhosAgro’s next phase of growth and development.

Having already seen impressive execution and the positive impact on financial and operating results of the strategy to 2020, the Board and I have all the confidence that the ambitious goals we set under the strategy to 2025 will continue to create value for PhosAgro’s stakeholders, from the mines of Apatit to the plates of food consumers around the world.



Sven Ombudstvedt
Chairman of the Board of Directors

ESG PRIORITIES

WE HAIL FROM ALL OVER THE WORLD, WHICH HELPS US TO BETTER UNDERSTAND OUR MANY INTERNATIONAL STAKEHOLDERS

WE MAINTAIN STRINGENT WORKPLACE HEALTH AND SAFETY PRACTICES

WE INVEST IN NEW CAPACITIES AND MODERNISATION TO INCREASE EFFICIENCY AND MINIMISE OUR ENVIRONMENTAL FOOTPRINT

CHIEF EXECUTIVE OFFICER'S STATEMENT



// PhosAgro proved once again that it is able to deliver value throughout market cycles, with 2016 production output increasing by 8% year-on-year, an EBTIDA margin of 39% and sustainable progress in achieving our strategic goals. //

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

HIGHLIGHTS 2016

+9.4%

TOTAL FERTILIZER
PRODUCTION VOLUME
GROWTH, YEAR-ON-YEAR

From mine to plate

Phosphorous is essential to plant and animal life. PhosAgro mines and processes apatite-nepheline ore, which it uses to produce high-quality phosphate-based fertilizers that agricultural producers all over the world may use to produce the food we eat.

I am especially proud of the fact that, due to the unique qualities of the apatite-nepheline ore that we mine and use as a key raw material, PhosAgro's phosphate-based fertilizers are among the purest and safest in the world. Our products are naturally free of dangerous heavy metals and other impurities found in many other phosphate deposits.

When our fertilizers are applied to fields, plants receive only helpful and necessary nutrients, while not introducing potentially hazardous elements into the food chain. Proper use of PhosAgro products helps farmers produce food that is safe and healthy for the end consumer.

We delivered impressive results in a challenging market in 2016

Strategic performance

PhosAgro delivered another strong year in terms of strategic performance. Against the backdrop of challenging market conditions, 2016 demonstrated the advantages of our efforts to further improve our industry-leading low cash-cost position.

PhosAgro operated at near 100% capacity utilisation, increasing both production output and sales volumes for the year, while many global producers had to cut back capacities.

We continued to generate strong cash flows and maintained solid profitability, enabling PhosAgro to pay dividends to shareholders in line with the dividend

policy, while continuing to implement an ambitious investment programme and also reducing debt levels.

We continued moving closer to customers, opening new sales offices in Europe, and benefitted from recently completed projects like Smart Bulk Terminal and underground mining at Main Shaft No 2 at Apatit's Kirovskiy mine.

With our key investment projects, the new 760 ths tonnes/year ammonia line and 500 ths tonnes/year granulated urea shop, on track to be commissioned in 2017, we have begun work on a new strategy, which will set ambitious goals for management to 2025.

DIRECT ACCESS TO
PRIORITY MARKETS: NEW
SALES OFFICES IN BIARRITZ
(FRANCE) AND HAMBURG
(GERMANY)

ALMOST 100% CAPACITY
UTILISATION DESPITE
CHALLENGING MARKET
CONDITIONS

+9%

INCREASE IN FERTILIZER
SALES VOLUMES,
YEAR-ON-YEAR

Operating performance

On the back of continued investments in debottlenecking and modernisation, we delivered a 9.4% year-on-year increase in fertilizer production volumes in 2016, and total fertilizer sales increased by 8.8% year-on-year. Production of phosphate-based fertilizers and feed phosphates increased by 10.8% year-on-year to 5.9 million tonnes, while production of nitrogen-based fertilizers increased by 4.3% year-on-year to 1.5 million tonnes.

Financial performance

While 2016 was a challenging year for the fertilizer industry, PhosAgro continued to generate solid operating cash flows, and paid out dividends in line with our dividend policy, despite being in a capex-intensive period. We delivered an EBITDA margin of nearly 40% in 2016, which remains an unachievable target for even our most integrated and largest phosphate-based fertilizer peers.

In 2016 the Company entered into the final stage of construction of the new ammonia production line

With prices under significant pressure globally, our EBITDA for 2016 decreased by 12% year-on-year to RUB 72.4 billion from RUB 82.5 billion in 2015.

Net debt as of 31 December 2016 stood at RUB 105.1 billion, down from RUB 105.2 billion as of 31 December 2015, as a result of rouble appreciation against the USD as of 31 December 2016. Our net debt to EBITDA ratio increased to 1.45 as of 31 December 2016, from 1.28 as of 31 December 2015.

Corporate responsibility

We continued to work hard on our corporate responsibility activities in 2016, focusing on environmental impact, education in the cities and towns where

we work, corporate conduct and a variety of other areas that build value for a wide range of stakeholders.

Market environment

Market conditions remained challenging throughout 2016, driven by high levels of supply. Several major players that had undertaken large-scale investment programmes increased their phosphoric acid output, which decreased prices for this key input, allowing some non-integrated mineral fertilizer producers to increase production volumes, which decreased import demand. Global prices for phosphate-based fertilizers declined significantly. This had a significant effect on China, which is the world’s largest phosphoric acid producer. Low prices

combined with production costs rising for the first time in the last 7-8 years led to a significant contraction of China’s share in export markets.

At the same time, global demand for phosphates was healthy in 2016, according to preliminary numbers from the IFA, advancing more than 3% vs 2015. This is a much faster rate of growth than what was seen for either nitrogen or potash fertilizers. Demand growth was supported by a recovery in consumption in Latin America, and stable performance in South Asia.

In the domestic market, PhosAgro’s sales increased impressively by 30% year-on-year in 2016 and reached nearly 2.1 million tonnes. The Russian market remained one of the globally fastest-growing last year, up 16% year-on-year according to preliminary data from the Russian Association of Fertilizer Producers, driven by strong development of the domestic agriculture industry (as a result

of government policies and support from mineral fertilizer producers).

Outlook

We started 2017 at prices that represent historical lows for the past 7 years. Unlike 2016, however, I expect price seasonality to be in line with what the market normally sees. The fundamentals driving demand for phosphate-based products remain strong. The combination of a recovery in ammonia prices, greater rationalisation by high-cost, non-integrated Chinese producers and very tight product availability should push prices up as the high season unfolds. As of the end of March, DAP prices have already risen by 16%, with potential to continue growing ahead of the buying season in South Asia and Latin America. At the same time, this is balanced by more new production coming on line in North Africa and Saudi Arabia, which will constrain potential price growth.

Both our key investment projects, the construction of new ammonia and urea

units, on schedule and expected to be fully operational in the second half of 2017. After their completion, PhosAgro will begin to achieve cost savings from using the ammonia we produce instead of purchasing externally, combined with higher sales volumes. This should have a positive impact on free cash flow and potentially on dividend payments.

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

HIGHLIGHTS 2016

+10.8%

YEAR-ON-YEAR INCREASE
IN PHOSPHATE-BASED FERTILIZER
AND FEED PHOSPHATES
PRODUCTION

+4.3%

YEAR-ON-YEAR INCREASE
IN NITROGEN FERTILIZER
PRODUCTION

+30%

YEAR-ON-YEAR INCREASE
IN PHOSAGRO’S DOMESTIC
MARKET SALES

PHOSAGRO WILL BEGIN TO
ACHIEVE COST SAVINGS
FROM USING AMMONIA
WE PRODUCE INSTEAD OF
PURCHASING EXTERNALLY,
AND WILL BENEFIT FROM
HIGHER SALES VOLUMES.

OUR ASSETS

UPSTREAM CAPACITIES		DOWNSTREAM CAPACITIES		DISTRIBUTION AND SALES	
					
Apatit		PhosAgro-Cherepovets		PhosAgro-Region	
JSC Apatit100%		JSC PhosAgro-Cherepovets100%		PhosAgro-Region LLC (storage and distribution)99.90%	
- Mining of apatite-nepheline ore - Production of phosphate rock - Production of nepheline concentrate		Production of phosphate-based fertilizers, nitrogen fertilizers, sulphuric and phosphoric acids and ammonia.		Russia's largest distributor of fertilizers, with 10 distribution centres and three branches in close proximity to Russia's major agricultural regions.	
Phosphate rock8.5 mln t Nepheline concentrate1.7 mln t		MAP/DAP/NPK/NPS4.0 mln t Urea980 kt Ammonia1,190 kt APP140 kt AN450 kt		PKS/SOP100 kt STPP130 kt Distribution centres in Russia10 Regional representative offices4	
Balakovo branch of Apatit		PhosAgro Trading		Phosint Trading Ltd. (distribution)100%	
Balakovo branch of JSC Apatit100%		PhosAgro Asia Pte. Ltd. (distribution)100%		PhosAgro Trading SA (trading company based in Zug)98.44% as of 19.04.2017	
Production of phosphate-based fertilizers, feed phosphate, sulphuric and phosphoric acid.		Sales offices in Biarritz (France), Hamburg (Germany), Zug (Switzerland), Warsaw (Poland), Singapore (Asia) and Sao Paulo (Brazil) bring vertical integration into priority export markets.		International trading offices6	
Investing in the future We have made highly productive investments into existing capacities to improve efficiency and increase production output even as we continue to construct entirely new ammonia and granulated urea plants that are due to launch in 2017.		Focus on efficiency from mining to sales and distribution		LOGISTICS	
Our new capacities use the latest, most efficient production technologies available, meaning they improve our environmental footprint while also securing PhosAgro's position as one of the lowest cash-cost producers in the global fertilizer industry.		Expanding vertical integration Our vertical integration into logistics, with the launch of the Smart Bulk Terminal, delivered sustainable cost savings in 2016, as we shipped 1.3 million tonnes of fertilizers to export markets through this efficient new facility in Ust-Luga.			
In a continued effort to move closer to farmers in priority markets, we set up sales offices in Biarritz (France) and Hamburg (Germany) during 2016.		PhosAgro-Trans			
		PhosAgro-Trans LLC (transportation)100%		Smart Bulk Terminal LLC (loading)70%	
		Handles domestic freight rail operations, with 5,559 railcars (primarily mineral hoppers) in operation.		Modern container and bulk terminal in Ust-Luga with an export capacity of 2 million tonnes/year.	
		Railcars5,559		Own shipment terminal capacity2 mln t	
		www.phosagro.com		ENGINEERING AND R&D	
				OJSC NIUIF (research and development)94.41%	
				CJSC Mining and Chemical Engineering100%	

BUSINESS MODEL

Ongoing investments in efficiency and business process optimisation, combined with domestic access to all key inputs, support our sustainable low-cost position among global producers of phosphate-based fertilizers

As a vertically integrated company, we capture value for shareholders at every step of the process, from mining of phosphate raw materials to distribution and sales of finished products to farmers in Russia or sales to distributors in priority export markets like Europe, Latin America and Asia.

At the same time, we aim to create value for other stakeholders at every link in the chain, whether by managing our environmental footprint, implementing leading workplace health and safety practices, investing in flexible production lines and new fertilizer grades that meet farmers' crop nutrient needs or ensuring a reliable supply of safe and pure fertilizers for our customers.

Ultimately, every consumer of food grown with PhosAgro fertilizers benefits from high-quality and plentiful crops that are grown with fertilizers free from harmful elements like cadmium, lead or arsenic.

HIGHLIGHTS:

\$95MLN

INVESTED IN
MODERNISATION AND
DEBOTTLENECKING SINCE
2012 HAS RESULTED IN

1.6MLN T

OF NEW PRODUCTION
CAPACITY, WHICH GIVES
PHOSAGRO UP TO

\$180MLN

ADDITIONAL EBITDA P.A.
SINCE 2015



KEY ASPECTS OF PHOSAGRO'S VALUE CHAIN

1 High-quality natural resources
Apatit, where we mine apatite-nepheline ore and process it into phosphate rock, is the heart of our business. The phosphate rock we produce at Apatit is high in P₂O₅ nutrient content, and contains almost none of the dangerous impurities, like cadmium, often associated with other phosphate mineral deposits.

2 Upstream: mining and processing
Investments in underground mining and beneficiation capacities, as well as the introduction of leading-edge workplace health and safety practices and technologies, have helped turn Apatit into a world-class phosphate rock production operation. We have achieved a more-than 94% recovery ratio for phosphate rock with high nutrient content.

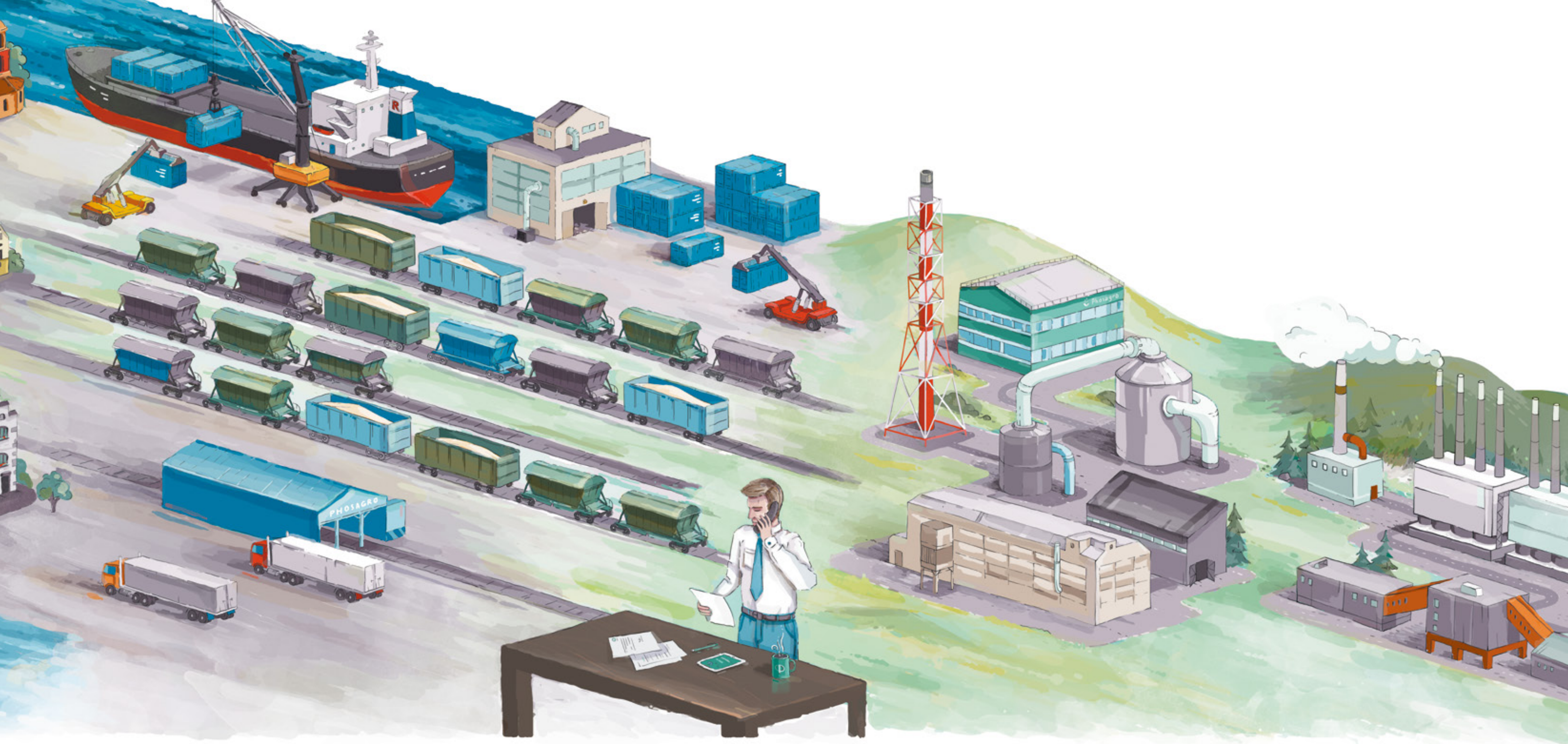
3 Downstream: fertilizers, feed & industrial phosphates
We produce 35 grades of fertilizers, including grades containing secondary (sulphur) and micro nutrients like zinc and boron at our three downstream production sites in Russia. With major investments into new capacities on track for completion in 2017, we plan to increase our flexible fertilizer and end product production capacities by another 20% in the coming years.

4 Sales
We have moved closer to customers in our priority markets by opening sales offices in Brazil, Europe and Asia. This has helped us to significantly improve relations with local buyers, enabling us to meet their needs better with the crop nutrients they need.

5 Logistics
In-house logistics infrastructure provides sustainable cost advantages and improves the reliability of operations. We manage our own fleet of 5,559 railcars in Russia, and in 2016 we shipped 27% of downstream products export volumes through our Smart Bulk Terminal at the Ust-Luga port.

6 Distribution
We are the largest supplier of fertilizers in the domestic Russian market, where we operate a fully integrated distribution and sales network. This has enabled us to significantly increase sales volumes and market share at the time when Russia's agricultural production industry is growing rapidly.

7 Value created
We aim to create value for all of our stakeholders, including the consumers of food grown with the help of PhosAgro crop nutrients, which benefit from very low levels of cadmium and other harmful elements thanks to the exceptionally pure raw materials we use from the very start.



Logistics

27%

OF DOWNSTREAM PRODUCTS
EXPORT VOLUMES WENT
THROUGH SMART BULK TERMINAL
IN UST-LUGA

Sales

80%

OF DOWNSTREAM PRODUCTS
EXPORT SALES TO KEY MARKETS
MADE VIA OUR OWN SALES
OFFICES

Downstream fertilizers, feed & industrial phosphates

17.2%

Y-O-Y INCREASE IN PRODUCTION
OF NPK/NPS FERTILIZERS IN 2016

Upstream mining and processing

74%

APATITE-NEPHELINE ORE
EXTRACTED FROM UNDERGROUND
MINES IN 2016

We have already delivered a significant portion of our key strategic milestones under the strategy to 2020, which aims to further enhance PhosAgro’s inherent strengths: vertical integration, ownership of unique and high-quality phosphate resources, and domestic access to all key inputs for fertilizer manufacturing. Implementation of our strategy to 2020 will strengthen our position as one of the lowest cash-cost producers in the global industry, and will significantly enhance our ability to provide safe crop nutrient solutions to farmers nearly anywhere in the world.

2016 highlights:

We have already started to benefit from implementation of parts of our strategy to 2020, and are on track to deliver on key milestones during the year ahead:

- Increased fertilizer production output by 9.4% year-on-year through investments in modernisation and debottlenecking of existing capacities. Since 2012, investments in debottlenecking of just USD 95 million have delivered 1.6 million tonnes of additional capacity, which provides up to USD 180 million of EBITDA per annum
- Increased sales to priority export markets with the help of our own sales offices in South America, Europe and Asia (for more information, see “Where we operate” on pages 24–25)
- Shipped 27% of 2016 downstream products export volumes through Smart Bulk Terminal in Ust-Luga, achieving cost savings vs. non-integrated port terminals
- Ramped up Main Shaft No 2 of the Kirovsky mine, significantly expanding the scale of our lower-cost underground mining operations
- Increased domestic sales by 30% year-on-year with the help of our market-leading domestic distribution network

OUR KEY STRATEGIC PRIORITIES:

1

DIRECT ACCESS TO PREMIUM MARKETS

PhosAgro produces some of the safest phosphate-based fertilizers in the world thanks to the exceptionally low levels of cadmium and other harmful impurities in the raw materials we mine at Apatit on the Kola Peninsula. Our aim is to bring our crop nutrient solutions closer to our customers in priority markets by establishing our own sales offices in these markets. We already have a presence in our three priority export markets of Latin America, Europe and Asia, and this has helped us to speak directly with our customers about what they want, to react faster to changes in demand, to gain a better understanding of the local markets and to promote the unique quality of the phosphate-based fertilizers we produce.

2

PRODUCTION CAPACITY GROWTH AND ENHANCED SELF-SUFFICIENCY

We increased our production capacity from 5.0 million tonnes in 2011 to 7.6 million tonnes in 2016, which represents a CAGR of 8.7%. This was achieved primarily through investments in modernisation and debottlenecking of existing capacities to expand our production of value-added fertilizers. With the launch of our new 760 ths tonne/year ammonia line and 500 ths tonne/year granulated urea line on track for 2017, we aim to continue to increase our production capacity, with significantly enhanced self-sufficiency.

3

INCREASED OPERATING EFFICIENCY

- Upstream: we increased the share of underground mining to 74% of total apatite-nepheline ore extraction at Apatit in 2016, following the launch of Main Shaft No 2 at the Kirovsky mine, which increased extraction capacity to 16 million tonnes of ore per year.
- Downstream: new, leading-edge ammonia and granulated urea capacities are at the heart of our downstream efficiency efforts. These new and efficient production facilities will use the latest technologies to strengthen our low cash-cost position and will help to minimise PhosAgro’s environmental impact as we grow our total output.
- Logistics: after its first full year of operations, the Smart Bulk Terminal in Ust-Luga near Saint Petersburg has further improved our netback earnings through vertical integration into port logistics.

Reaching strategic targets and delivering results

1. DIRECT ACCESS TO PRIORITY MARKETS

Opportunity

We aim to increase our share of export sales to markets with significant demand for premium-quality phosphate-based fertilizers and structural deficits of local phosphate supply.

Why this is our priority

- Brazil, Asia and Europe are priority regions with premium markets for exports:

 - Local P₂O₅ nutrient deficit is forecasted to increase
 - PhosAgro can achieve fair netback prices for fertilizers
 - European and other customers are potentially sensitive to hazardous impurities such as cadmium, giving PhosAgro an advantage over other producers
- In our domestic market, we aim to continue to expand our market-leading distribution network to provide Russian farmers with our high-quality crop nutrients and support the development of Russia’s agricultural sector.

WHAT WE DID IN 2016 —————> WHAT WE AIM TO DO IN 2017 —————> WHERE WE WANT TO BE IN 2020

- Opened sales offices in Biarritz (France) and Hamburg (Germany)
 - Increased sales to Europe by 20% year-on-year to 1.5 million tonnes
 - Increased sales to Asia by 20% year-on-year to 1.1 million tonnes
 - Domestic sales grew by 30% year-on-year to 2.1 million tonnes
- Ramp up marketing and other activities aimed at increasing awareness of the advantages of PhosAgro’s phosphate-based fertilizers, which are naturally very low in heavy metals content in particular cadmuim.
 - Expand the number of grades available to farmers based on input from our international and domestic sales offices
- Domestic market: expand domestic sales volumes to 2.6 million tonnes through a vertically integrated sales network that includes ten sales centres and 21 warehouses

Export markets: increase share of direct sales to over 75% through seven sales offices located in priority markets around the world

RELATED RISKS

Strategic risks
Ineffective strategic planning

Operational, regulatory, reputational and financial risks



For more information on risks please see **pages 98–105**

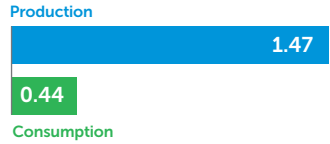
2. PRODUCTION CAPACITY GROWTH AND GREATER SELF-SUFFICIENCY		
Opportunity Investments in modernisation and debottlenecking of existing facilities have proven to be a highly efficient way of increasing capacity without major capital expenditure programmes. At the same time, with an eye to our long-term sustainability, we are building new downstream capacities to produce ammonia and granulated urea to improve PhosAgro's self-sufficiency while increasing fertilizer production volumes and maintaining vertical integration.	Why this is our priority Ammonia is a key input that PhosAgro requires to expand its fertilizer output while maintaining self-sufficiency, which is why we are building a 760 ths tonnes/year ammonia plant. By 2020, we aim to produce 8.7 million tonnes of fertilizers, including through the addition of: • 500 ths tonnes/year of granulated urea capacity (new capacity) • 400 ths tonnes/year of MAP/DAP/ NPK production (modernisation + debottlenecking)	
WHAT WE DID IN 2016 —————→ WHAT WE AIM TO DO IN 2017 —————→ WHERE WE WANT TO BE IN 2020		
• Debottlenecking, which requires relatively low costs compared to new greenfield or brownfield projects, enabled PhosAgro increase overall phosphate-based fertilizer production by 10.8% year-on-year to 5.9 million tonnes • The number of grades reached 35, while NPK and NPS fertilizers contributed to 43% of total phosphate-based fertilizer production • Continued construction of: – new 760 ths tonnes/year ammonia plant – new 500 ths tonnes/year granulated urea line	• Ramp up marketing and other activities aimed at increasing awareness of the advantages of PhosAgro's phosphate-based fertilizers, which are naturally free of cadmium and other hazardous elements • Expand the number of grades available to farmers based on input from our international and domestic sales offices	Domestic market: expand domestic sales volumes to 2.6 million tonnes through a vertically integrated sales network that includes ten sales centres and 21 warehouses Export markets: increase share of direct sales to over 75% through seven sales offices located in priority markets around the world
RELATED RISKS Strategic risks Ineffective strategic planning	Operational, regulatory, reputational and financial risks	 For more information on risks please see pages 98–105

3. INCREASE OPERATING EFFICIENCY		
Opportunity Further strengthen our sustainable low cash-cost position by modernising existing facilities and improving vertical integration.	Why this is our priority The key to our competitive advantage is maintaining industry-leading low production costs. In order to reduce production costs throughout the cycle, we are focusing on reducing costs at all stages of production and logistics.	
WHAT WE DID IN 2016 —————→ WHAT WE AIM TO DO IN 2017 —————→ WHERE WE WANT TO BE IN 2020		
• Ramped up operations at Main Shaft No 2 at the Kirovsk mine to full capacity, expanding the share of our lower-cost underground mining operations to 74% for 2016 vs. 71% in 2015 (excluding off-balance ore) • Shipped 27% of our total export volumes for 2016 through the Smart Bulk Terminal in its first full year of operations reducing fertilizer transportation and transshipment costs • Launched a modernisation programme at Beneficiation Plant No 3, which will help optimise our beneficiation capacities and cut relevant operation and maintenance costs	• Continue monitoring costs, with the aim of containing fixed costs growth below CPI • Complete modernisation of Beneficiation Plant No 3 at Apatit • Launch of new, efficient 760 ths tonne/year ammonia production line • Launch of new, efficient 500 ths tonne/year granulated urea production line	• With the launch of new ammonia and granulated urea units in Cherepovets in 2017, PhosAgro aims to reduce costs by becoming fully self-sufficient in ammonia (purchased ammonia accounted for 7% of 2016 CoGS) • Reduce natural gas consumption ratio by 8% following the commissioning of the new ammonia plant • Continue modernisation of fertilizer production lines with the goal of increasing production capacity by 20% in 2016–2020 • Reduce mining cash costs by increasing share of underground mining up to 80%
RELATED RISKS Strategic risks Ineffective strategic planning	Operational, regulatory, reputational and financial risks	 For more information on risks please see pages 98–105

WHERE WE OPERATE



Phosphate-based fertilizer production/
consumption balance in Russia –
DAP/MAP/TSP,
mln t P₂O₅



PhosAgro is Russia's No 1 fertilizer supplier

Domestic market

The Russian market holds significant potential, and PhosAgro views it as one of the best opportunities globally in terms of agricultural sector growth option. Russian agricultural enterprises have become more competitive thanks to the depreciation of the rouble and state support for the sector, as well as significant investments into modernising agricultural production.

PhosAgro's sales to local farmers grew by 30% year-on-year in 2016, while our share of the overall Russian fertilizer market is nearing 27%. We have become the largest supplier of fertilizers to Russian agricultural producers thanks to continued investments into our market-leading distribution and sales network. Our home market accounted for 33.6% of revenue in 2016, up from an

average of 29.6% in 2011–2015. Russian farmers' demand for fertilizers has been supported by strong performance thanks to years of investment and advantageous export market conditions.

Domestic sales

Sales volumes in our domestic market increased 30% year-on-year in 2016, to 2.1 million tonnes.

Distribution Centres and Regional Representative Offices in Russia

- PhosAgro-Orel
- PhosAgro-Kursk
- PhosAgro-Lipetsk
- PhosAgro-Belgorod
- PhosAgro-Belgorod (Voronezh branch)
- PhosAgro-Tambov
- PhosAgro-Kuban (Krasnodar)
- PhosAgro-Don (Rostov-on-Don)
- PhosAgro-Stavropol
- PhosAgro-Volga (Nizhny Novgorod)
- PhosAgro-Volga (Saransk branch)
- PhosAgro-Volga (Kazan branch)
- PhosAgro-SeveroZapad
- PhosAgro-SeveroZapad (branch in Volgograd)



Export markets

Our flexible production and sales models enable us to supply the tailored fertilizers that farmers in over 100 countries on every inhabited continent use to grow better crops. Our strategy to 2020 calls for a particular focus on the priority markets of Europe, Latin America and Asia because of the significant demand in each of these regions, coupled with insufficient local supply of phosphate resources.

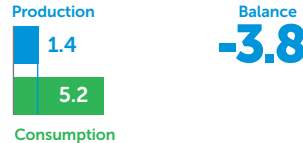
In order to better reach clients in these priority markets, we have focused on opening sales offices there. In 2016, we established new offices in Hamburg (Germany) and Biarritz (France). These came in addition to existing offices in Zug (Switzerland), Sao Paulo (Brazil), Warsaw (Poland) and Singapore. These offices bring us closer to our end customers, enabling us to better understand their needs and better explain what differentiates PhosAgro fertilizers in terms of safety and purity.

We think that this approach is paying off: in 2016, PhosAgro's sales to the European market increased by over 20% year-on-year, sales to Latin America declined by just 10% against a backdrop of challenging economic conditions, while sales in Asia grew by 20% year-on-year.

International sales offices

- Biarritz
- Zug
- Hamburg
- Warsaw
- Sao Paulo
- Singapore

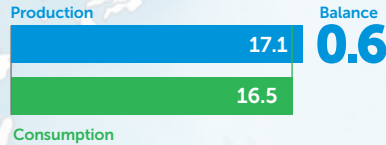
Phosphate-based fertilizer production/ consumption balance in Latin America – DAP/MAP/TSP, mln t P₂O₅



Phosphate-based production/ consumption balance in East, Central and West Europe (not EU-28) – DAP/MAP/TSP, mln t P₂O₅



Phosphate-based fertilizer production/ consumption balance in East Asia, Middle East, South Asia and South East Asia – DAP/MAP/TSP, mln t P₂O₅



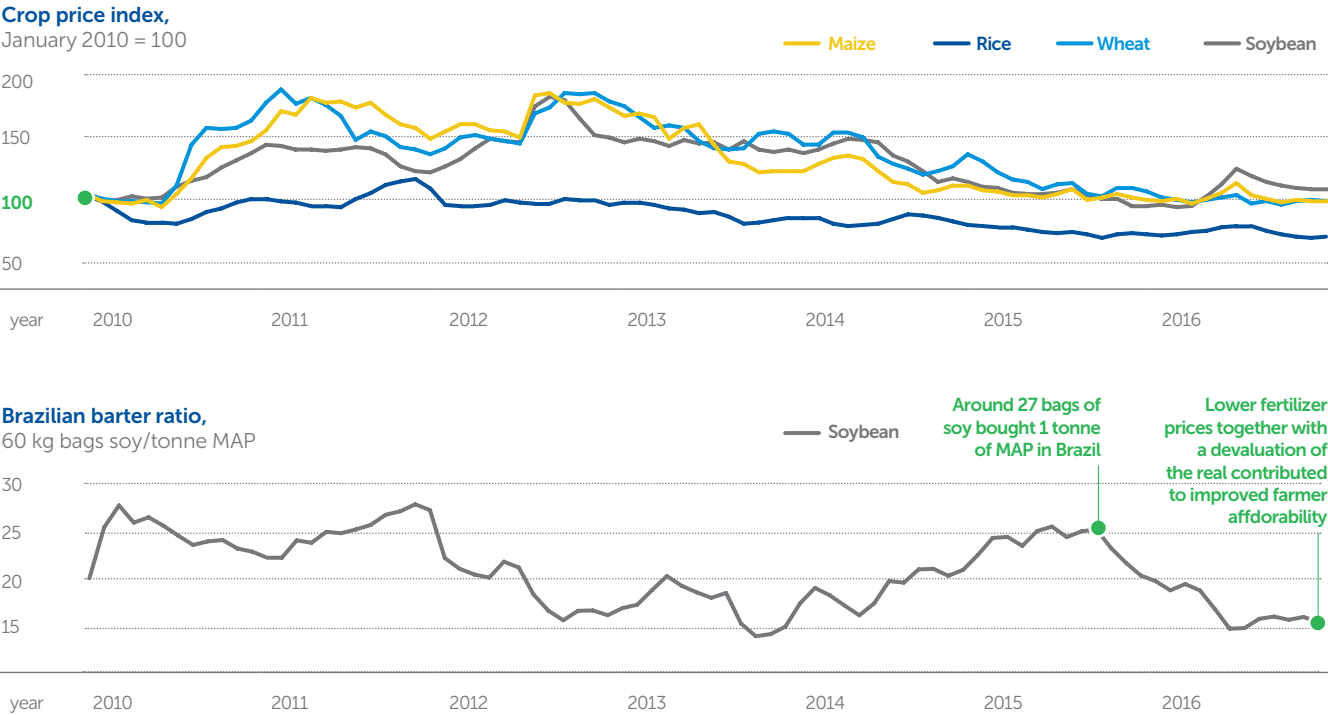
PhosAgro sales structure by regions in 2016, ths t

Russia	Europe	Latin America	Asia	CIS	India	North America	Africa
2,095	1,512	1,341	701	554	450	353	313
29%	21%	18%	10%	8%	6%	5%	4%

*DAP/MAP/TSP Production – Demand
Source CRU – January 2017 Phosphate Fertilizer Market Outlook

MARKET OVERVIEW

AGRICULTURAL MARKET DEVELOPMENTS & IMPLICATIONS ON FERTILIZER DEMAND



Nutrient demand drivers

Global economy

In October 2016, the IMF revised its estimate for global GDP growth downwards to 3.1% for 2016, reflecting weaker than expected growth in advanced economies, the United Kingdom's vote to leave the European Union in June and slower than expected growth in the United States for much of the year. The fortunes of developing and emerging market economies in general were mixed: in China, government support measures provided support to commodity prices, and strong credit growth helped push GDP growth to the 6.5–7.0% range during 1H 2016. Encouragingly, there were signs of a rebalancing of the economy away from industry towards more of a service-based market. While India also enjoyed robust growth in 2016 due to improved trade terms and effective policy actions, Brazilian growth remained under pressure because of ongoing political scandals. Meanwhile, in Russia, prospects improved during 2H as oil prices increased. This was further boosted by an agreement in December with OPEC to limit production.

Agricultural markets

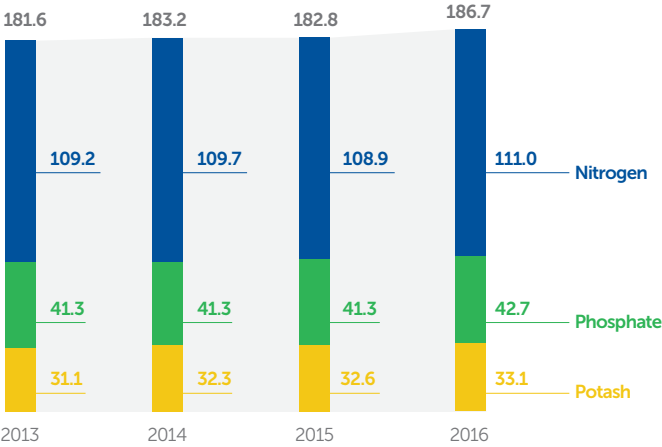
Following two seasons of strong growth, global cereal production fell in 2015/16 as unfavourable weather conditions (El Niño) came to the fore. This provided temporary support to pricing, but poor demand and large stock levels (China) kept fundamentals under pressure. By year-end, prices were deemed low enough to encourage additional feed usage, but stocks remained plentiful and are set to grow further through the 2016/17 harvest.

An important component of this view is that of maize, which, according to the USDA and the IGC, will be 7% higher y/y, driven by good harvests in the USA, the European Union, Ukraine, Brazil, Argentina, India, Russia and South Africa. Two factors have driven growth: first, despite lower prices, returns are still above those for competing crops. Second, global 2016/17 yields are estimated to be up year-on-year, spurred on by favourable conditions. The latter is also relevant when assessing the 2016/17 wheat crop. An assessment taken by AIMS

in November 2016 indicated that Northern Hemisphere winter wheat planting had been completed, mostly under favourable conditions, and production estimated to be up year-on-year in Russia, the USA, Canada, India and Kazakhstan. Meanwhile, it also noted that harvests had begun in Argentina and South Africa, under favourable conditions, and under exceptional conditions in Australia due to good rainfall. As such, global wheat yields for the season are estimated at a record 3.4 tonnes/ha in 2016/17, and production between 745–748 million tonnes.

Moving to oilseeds, soybean production expectations are improved in 2016/17, following a 2% contraction in 2015/16. The USDA, IGC and FAO see production growing from 313–315 million tonnes in 2015/16 to above 330 million tonnes in 2016/17, as better growing conditions have supported yields, especially in the USA and Brazil. As is the case with cereals, soya prices enjoyed a modest recovery in early 2016, but have since come under renewed pressure with news of bumper crops.

N, P and K fertilizer demand developments,
mln t



High-level nutrient demand review

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

The preliminary estimate of nitrogen (N), phosphate (P) and potassium (K) fertilizer demand stands at 183.8 million tonnes of nutrient for the 2015/16 season. This represents a reduction of 0.1% year-on-year and is explained by a lower crop production volume year-on-year, caused by an exceptionally strong El Niño event. Rather unexpectedly, the reduction in the total volume was due to a smaller usage of N. N fertilizer demand fell by -0.9% year-on-year, while both P and K demand increased (1.4% and 0.6%, respectively), driven by better than expected usage in India (P), China (K) and North America (also K).

Moving to the 2016/17 crop year, demand for N, P and K is estimated at 187.6 million tonnes of nutrient, as a return to growth in cereal and soybean production has spurred on an additional requirement

for fertilizer in most developing/emerging markets. Demand in South and Central America, Africa, part of Asia and Oceania is expected between 4–6% higher year-on-year. N use is improved, growing by 2.4% year-on-year to 113.0 million tonnes of nutrient, while P and K demand continue growing by 1.6% and 1.8% year-on-year, respectively.

The aforementioned estimates have been converted to calendar year estimates by the IFA. N, P and K demand was assessed at 182.8 million tonnes of nutrient in 2015 and 186.8 million tonnes in 2016. In this instance, N demand was estimated up by 1.9% year-on-year, while K demand was 1.4% higher. The strongest year-on-year growth, however, was reserved for P, which was 3.4% higher at 43.3 million tonnes of nutrient, as consumption in South Asia was 9.8% higher year-on-year.

The IFA has also assessed demand for non-fertilizer uses in 2016 at 64 million tonnes of nutrient.

186.8
MLN T NUTRIENTS

N, P, K FERTILIZER DEMAND IN 2016 (ESTIMATED BY IFA)

High-level nutrient supply review

The IFA estimated global N, P and K production – for both fertilizer and non-fertilizer use – at 250 million tonnes of nutrient in 2016. The production of fertilizers accounted for 75% of the total, or 187 million tonnes of nutrient.

Looking at the different nutrients, during 2016 there was a net 2% increase in global urea production, taking the total to 178.4 million tonnes. Capacity increased in 2016 by 1%, to 211.5 million tonnes. Increases seen in Egypt, Nigeria, Iran, Bangladesh and Indonesia were offset by closures in China, where 1.5 million tonnes was permanently curtailed.

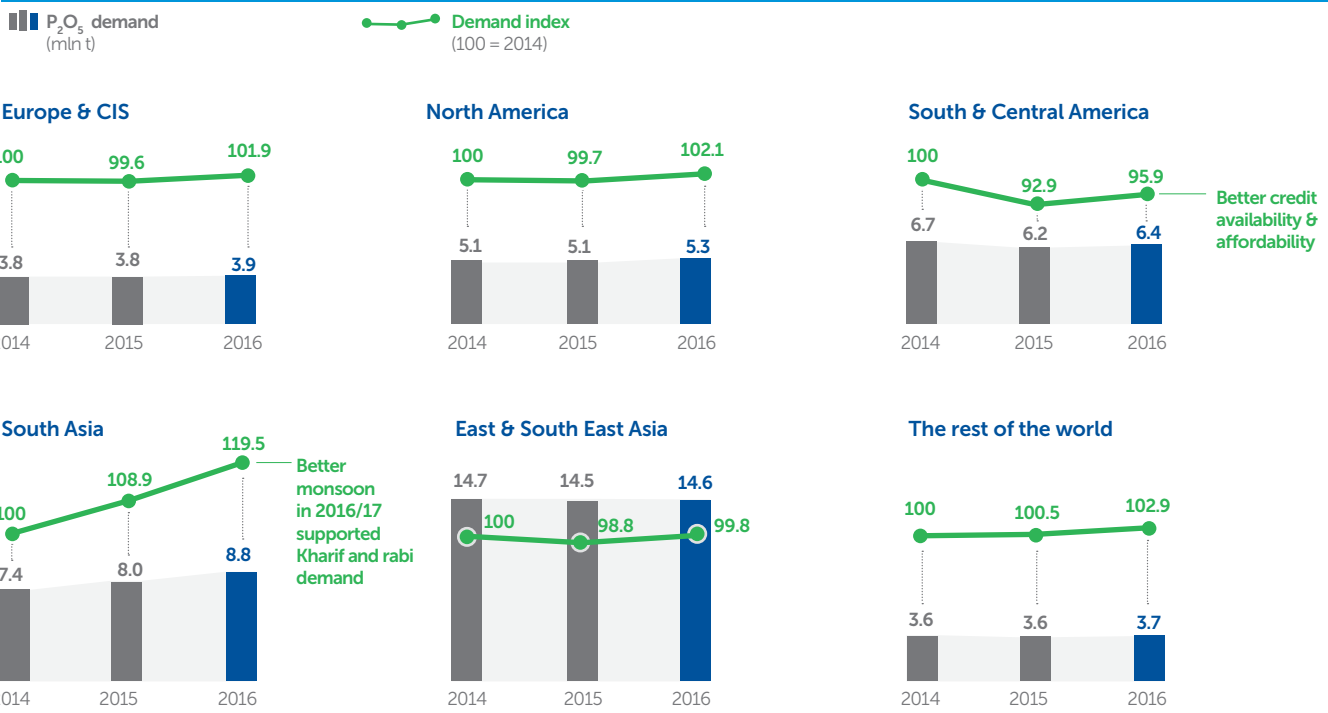
In the case of concentrated phosphate fertilizers, combined DAP, MAP and TSP production was 2% higher at 32 million tonnes of P_2O_5 . This was due to a greater volume of MAP being produced in the USA, Morocco and Saudi Arabia. Global capacity was estimated at 45.4 million tonnes of P_2O_5 .

In contrast, MOP production decreased by 2.8% to 63.3 million tonnes of product in 2016, as producers curtailed capacity temporarily to draw down on existing inventories. This saw operating rates fall to their lowest levels since 2010 despite better sales volumes year-on-year. On the capacity front, total potash capacity was estimated 4.8% higher year-on-year at 55.1 million tonnes of K_{2O} , driven by increases in Canada, Russia, Uzbekistan and China.

187
MLN T NUTRIENT EQUIVALENT

PRODUCTION OF N, P AND K FERTILIZERS IN 2016

DEMAND DEVELOPMENTS IN KEY MARKETS



Focus on phosphate fertilizer markets in 2016

The IFA's preliminary assessment shows that phosphate fertilizer demand stood at 42.69 million tonnes of P₂O₅ in 2016. This was the first time in five years that demand grew by more than 2% year-on-year.

In South Asia, demand was estimated just short of 8.8 million tonnes of P₂O₅, 9.8% higher than the previous year. According to the IFA, 2016 marked the second consecutive year of growth in Indian P₂O₅ demand, this time due to better water availability, contributing to a 1% expansion of planted area during the Kharif and an 8% year-on-year increase in sowings during the rabi.

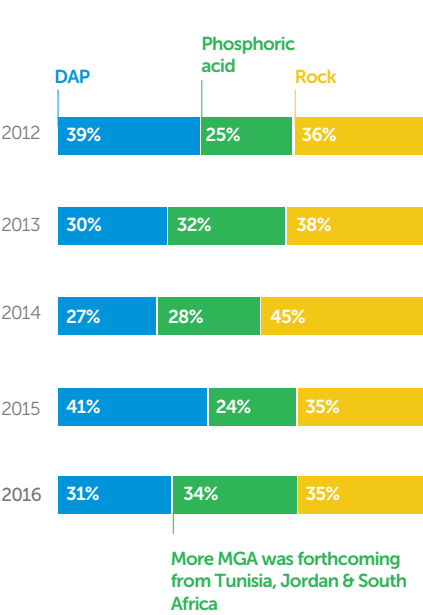
European phosphate fertilizer demand was stable year-on-year in 2016 despite a 5% year-on-year contraction of the cereal harvest, as French wheat yields disappointed due to the wetness of the spring. The maize harvest is estimated up for 2016, and winter wheat sowing occurred under favourable conditions towards the end of the calendar year, which helped support regional NPK and DAP/MAP demand.

Moving to the Americas, El Niño played an important role in Brazil and Argentina

during the 2015/16 crop, bringing about poor maize and soybean harvests. However, phosphate fertilizer demand improved throughout the 2016 calendar year, supported by an attractive crop-to-fertilizer price ratio, the introduction of a more favourable grain export policy in Argentina and better weather conditions in 2H affecting the 2016/17 crop. For the year, regional phosphate fertilizer demand is estimated at 6.4 million tonnes of P₂O₅, an increase of 3.3% over 2015, as more DAP/MAP and NPs was consumed. Meanwhile, imports and consumption of NP/NPSs (mostly into Brazil) were again estimated above 1.0 million tonnes of product in 2016, reflecting the growing preference for phosphates rich in sulphur.

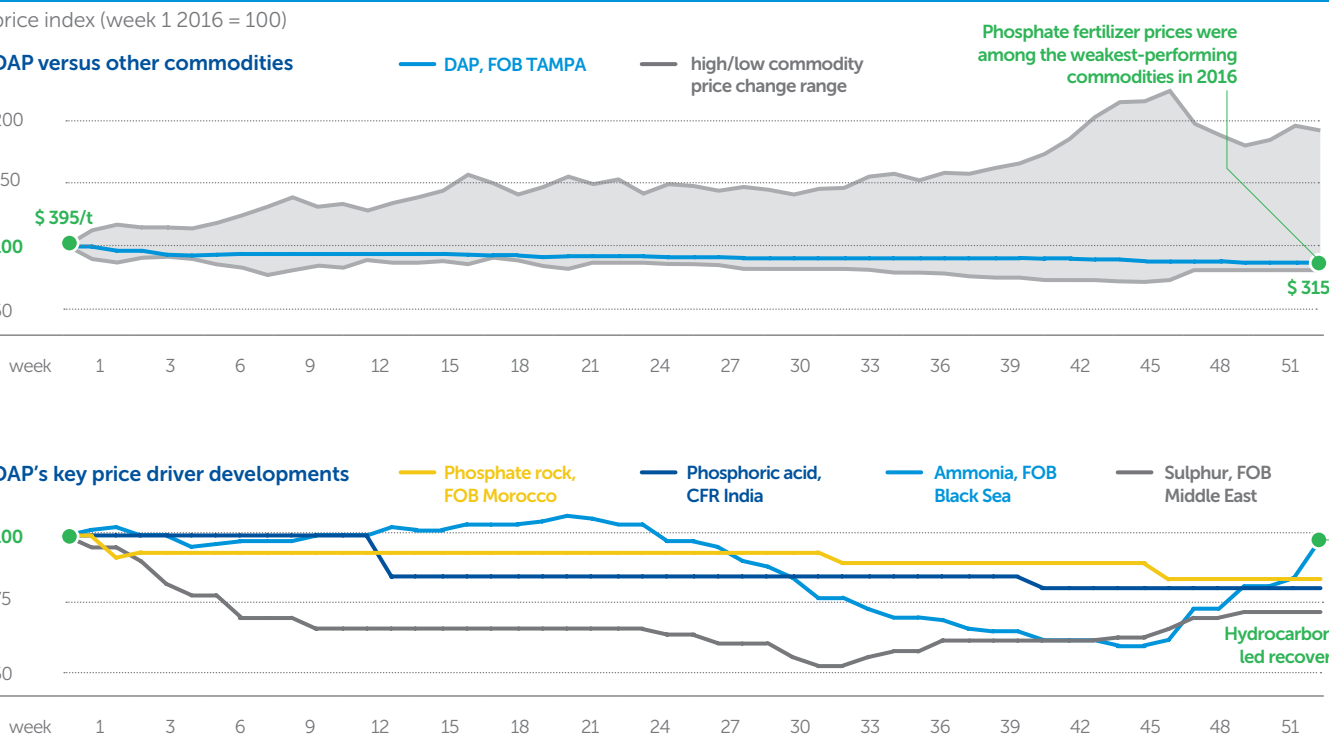
In North America, phosphate fertilizer demand was estimated up by 2.3% year-on-year to 5.2 million tonnes of P₂O₅ in 2016, owing to the exceptionally good growing conditions through much of the year. Preliminary estimates indicated yields and production to be at record levels, especially for maize and soybean. Sulphur-based ammonium phosphates continued to gain market share throughout 2016 due to their lower prices, as well as the agronomic

Indian imports across the P value chain, %



>2% Y-O-Y
INCREASE IN
PHOSPHATE FERTILIZER
DEMAND IN 2016

KEY PRICE DEVELOPMENTS IN 2016



benefits they offer for cereals and soybean growth.

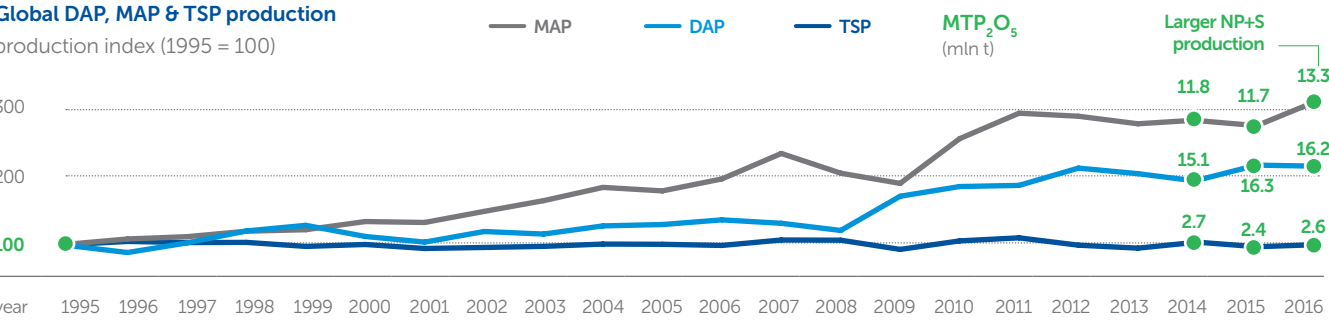
On the supply side of the industry, the IFA estimated global phosphoric acid capacity at 58.1 million tonnes of P₂O₅. This represents a net increase of 0.7 million tonnes of P₂O₅ year-on-year, as additional capacity was commissioned in Morocco and Kazakhstan, and one unit in Iraq was removed from the assessment.

Phosphoric acid production was estimated to be up 0.9% in 2016, reaching 43.7 million tonnes of P₂O₅, as more was forthcoming from Saudi Arabia, Morocco, Jordan, South Africa and Tunisia.

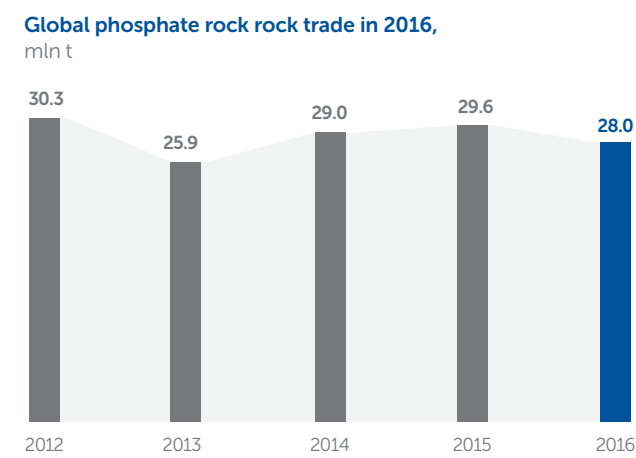
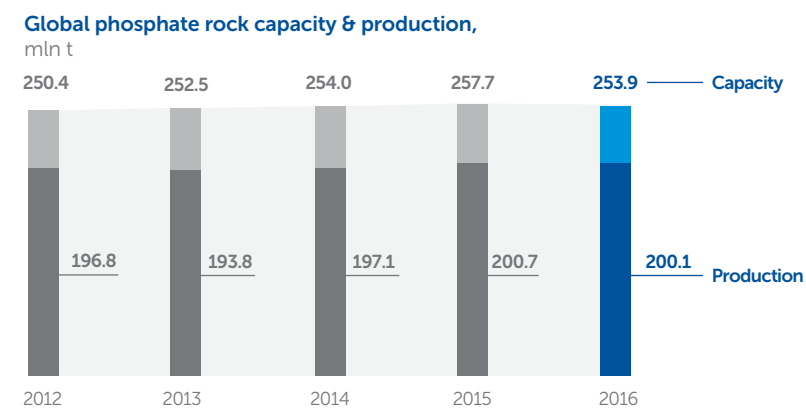
Around 10% of the total was traded internationally, with India accounting for 50%. While that country remains the largest importer, two important shifts occurred in 2016: firstly, its purchases of phosphoric acid were prioritised to maximise local DAP/NPK granulation. Secondly, more of the purchased acid was sourced from Tunisia, Jordan and South Africa, reducing its dependence on Morocco. As a result, its production of phosphate fertilizers expanded by 10% y/y, whereas DAP imports were 20% lower at 2.4 million tonnes of P₂O₅.

These actions had an impact on the world's largest producer, China, where phosphoric acid volumes were estimated 2% lower year-on-year at 17.5 million tonnes of P₂O₅. Chinese producers struggled with stagnant domestic demand and unfavourable competitive pressures in trade markets. The lower netbacks offered on international sales rendered much of the Yunnan, Guizhou and Sichuan capacity uncompetitive, and producers were forced to curtail production. In November 2016, news emerged of an agreement between 8–10 companies to curtail their DAP production by 10–30% of their normal rates.

Outside of China, production of ammoniated phosphate fertilizer fared better: DAP and MAP output increased by 5% and 13%, respectively. CRU, a consultancy, associates this with lower input costs. Their estimate for DAP costs



PHOSPHATE ROCK MARKET DEVELOPMENTS THROUGH 2016



was 20% lower year-on-year in 2016 at USD 252/tonne as prices of phosphoric acid (CFR India), sulphur (FOB Middle East) and ammonia (FOB Black Sea) fell by 19%, 27% and 2%, respectively, while ammonia ended the year only slightly lower. At one point, the benchmark was close to 40% lower, but recovered as hydrocarbon prices improved. These trends also had an impact on end-use products, with the DAP FOB Tampa benchmark ending the year 20% lower at USD 315/tonne.

Phosphate rock market review

In 2016, phosphate rock mining was undertaken in 29 countries, with 13 producing more than 2.5 million tonnes. The IFA estimates 200.1 million tonnes of rock concentrate was produced, a reduction on the 2015 total of 200.7 million tonnes. Although miners

in Russia, Kazakhstan, Egypt, Senegal, South Africa, Jordan and Saudi Arabia all increased their y/y output by an excess of 500,000 tonnes in 2016, their total was not sufficient to offset reductions in Syria and China. Output from these two countries fell by a total of 2.5 million tonnes. In Syria, mining was suspended due to the war, while in China production fell to 81 million tonnes as demand weakened.

Most phosphate rock concentrate is also consumed within the country it was produced in. In 2016, domestic deliveries were estimated at 171.8 million tonnes, registering an increase of 1.7 million tonnes over 2015. In contrast, trade fell by 1.6 million tonnes, as the industry continues to move towards downstream integration. The IFA's assessment notes that trade into Europe and Latin America was especially weak.

Other fertilizers

The IFA estimates that around 148.5 million tonnes of N was consumed for both fertilizer and non-fertilizer uses during the 2016 calendar year. This was 2.1% higher than the 2015 total, yet in general, the market remained oversupplied. Improvement in demand is associated with a recovery in agricultural markets, which account for around 75% of the N total. In 2016, N fertilizer demand was estimated to be up 1.9% year-on-year, as lower prices helped to stimulate consumption following the difficulties caused by El Niño.

Urea

Domestic urea deliveries were assessed to be up for a third consecutive year in 2016. The bulk of the growth stemmed from locations outside of China, with higher rates recorded in areas where new capacity was commissioned (USA, Nigeria and Iran) or where operating rates improved (Argentina, Egypt, India, Italy and Pakistan). Somewhat unexpectedly, trade was also assessed to be 1.8% higher year-on-year. This occurred despite weak import demand into India, where large stocks and higher domestic production reduced requirements. Instead, it was driven by particularly strong trade into Brazil and Western Europe, where imports were estimated to be 19% and 25% higher year-on-year, respectively.

On the supply side, urea capacity and production grew by between 1% and 2% year-on-year in 2016. Significant additions were recorded in Egypt, Nigeria, Iran, Bangladesh and Indonesia. However, the IFA also estimates that 1.5 million tonnes of capacity was permanently curtailed due to a combination of overcapacity, poor economics and the national government's drive to address negative environmental records.

Global production also saw growth in 2016. In this instance, there were two major differences in recent trends: the first being that, in China, production fell by 5% year-on-year to 67.5 million tonnes of product. This was associated with reduced competitiveness brought about by the removal of transportation and energy subsidies, as well as higher feedstock prices. The government's efforts to stimulate domestic coal markets in 2H saw thermal coal prices doubling to around USD 110/tonne, impacting local coal-based urea production costs. As a result, exporters saw their sales squeezed in international markets (falling by around a third year-on-year). This created a gap, which led to the second key difference: the fact that production and trade from the rest of the world increased sharply year-on-year, growing by 6% and 13% year-on-year, respectively. Notably, production gains were made in Egypt, where natural gas availability improved; Argentina, where maintenance supported better operating rates; Russia and Saudi Arabia, where new capacity was commissioned.

↑ 1–2% Y-O-Y

UREA CAPACITY AND PRODUCTION INCREASE IN 2016

Ammonia

2016 was a mixed year for ammonia, with prices fluctuating widely across all benchmarks. The Black Sea benchmark started the year at USD 265/tonne, keeping stable above USD 250/tonne for most of 1H, before falling dramatically from June onwards, bottoming out at USD 163/tonne in mid-November.

This momentum was driven by a surge in merchant ammonia availability. CRU estimates that a total of 15 new ammonia plants were commissioned (outside of China) during the year, seven of which have merchant ammonia capacity. The USA accounted for the largest portion of new merchant capacity, adding three new plants, followed by Russia and Saudi Arabia, which added one plant each. This put pressure on the market's higher-cost participants, many of which struggled to compete in the lower price environment. Most affected was capacity in Ukraine, where curtailments followed.

With this, Russia's Black Sea ammonia exporters took over as the market's swing producer, and when prices fell to below USD 180/tonne in 2H, it was these producers that cut back production to balance supply. This strategy was largely successful, and from mid-November prices rallied. By the end of the year, following a dramatic surge in prices, Black Sea ammonia had recovered almost all of its lost ground and finished the year at USD 260/tonne (only USD 5/atonne below the level at which it started the year).

Potash

MOP deliveries disappointed throughout much of 1H 2016, with Chinese importers delaying contracts due to the large volume of stocks that had accumulated in local warehouses. While importers typically wait for China to set the floor for contract pricing before committing to their own volumes, in this instance a lack of action prompted direction from India, with an agreement reached at the end of June. Once Indian contracts were agreed at lower prices, trade into the country and elsewhere soared, ensuring that global demand was flat y/y at around 63 million tonnes of product.

On the supply side, production was estimated by the IFA to be 1.8 million tonnes lower for the 2016 calendar year, at 62.7 million tonnes of product. This corresponds with even greater efforts to limit supplies in North America, where marginal operations in Canada and the USA were closed and operating rates at other mines were cut. Notably, curtailments were also made in the CIS for the first time since the break-up of BPC in 2013, as producers looked for price stability. The one notable contrast was in East Asia, where production was estimated at close to 9.0 million tonnes of product, showing a 2.5 times expansion since 2010.

↓ 2.8% Y-O-Y

DECREASE IN POTASH PRODUCTION IN 2016

SCIENTIFIC
APPROACH

World's premium phosphate
resource base

World phosphate
rock reserves: 1.4 bln t

2.05 bln t

0.1 bln t

1.5 bln t

50 bln t

3.7 bln t

USA¹

Ore type	Sedimentary
Al ₂ O ₃ content	Very low
Minor element ratio (MER) ²	0.05–0.1
Level of radioactivity	Moderate to high
Hazardous metals content	Moderate to high

Cadmium content³ 9–38

MOROCCO¹

Ore type	Sedimentary
Al ₂ O ₃ content	Very low
Minor element ratio (MER) ²	0.02–0.04
Level of radioactivity	Moderate
Hazardous metals content	Moderate

Cadmium content³ 15–40

TUNISIA¹

Ore type	Sedimentary
Al ₂ O ₃ content	Low to moderate
Minor element ratio (MER) ²	0.05
Level of radioactivity	Moderate
Hazardous metals content	Low to moderate

Cadmium content³ 40

JORDAN¹

Ore type	Sedimentary
Al ₂ O ₃ content	Very low
Minor element ratio (MER) ²	0.02–0.03
Level of radioactivity	Low to moderate
Hazardous metals content	Low

Cadmium content³ 5–6

CHINA¹

Ore type	Sedimentary
Al ₂ O ₃ content	Very low
Minor element ratio (MER) ²	>0.05
Level of radioactivity	Low to moderate
Hazardous metals content	Low to moderate

Cadmium content³ 2

PHOSAGRO¹

Ore type	Igneous
Al ₂ O ₃ content	13.0–14.0% High
Minor element ratio (MER) ²	0.02–0.04
Level of radioactivity	Very low
Hazardous metals content	Very low

Cadmium content³ Less than 0.1

Source: Fertecon, IMC, USGS 2011.
¹ Primary global DAP/MAP producing regions.
² Average Minor Element Ratio (MER) greater than 0.1 not sustainable for production of high-quality DAP.
³ Average cadmium content in ppm.

Researching the impact of safer fertilizers

PhosAgro is cooperating with leading European research institutions to investigate how the high quality of our products benefits our stakeholders. We have signed agreements with the University of Milan and the Wageningen University in the Netherlands to undertake research to determine the impact of cadmium contained in phosphate-based fertilizers on a variety of crops and soil types in different locations.

Our ultimate goal is to demonstrate that reducing the cadmium content in phosphate-based fertilizers could have an important positive impact of the safety of the food that we eat every day.

The increasing threat of soil contamination by cadmium and other heavy metals is the subject of ever-greater attention in the context of food safety. The European Commission, for example, is currently considering adopting EU-wide limitations for cadmium content in phosphate-based fertilizers. An analysis of phosphate-based fertilizers used in Europe has shown that around 8% of fertilizers contained more than 60 mg/kg P₂O₅ of cadmium, while around 31% of fertilizers have over 40 mg/kg P₂O₅. Phosphate-based fertilizers produced by PhosAgro are some of the safest, and contain just 0.2 mg of cadmium per kg of P₂O₅ (in PhosAgro's DAP fertilizers).

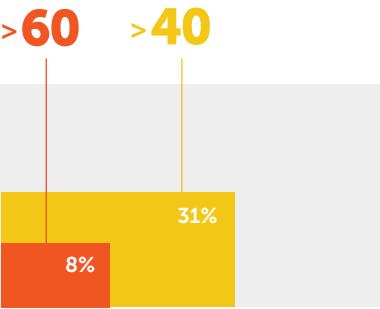
The formation of phosphate ore deposits
Phosphate deposits can be found in several forms on all continents, but the two most common sources of phosphate raw materials are igneous and sedimentary deposits.

Igneous deposits like PhosAgro's form over a period of tens or hundreds of millions of years as a result of the cooling of magma. These deposits usually contain less dangerous impurities such cadmium, lead and radioactive elements. The largest deposits are located in Brazil, Canada, Finland, Russia and South Africa.

Sedimentary deposits are formed over thousands of years and are the most common: more than 80% of phosphate minerals currently extracted are of sedimentary origin. The largest reserves of ore of this type are concentrated in North Africa, the Middle East and the USA. The accumulation of dead organisms that

inhabited ancient seabeds create the deposits. Since aquatic flora and fauna also accumulate heavy metals, many of which can be dissolved in water, the raw material from sedimentary deposits can contain dangerous impurities such as cadmium, lead, mercury, etc.

Phosphate-based fertilizers cadmium content, mg/kg P₂O₅



PhosAgro phosphate-based fertilizers contain

> **1** MG/KG P₂O₅ CADMIUM

RESEARCH HIGHLIGHTS

Wageningen University :

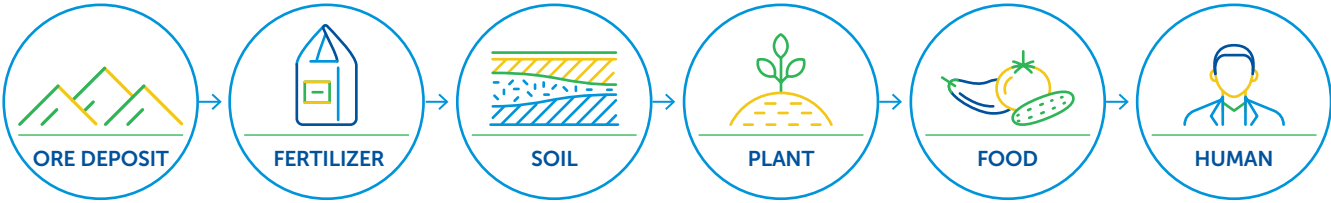
1

Determining the difference between actual presence and bioavailability (ability to be absorbed) of cadmium from application of fertilizers and cadmium that has previously accumulated in the soil. This research will test soils and the absorption of heavy metals, cadmium in particular by plants in greenhouse conditions using suitable crops (vegetables, root crops, grains) and forage grasses. The goal of this study is to understand how heavy metals contained in some fertilizers affect the quality of plants, whether the cadmium content in fertilizers has an immediate effect, and whether the cadmium content in agricultural soils decreases.

2

Determining the long-term changes in cadmium and other heavy metals content in soil and plants where phosphate-based fertilizers with high and low hazardous elements content are applied by using simulations and soil and plant measurements from the experiments. This will help to understand how the use of phosphate-based fertilizers with low cadmium and other heavy metals content leads to a decrease in heavy metals in soil and plants in the medium- and long-term (50–100 years).

HOW CADMIUM GETS TO YOUR PLATE



Cadmium and heavy metals

Extensive study has shown that cadmium can cause kidney failure and has been statistically associated with an increased risk of cancer. The food we eat is the primary source of human exposure to cadmium among the non-smoking population.¹ Cadmium and other heavy metals are present in many phosphate deposits, especially those of sedimentary origin.

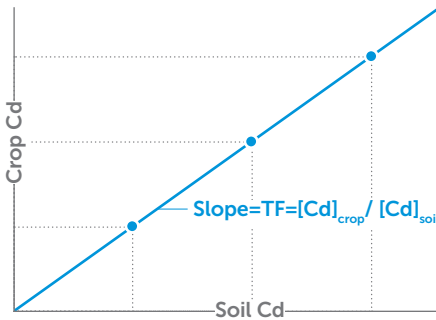
Cadmium (Cd) occurs naturally as an impurity in rock phosphate at

concentrations 1–200 mg Cd (kg P₂O₅), and is present in most commercial phosphate-based fertilizers. The application of these fertilizers is the main source of the cadmium that accumulates every year in Europe's agricultural soils.² Higher levels of cadmium in the soil are likely to increase the concentration of the element in crops grown in the soil. Plant roots absorb cadmium contained in water, meaning that the uptake rate increases as cadmium concentration increases. The element then moves from the roots to the above-ground parts of the plants. This increased

concentration in crops forms a risk for human health through food intake.²

PhosAgro produces phosphate-based fertilizers from apatite-nepheline ore mined at its own igneous deposit by Apatit, which contains virtually no cadmium or other harmful elements. We therefore believe that application of PhosAgro fertilizers to crops helps farmers to produce safer foods, and that this contributes to improving food security as well as the overall health of consumers of agricultural products.

Linear increase of Cd concentration in the crop with the increasing soil Cd concentration²
mg kg⁻¹

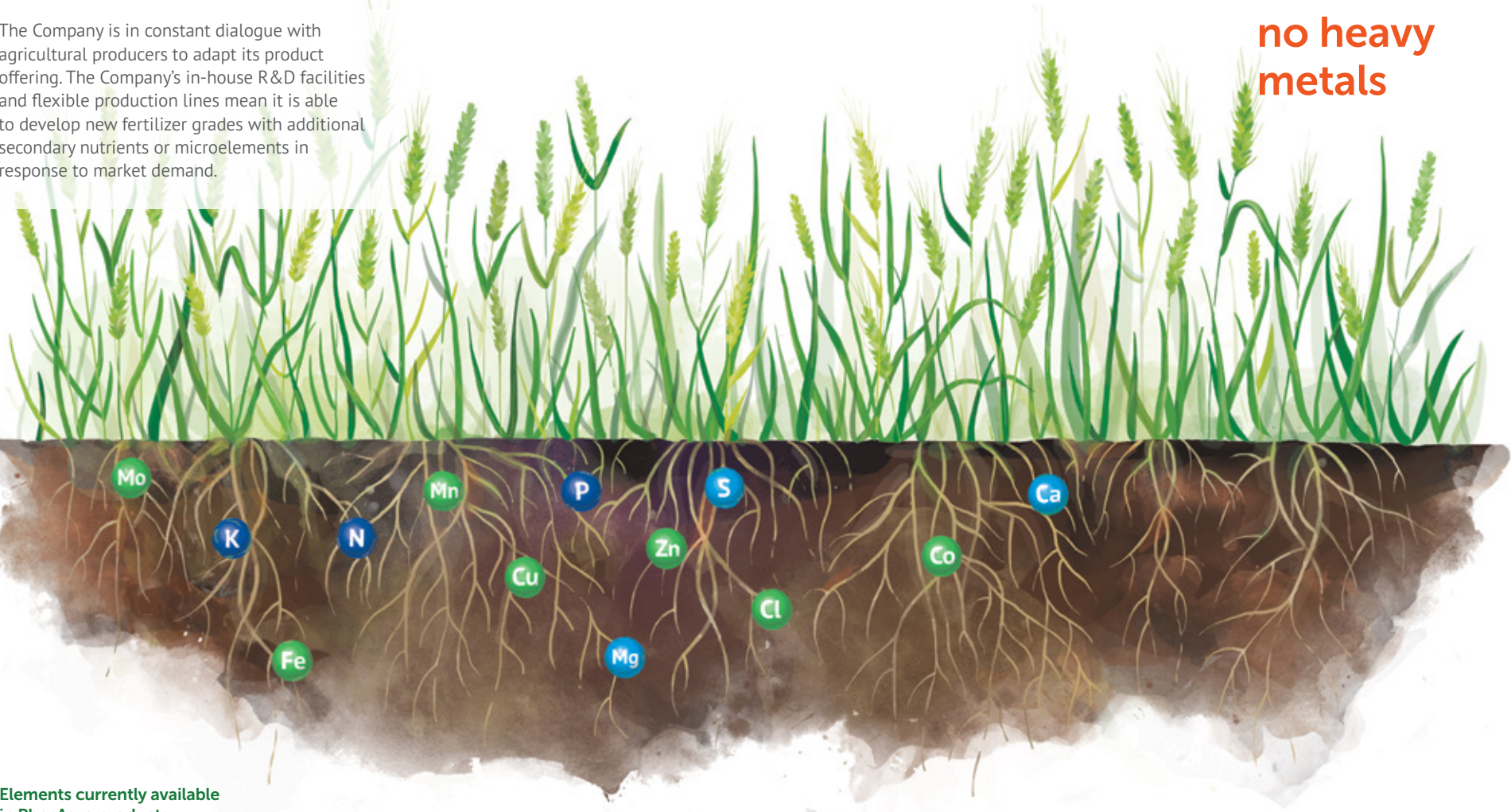


¹ European Food Safety Authority. Cadmium dietary exposure in the European population. EFSA Journal 2012;10 (1):2551. [37 pp.] doi:10.2903/j.efsa.2012.2551.

² Erik Smolders & Laetitia Six. Revisiting and updating the effect of phosphate fertilizers to cadmium accumulation in European agricultural soils. 2013. http://ec.europa.eu/health/scientific_committees/environmental_risks/docs/scher_o_168_rd_en.pdf

PhosAgro fertilizers contain a full range of essential elements

The Company is in constant dialogue with agricultural producers to adapt its product offering. The Company's in-house R&D facilities and flexible production lines mean it is able to develop new fertilizer grades with additional secondary nutrients or microelements in response to market demand.



Elements currently available in PhosAgro products

PhosAgro products contain almost no heavy metals

ESSENTIAL NUTRIENTS

N NITROGEN + increases protein accumulation in plants + part of enzymes, nucleic acids, chlorophyll, vitamins, alkaloids + reduces moisture content in crop yield + determines protein synthesis intensity deficiency symptoms: • plant growth rate reduction and as a result yield dropdown	P PHOSPHORUS + accumulates energy in plants + accelerates biosynthesis + facilitates root system growth + increases winter hardiness, improves yield's quality deficiency symptoms: • slow growth and maturing • yield decrease and its quality reduction	K POTASSIUM + increase plant resistance against adverse conditions and diseases + acts in processes of carbohydrates synthesis and their flow in plants + determine cell and fiber ability for water retention deficiency symptoms: • leaf edges browning known as leaf burn • plants become irresistible against diseases
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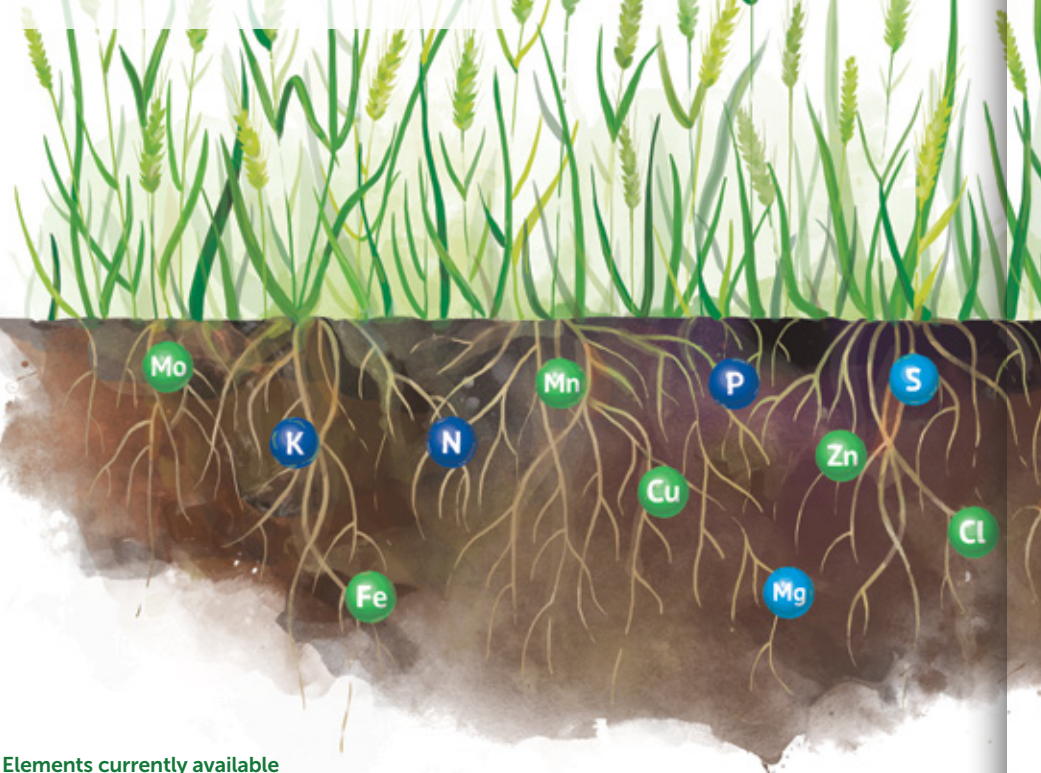
SECONDARY NUTRIENTS

Ca CALCIUM + supports plant's photosynthesis, hydrocarbons transport and nitrogen assimilation + acts in cell walls construction + determines watering and supports cell organelle structure deficiency symptoms: • root system suppression • chlorosis • foliage yellowing and even death	Mg MAGNESIUM + central atom of each chlorophyll molecule + takes part in phosphate metabolism, + acts in plant respiration + activates a number of enzyme systems deficiency symptoms: • yellowish, bronze or reddish color, while leaf veins remain green	S SULPHUR + is a part of every living cell ad + is a constituent of two of 21 amino acids which form protein + helps develop enzymes and vitamins + aids in seed production, + promotes nodulation for nitrogen fixation by legumes deficiency symptoms: • small leaves with pale green coloring, stretched stems • deteriorated plant growth and maturation
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MICRONUTRIENTS							
B BORON + essential for germination of pollen grains, growth of pollen tubes + provides seed and cell wall formation deficiency symptoms: • stunts plant growth • degrades growing point • black heart (sugarbeets) • corky core (apples) • potato scab	Fe IRON + acts as a catalyst to chlorophyll formation and as an oxygen carrier + helps form respiratory enzyme systems deficiency symptoms: • Low respiratory and photosynthesis intensity • chlorosis	Mo MOLYBDENUM + facilitates nitrate reductase by plants + vital for symbiotic nitrogen fixation by Rhizobia bacteria in legume root nodules deficiency symptoms: • yield and protein content decrease in plants • when high doses of nitrogen fertilizers are applied low molybdenum causes nitrate accumulation in plants	Mn MANGANESE + is a part of enzyme systems in plant + accelerates germination and maturity + aids chlorophyll synthesis + supports ammonium and nitrate nitrogen uptake deficiency symptoms: • yellowing between the veins • leaves specks and further dieback	Cu COPPER + acts in chlorophyll formation + increases resistance against lodging + supports drought tolerance, winter hardiness deficiency symptoms: • small germ • dieback in citrus • blasting in vegetable crops	Zn ZINC + is a part of enzyme systems + aids synthesis of auxins (plant growth hormones) deficiency symptoms: • growth reduction, chlorosis, "little leaf" of fruit trees and "white bud" of corn	Co COBALT + helps fixing atmospheric nitrogen in legumes + is a constituent of B12 vitamin deficiency symptoms: • external symptoms similar to nitrogen deficiency • livestock suffers anemia, bad appetite and productivity	Cl CHLORIDE + accelerates energy reactions in plant + activates several enzyme systems + maintains turgor deficiency symptoms: • wilting leaf edges • thick side roots

PhosAgro fertilizers contain a full range of essential elements

The Company is in constant dialogue with agricultural producers to adapt its product offering. The Company's in-house R&D facilities and flexible production lines mean it is able to develop new fertilizer grades with additional secondary nutrients or microelements in response to market demand.



Elements currently available in PhosAgro products

MICRONUTRIENTS

B BORON

- + essential for germination of pollen grains, growth of pollen tubes
- + provides seed and cell wall formation

deficiency symptoms:

- stunts plant growth
- degrades growing point
- black heart (sugarbeets)
- corky core (apples)
- potato scab

Fe IRON

- + acts as a catalyst to chlorophyll formation and as an oxygen carrier
- + helps form respiratory enzyme systems

deficiency symptoms:

- Low respiratory and photosynthesis intensity
- chlorosis

Mo MOLYBDENUM

- + facilitates nitrate reductase by plants
- + vital for symbiotic nitrogen fixation by Rhizobia bacteria in legume root nodules

deficiency symptoms:

- yield and protein content decrease in plants
- when high doses of nitrogen fertilizers are applied low molybdenum causes nitrate accumulation in plants

Mn MANGANESE

- + is a part of enzyme systems in plant
- + accelerates germination and maturity
- + aids chlorophyll synthesis
- + supports ammonium and nitrate nitrogen uptake

deficiency symptoms:

- yellowing between the veins
- leaves specks and further dieback

Cu COPPER

- + acts in chlorophyll formation
- + increases resistance against lodging
- + supports drought tolerance, winter hardiness

deficiency symptoms:

- small germ
- dieback in citrus
- blasting in vegetable crops

Zn ZINC

- + is a part of enzyme systems
- + aids synthesis of auxins (plant growth hormones)

deficiency symptoms:

- growth reduction, chlorosis, "little leaf" of fruit trees and "white bud" of corn

Co COBALT

- + helps fixing atmospheric nitrogen in legumes
- + is a constituent of B12 vitamin

deficiency symptoms:

- external symptoms similar to nitrogen deficiency
- livestock suffers anemia, bad appetite and productivity

Cl CHLORIDE

- + accelerates energy reactions in plant
- + activates several enzyme systems
- + maintains turgor

deficiency symptoms:

- wilting leaf edges
- thick side roots

HARMFUL ELEMENTS

As ARSENIC

- Arsenic poisoning can cause nausea, vomiting, abdominal pain and other digestive disorders
- Regular exposure can cause cancer, cardiovascular disease, skin hyperpigmentation, keratoses, neurological problems and developmental disorders

Cd CADMIUM

- Causes
- Cancer
 - Cardiovascular diseases
 - Kidney disfunction
 - Lung problems
 - Osteoporosis

Hg MERCURY

- May have toxic effects on the nervous, digestive and immune systems, and on lungs, kidneys, skin and eyes
- For unborn and very young children, even small amounts may cause serious health and development problems

Pb LEAD

- Repeated exposure can cause abdominal and digestive problems, aggressive behaviour, headaches, fatigue, memory loss, anemia and numerous other negative symptoms
- Children exposed to lead may suffer from behaviour problems, low IQ, developmental disorders and learning difficulties

Cr⁺⁶ HEXAVALENT CHROMIUM

- Carcinogen
- Targets the respiratory system, kidneys, liver, skin and eyes
- May cause asthma or damage to the nasal epithelia and skin

ESSENTIAL NUTRIENTS

N NITROGEN

- + increases protein accumulation in plants
- + part of enzymes, nucleic acids, chlorophyll, vitamins, alkaloids
- + reduces moisture content in crop yield
- + determines protein synthesis intensity

deficiency symptoms:

- plant growth rate reduction and
- as a result yield dropdown

P PHOSPHORUS

- + accumulates energy in plants
- + accelerates biosynthesis
- + facilitates root system growth
- + increases winter hardiness, improves yield's quality

deficiency symptoms:

- slow growth and maturing
- yield decrease and its quality reduction

K POTASSIUM

- + increase plant resistance against adverse conditions and diseases
- + acts in processes of carbohydrates synthesis and their flow in plants
- + determine cell and fiber ability for water retention

deficiency symptoms:

- leaf edges browning known as leaf burn
- plants become irresistible against diseases

SECONDARY NUTRIENTS

Ca CALCIUM

- + supports plant's photosynthesis, hydrocarbons transport and nitrogen assimilation
- + acts in cell walls construction
- + determines watering and supports cell organelle structure

deficiency symptoms:

- root system suppression
- chlorosis
- foliage yellowing and even death

Mg MAGNESIUM

- + central atom of each chlorophyll molecule
- + takes part in phosphate metabolism,
- + acts in plant respiration
- + activates a number of enzyme systems

deficiency symptoms:

- yellowish, bronze or reddish color, while leaf veins remain green

S SULPHUR

- + is a part of every living cell ad
- + is a constituent of two of 21 amino acids which form protein
- + helps develop enzymes and vitamins
- + aids in seed production,
- + promotes nodulation for nitrogen fixation by legumes

deficiency symptoms:

- small leaves with pale green coloring, stretched stems
- deteriorated plant growth and maturation



Mikhail Rybnikov
Executive Director, COO

PhosAgro’s production of phosphate-based fertilizers increased by another 10.8% year-on-year in 2016 on the back of low-cost investments in modernisation and debottlenecking. Looking ahead, we are about to embark on a new phase of self-sufficient growth and greater internal processing of our own phosphate rock with the completion of new ammonia and granulated urea capacities on track for 2017.

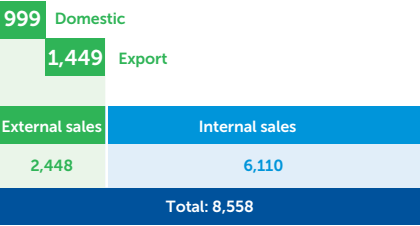
UPSTREAM

Capacity by product

Phosphate rock
8.5 mln t

Nepheline concentrate
1.7 mln t

Phosphate rock sales in 2016, kt



Phosphate segment — upstream

The upstream operations in our phosphate segment take place at Apatit, which mines apatite-nepheline ore that is processed into phosphate rock and nepheline concentrate.

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

Highlights

- Phosphate-based fertilizer production up 10.8% year-on-year to 5.9 million tonnes
- Phosphate-based fertilizer sales up 10.6% year-on-year to 5.9 million tonnes
- Internal use of our own phosphate rock accounted for 71.4% of total production volume

Upstream

We extracted 33.4 million tonnes of apatite-nepheline ore in 2016, compared to 27.2 million in 2015. We produced 8.5 million tonnes of phosphate rock, up from 7.9 million tonnes in 2015.

Intra-Group sales of phosphate rock amounted to 71.4% (6,110 kt) of our total phosphate rock sales in 2015, compared to 74.8% (5,808 kt) in 2015. This was primarily due to the 10.8% year-on-year increase in our own phosphate-based fertilizer production in 2016.

We sold 11.7% of the phosphate rock we produced to domestic external customers and 16.9% to international customers, compared with 11.2% and 14.0%, respectively, in 2015. Prayon (Belgium) and Yara (Norway) accounted for most of the exports. A decline in domestic sales volumes was primarily due to higher internal use.

In 2016, nepheline concentrate production and sales increased by 0.7% and 1.6% year-on-year, respectively. We sell all of our nepheline concentrate to Basel Cement Pikalevo, which slightly increased its nepheline concentrate processing in 2016.

Increasing production capacity while maintaining utilisation rates

PRODUCTION AND SALES VOLUMES – APATIT MINE AND BENEFICIATION PLANT

	Production volumes, kt			Sales volume ¹ , kt		
	2016	2015	Change y-o-y, %	2016	2015	Change y-o-y, %
Phosphate rock	8,530.2	7,853.3	8.6%	2,448.3	1,962.4	24.8%
Nepheline concentrate	958.1	951.9	0.7%	969.7	954.6	1.6%

¹ Not including Intra-Group sales.

PHOSAGRO’S ORE RESOURCES AS OF 1 JANUARY 2017

Deposit	Resources, 000 t (Categories A+B+C1)	Average P ₂ O ₅ content
Kukisvumchorr	401,042	14.26
Yukspor	505,273	14.12
Apatitovy Cirque	105,799	14.24
Rasvumchorr Plateau	321,059	13.02
Koashva	593,393	16.89
Njorkpahk	58,029	13.31
Lyolitovy otrog	1,754	14.14
Plot Plateau	2,058	16.52
TOTAL	1,988,407	14.78

Resource category classification

Category A: the deposit is known in detail; boundaries of the deposit have been outlined by trenching, drilling or underground workings. The quality and properties of the ore are known in sufficient detail to ensure the reliability of the projected exploitation.

Category B: the deposit has been explored but is only known in fair detail; boundaries of the deposit have been outlined by trenching, drilling or underground workings. The quality and properties of the ore are known in

sufficient detail to ensure the basic reliability of the projected exploitation.

Category C1: the deposit has been estimated by a sparse grid of trenches, drill holes or underground workings. The quality and properties of the deposit are known tentatively by analogy with known deposits of the same type, and the general conditions for exploitation are tentatively known. This category includes resources peripheral to the boundaries of Categories A and B and also reserves allocated in complex deposits in which the ore distribution cannot be reliably determined even by a very dense grid.

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

MINING LICENCE

Kirovsky mine (Kukisvumchorr and Yukspor deposits)
31.12.2025

Vostochny mine (Koashva deposit)
31.12.2017

Vostochny mine (Njorkpahk deposit)
31.12.2063

Rasvumchorrsky mine (Apatitovy Cirque and Rasvumchorr Plateau deposits)
01.01.2024

Tsentralny mine (Plateau Rasvumchorr deposit)
31.12.2017

EXPLORATION LICENCE

Illitovy otrog deposit
01.02.2024

Plot Plateau
14.12.2040

DOWNSTREAM

Phosphate segment capacity by product

MAP/DAP/NPK/NPS	Feed phosphate
5.5 mln t	360 kt
APP	PKS
140 kt	100 kt
Phosphoric acid	STTP
2.3 mln t	130 kt

PRODUCTION AND SALES VOLUMES – PHOSPHATE BASED FERTILIZERS AND MCP

	Production volume, kt			Sales volume, kt		
	2016	2015	Change y-o-y, %	2016	2015	Change y-o-y, %
DAP/MAP	2,768.9	2,643.2	4.8%	2,696.4	2,639.2	2.2%
NPK	2,060.0	1,922.6	7.1%	2,043.5	1,878.5	8.8%
NPS	512.4	272.8	87.8%	517.3	265.3	95.0%
APP	138.8	109.6	26.6%	115.4	104.5	10.4%
MCP	338.6	272.2	24.4%	338.5	257.7	31.4%
PKS	85.1	95.9	(11.3%)	90.1	89.8	0.3%
SOP	26.1	36.7	(28.9%)	28.0	35.8	(21.8%)

Phosphate segment: downstream

We increased our production and sales of phosphate-based fertilizers by 10.8% and 10.6% year-on-year, respectively.

Our ability to quickly switch between production of MAP/DAP and NPK/NPS fertilizers and our competitive position as a low-cost producer (we are positioned at the low end of the cash-cost curve) helped us to increase production and sales of MAP/DAP by 4.8% and 2.2% year-on-year, respectively, in 2016.

Production of NPK fertilizers increased by 7.1% to 2.1 million tonnes, while sales rose by 8.8% to 2.0 million tonnes in 2016. NPS production and sales increased by 87.8% and 95.0% (to 512 kt and 517 kt, respectively).

Our PKS fertilizer production and sales of fertilizers amounted to 85.1 kt and 90.1 kt, respectively.

Production and sales volumes of SOP in 2016 decreased by 28.9% and 21.8%, respectively, to 26.1 kt and 28.0 kt.

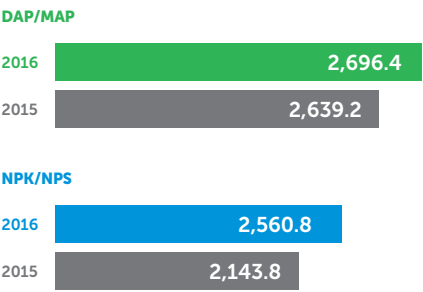
Due to our production flexibility and cash-cost leadership, we were also able to maintain near-100% capacity utilisation throughout 2016, even as we increased MAP/DAP/NPK/NPS production capacity by

12.2% year-on-year to 5.5 million tonnes and MCP production capacity by 6.2% year-on-year to 360 kt.

Outlook

- PhosAgro will continue to focus on strategic goals of optimising costs in upstream operations.
- We are intensifying production activities at our Cherepovets site. In 2016, we managed to increase production output by 8% year-on-year.

DAP/MAP vs NPK/NPS sales, kt



In-house R&D – Playing a Key Role in PhosAgro’s Growth

In May 2016,our in-house engineering company Mining and Chemical Engineering has merged its resources with the Y. Samoylov Scientific and Research Institute for Fertilizers and Insectofungicides (NIUIF). As a result, PhosAgro’s in-house capacity includes an extensive design base and is able to implement comprehensive projects in the field of mineral fertilizer production,

as well as feed and industrial salts, sulphuric and extracted phosphoric acids, and the mining and beneficiation of ores in the areas of:

- conducting scientific research work
- developing basic data for design and planning (including basic designs)

Nitrogen segment capacity by product

Ammonia	Urea
1,190 kt	980 kt
AN	
450 kt	

PRODUCTION AND SALES VOLUMES – NITROGEN BASED FERTILIZERS

	Production volume, kt			Sales volume, kt		
	2016	2015	Change y-o-y, %	2016	2015	Change y-o-y, %
Urea	1,036.1	978.1	5.9%	1,018.5	949.4	7.3%
AN	458.9	455.3	0.8%	375.5	416.0	(9.7%)

Nitrogen segment

Our nitrogen segment includes the assets of PhosAgro-Cherepovets, which produces ammonia, ammonium nitrate, ammonium nitrate-based fertilizers and urea.

Highlights

- Nitrogen fertilizer production increased 4.3% year-on-year to 1.5 million tonnes
- Nitrogen fertilizer sales were stable at 1.4 million tonnes
- Construction of new 760 000 tonnes/year ammonia plant remains on track for commissioning in 2017

Performance

Overall sales volumes of nitrogen fertilizers were stable year-on-year in 2016.

Urea production increased by 5.9% year-on-year to 1,036.1 kt in 2016, while sales increased by 7.3% year-on-year to 1,018.5 kt.

In 2016, 43% of our urea exports were attributed to long-term urea sales contracts with Trammo AG (Switzerland), which we signed for the period from July 2013 to June 2015 (in 2015, this contract was prolonged through September 2016), and with Ameropa AG (Switzerland). The majority of our remaining urea sales were on the spot market or based on short-term quarterly sales contracts. 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 2016, ammonia production increased by 7.8% compared to 2015 as a result of effectively scheduled maintainance. This brought our self-sufficiency in ammonia from 72.4% in 2015 to 73.1% in 2016. Most of the ammonia

we produced was consumed within the Group to support higher phosphate-based fertilizers and urea production volumes in 2016.

In 2016, production of ammonium nitrate (AN) and ammonium nitrate-based fertilizers (NP) increased by 1%, while sales declined by 9.7%.

Outlook

- New ammonia plant due to come online in 2017, adding 760 kt of annual capacity and increase self-sufficiency considerably
- New 500 kt/year urea plant due to come online in 2017

FINANCIAL REVIEW

Comprehensive income statement

Revenue

PhosAgro's revenue in 2016 amounted to RUB 187.7 billion. Continued implementation of our strategy aimed at improving production flexibility and expanding capacity supported growth in sales volumes, thereby increasing fertilizer production and sales volumes year-on-year by 9.4% and 8.8%, respectively. PhosAgro's revenue for the period decreased by 1% year-on-year to RUB 187.7 billion.

In 2016, export sales amounted to 66.4% of the Company's consolidated revenue compared to 73.2% in 2015.

Gross profit, operating profit, EBITDA and net income for the period

In 2016, gross profit decreased by 5% year-on-year, amounting to RUB 101.4 billion (RUB 106.7 billion in 2015), resulting in a 2 p.p. decrease in gross profit margin (from 56% in 2015 to 54% in 2016).

PhosAgro's operating profit in the reporting period was RUB 61.6 billion, a 16% decrease from RUB 73.3 billion in 2015. The operating profit margin decreased by 6 p.p. from 39% in 2015 to 33% in 2016.

EBITDA for 2016 decreased by 12% year-on-year to RUB 72.4 billion from RUB 82.5 billion for 2015. The EBITDA

margin decreased by 4 p.p. to 39% from 43% in 2015.

PhosAgro's financial performance was supported by the devaluation of the rouble in 2016 compared to 2015 (the exchange rate to the US dollar averaged RUB 67.03 in 2016 compared to RUB 60.96 in 2015), as prices for most of the Company's export sales are denominated in USD, while costs are primarily RUB-based. At the same time, the appreciation of the rouble as of 31 December 2016 (RUB 60.66 per USD 1) compared to 31 December 2015 (RUB 72.88 per USD 1) resulted in a foreign exchange gain of RUB 16,962 million in 2016; in 2015, the foreign exchange loss was RUB 22,178 million.

Basic and diluted earnings per share increased by 64% in 2016 to RUB 462 from RUB 281 in 2015.

Statement of financial position

Gross debt as of 31 December 2016 decreased to RUB 112.4 billion compared to RUB 134.5 billion as of 31 December 2015. Net debt as of 31 December 2016 stood at RUB 105.1 billion, down from RUB 105.2 billion as of 31 December 2015 as a result of the rouble's appreciation against the US dollar as of 31 December 2016. Most of the Company's debt is denominated in US dollars and as a natural hedge against primarily USD-denominated sales. The Company's net debt to EBITDA ratio increased to 1.45 as of 31 December 2016 from 1.28 as of 31 December 2015.

KEY FINANCIAL PERFORMANCE INDICATORS, RUB, mln

	2016	2015	Change y-o-y, %
Revenue	187,742	189,732	-1%
Cost of sales	-86,391	-83,064	4%
Gross Profit	101,351	106,668	-5%
• Gross profit margin	54%	56%	2 p. p.
Operating profit	61,598	73,331	-16%
• Operating profit margin	33%	39%	6 p. p.
Loss/Profit for the year	59,886	36,436	64%
• Loss/Profit margin	32%	19%	-13 p. p.
EBITDA	72,365	82,464	-12%
EBITDA margin	39%	43%	4 p. p.
Net Debt	105,115	105,165	0%
Net Debt/EBITDA ratio	1.45	1.28	13%

KEY OPERATIONAL INDICATORS SALES VOLUMES, kt

	2016	2015	Change, y-o-y %
Phosphate-based products	5,925	5,384	10%
Nitrogen-based fertilizers	1,394	1,365	2%
Apatit mine and beneficiation plant	3,418	2,917	17%
Other products	94	103	-8%

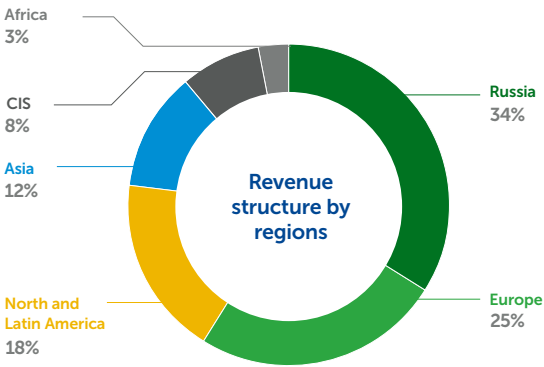
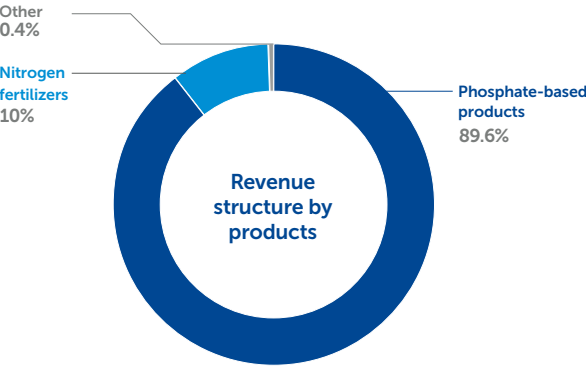
REVENUE STRUCTURE BY REGION, RUB mln

	2016	2015	Change, y-o-y %
North and Latin America	32,992	44,430	-26%
Europe	46,738	47,303	-1%
Africa	6,367	12,475	-49%
Asia	22,742	23,909	-5%
CIS	15,883	10,740	48%
Russia	63,020	50,875	24%
TOTAL	187,742	189,732	-1%

SEGMENT REVENUE STRUCTURE, RUB mln

	2016	2015	Change, y-o-y %
Phosphate-based products	168,136	167,430	0%
Nitrogen fertilizers	18,829	21,574	-13%
Other operations	777	728	7%
TOTAL	187,742	189,732	-1%

Production flexibility drives revenue growth

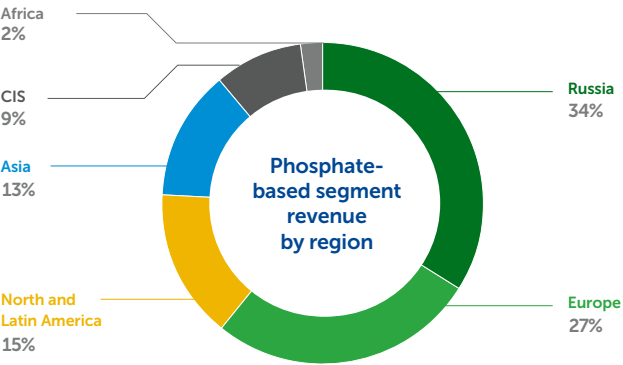


Phosphate-based products segment

Revenue from the phosphate-based products segment increased slightly to RUB 168.1 billion in 2016. PhosAgro increased both production and sales volumes of phosphate-based fertilizers and MCP by 11% year-on-year in 2016. Sales volumes for phosphate rock and nepheline concentrate in 2016 increased by 17% year-on-year.

The phosphate-based products segment's gross profit for 2016 decreased by 4% to RUB 93.5 billion, resulting in a gross profit margin of 56%, compared to a 58% margin in 2015.

- The phosphate-based fertilizers market in 2016**
- The average prices of DAP (FOB Tampa) and MAP (FOB Baltics/Black Sea) in 2016 were USD 347 per tonne and USD 339 per tonne, respectively, which represent respective year-on-year declines of 24% and 26%. The decrease in global prices for phosphate-based fertilizers was triggered by weak market conditions in the main commodity markets, combined with a higher supply of fertilizers from new capacities in Morocco (2 million tonnes of DAP/MAP/NPS/NPK in 1Q 2016 and 3Q 2016) and heightened competition.
 - A significant decrease in major feedstock prices triggered a spike in India's domestic DAP production, which lowered demand for import volumes. DAP imports to India for 2016 stood at 4.3 million tonnes, which was a 30% year-on-year decline. Imports of NP/NPK to India dropped by 26% year-on-year to 0.5 million tonnes.
 - Relatively low prices for phosphate-based fertilizers, coupled with



PHOSPHATE-BASED SEGMENT REVENUE BY REGION, RUB mln

Region	2016	2015	Change, y-o-y %
North and Latin America	25,765	33,623	-23%
Europe	44,271	43,692	1%
Africa	3,912	9,057	-57%
Asia	21,102	23,782	-11%
CIS	15,408	10,719	44%
Russia	57,678	46,557	24%
TOTAL	168,136	167,430	0%

favourable economics in Brazil's and Argentina's agriculture industries, spurred a recovery in consumption and import of phosphate-based fertilizers. In 2016, DAP/MAP/TSP/NP/NPK imports grew by 23% year-on-year and exceeded 6.3 million tonnes, including 2.7 million tonnes of imported MAP. Liberalisation of agricultural export rules in Argentina was an additional driver of growth in fertilizer consumption. Argentina's DAP/MAP imports in 2016 grew by 74% year-on-year to 1.15 million tonnes.

- Exports of phosphate-based fertilizers (DAP/MAP/NP/TSP) from China in 2016 decreased by 19% year-on-year to 10.1 million tonnes. Separately, exports of DAP dropped by 15% year-on-year to 6.8 million tonnes. Production curtailments due to low efficiency and stricter environmental regulations were the key reasons for the decline in exports.

The growth in fertilizer sales volumes was primarily due to the Company's flexible production and sales models, which enabled a substantial increase in sales

PHOSPHATE-BASED PRODUCTS SEGMENT, RUB mln

Result	2016	2015	Change, y-o-y %
Revenue	168,136	167,430	0%
Cost of goods sold	-74,667	-70,344	6%
Gross Profit	93,469	97,086	-4%
Gross Profit margin	56%	58%	-2 p. p.

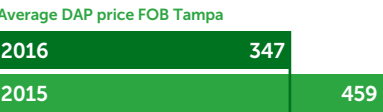
REVENUE AND SALES VOLUMES FOR PRINCIPAL PHOSPHATE-BASED PRODUCTS

	Revenue, RUB mln			Sales Volume, kt		
	2016	2015	Change, y-o-y %	2016	2015	Change, y-o-y %
Phosphate rock	26,037	19,155	36%	2,448	1,962	25%
DAP/MAP	63,906	73,362	-13%	2,684	2,625	2%
NPK/NPS	48,373	45,769	6%	2,561	2,144	19%
MCP	9,990	7,749	29%	339	258	31%

- of MAP and NPK to the domestic market, NPS to export markets and phosphate rock to both markets.
- MAP/DAP fertilizers: revenue from DAP/MAP sales was down by 13% year-on-year from RUB 73.4 billion (USD 1,203 million) in 2015 to RUB 63.9 billion (USD 953 million) in 2016, reflecting a 15% year-on-year decrease in DAP/MAP average revenue per tonne denominated in RUB and 2% year-on-year growth in sales volumes.
 - NPK fertilizers: revenue from NPK sales increased by 1% year-on-year from RUB 38.9 billion (USD 638 million) in 2015

- to RUB 39.2 billion (USD 585 million) in 2016, reflecting a 9% year-on-year increase in sales volumes and an overall 7% year-on-year decrease in NPK average revenue per tonne denominated in RUB.
- Phosphate rock: revenue from phosphate rock sales rose by 36% year-on-year to RUB 26.0 billion (USD 388 million) in 2016. Revenue per tonne in RUB terms increased by 9% year-on-year. Sales volumes increased by 25% year-on-year as a result of increased supplies to both export and domestic markets.

Phosphate based fertilizers market, USD



Average phosphate rock price FOB Morocco



Nitrogen segment

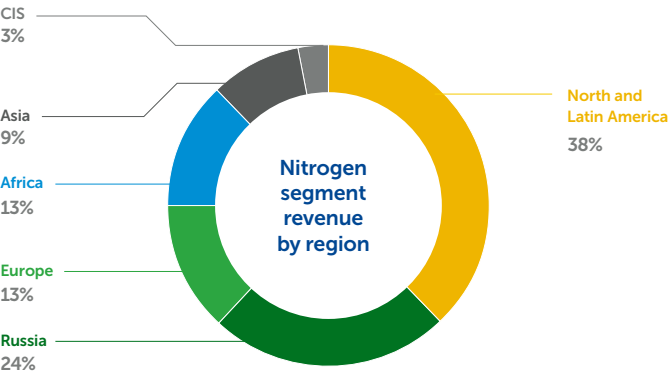
Nitrogen segment revenue decreased from RUB 21.6 billion in 2015 to RUB 18.8 billion in 2016. PhosAgro increased production and sales volumes of nitrogen-based fertilizers by 4% and 2%, respectively, year-on-year in 2016.

Nitrogen segment gross profit for 2016 decreased by 18% year-on-year to RUB 7.8 billion. The gross margin for 2016 was 41%, compared with 44% in 2015, which was mainly due to price decreases: in 2016, average revenue per tonne for the Company's nitrogen-based fertilizers decreased by 15% year-on-year.

The nitrogen market in 2016

The average urea price (FOB Baltic) in 2016 stood at USD 194 per tonne vs USD 267 per tonne in 2015. This was driven by stronger competition in key markets related to the launch of new capacities in the Middle East and the USA, as well as a nearly 3.0 million tonne year-on-year decline in urea exports to India due to growth in domestic production.

Export revenue from urea declined from RUB 15.7 billion (USD 258 million) in 2015 to RUB 13.3 billion in 2016. The decrease in revenue per tonne of 18% year-on-year was partially balanced by a 3% year-on-year increase in sales volumes. Total revenue from ammonium nitrate (AN) decreased by 13% year-on-year from RUB 5.4 billion in 2015 to RUB 4.6 billion in 2016 due to a 10% year-on-year decrease in sales volumes and a 4% year-on-year decrease in revenue per tonne.



NITROGEN SEGMENT REVENUE BY REGION, RUB mln

Region	2016	2015	Change, y-o-y %
North and Latin America	7,227	10,807	-33%
Russia	4,565	3,590	27%
Europe	2,467	3,611	-32%
Africa	2,455	3,418	-28%
Asia	1,640	126	1,202%
CIS	475	22	2,059%
TOTAL	18,829	21,574	-13%

Average urea price FOB Baltic, USD

2016	194
2015	267

Cost of sales

PhosAgro's cost of sales increased by 4% year-on-year in 2016 to RUB 86.4 billion, while overall fertilizer sales volumes increased by 9% year-on-year. This cost of sales performance was primarily due to the following factors:

- An increase of RUB 2.8 billion, or 12%, year-on-year in the cost of materials and services primarily due to an increase in repair expenses, a 23% increase in apatite-nepheline ore mining, 9% growth in fertilizer production volumes and 5% year-on-year inflation.
- A year-on-year increase in personnel costs of RUB 629 million, or 6%, primarily due to payroll indexation and PhosAgro's 15th-anniversary bonuses.
- A decrease in expenditures on sulphur and sulphuric acid of RUB 2.3 billion, or 28%, year-on-year from RUB 8.4 billion in 2015 to RUB 6.1 billion in 2016. This was driven by a 34% decline in sulphur and sulphuric acid purchase prices denominated in RUB, which was partially offset by a 9% year-on-year increase in volumes consumed due to higher production of phosphate-based fertilizers, mainly MAP/DAP and NPS.
- A year-on-year decrease in expenditures on ammonia purchases of RUB 2.4 billion, or 29%, from RUB 8.2 billion in 2015 to RUB 5.8 billion in 2016. This was mainly due to a 30% decline in RUB-denominated prices, which was slightly offset by a 1% year-on-year decrease in consumption volumes.
- A year-on-year decrease of 6% in expenditures on potash from RUB 7.6 billion in 2015 to RUB 7.1 billion in 2016. This was due to a 16% decrease in RUB-denominated prices and 11% growth in purchase volumes as a result

REVENUE AND SALES VOLUMES FOR NITROGEN FERTILIZERS

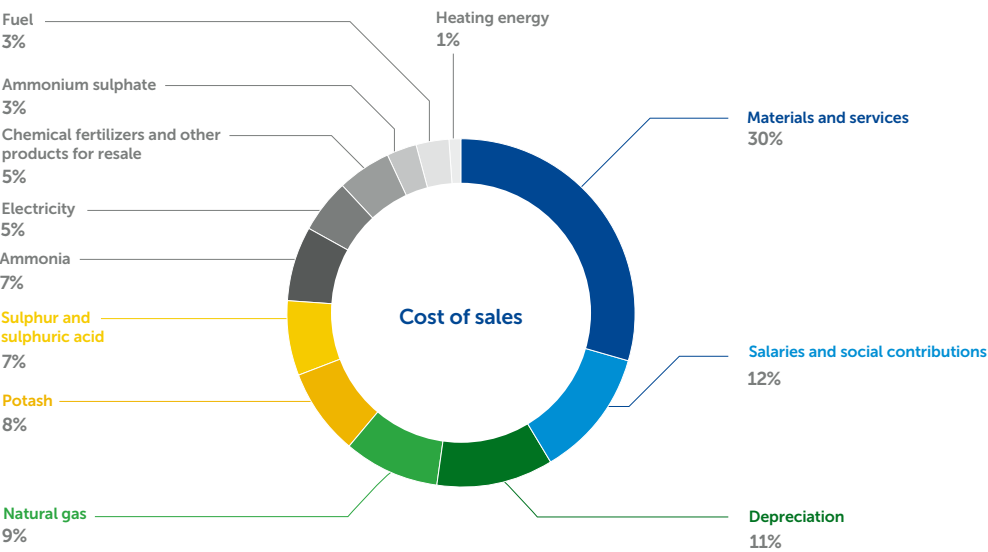
	Revenue, RUB mln			Sales Volume, kt		
	2016	2015	Change, y-o-y %	2016	2015	Change, y-o-y %
Urea	14,119	16,101	-12%	1,019	949	7%
AN	4,635	5,358	-13%	376	416	-10%

NITROGEN PRODUCTS SEGMENT, RUB mln

Results	2016	2015	Change, y-o-y %
Revenue	18,829	21,574	-13%
Cost of goods sold	-11,025	-12,063	-9%
Gross Profit	7,804	9,511	-18%
Gross Profit margin	41%	44%	-3 p.p.

- of a 7% increase in NPK production during the period.
- A year-on-year increase in expenditures on natural gas of RUB 600 million, or 8%, to RUB 8.1 billion in 2016. This was mainly due to an 8% increase in ammonia production volumes.
- A year-on-year increase in expenditures on electricity of RUB 535 million, or 14%, to RUB 4.5 billion in 2016. This was due to a 7.5% indexation in tariffs from 1 July 2016 and an increase in phosphate rock production volumes (Apatit is the Group's main consumer of electricity from third parties).
- A year-on-year increase in expenditures on ammonium sulphate of RUB 371 million, or 17%. This was due to 32% year-on-year growth in ammonium sulphate purchase volumes

- as a result of higher production volumes of NPS. Purchase prices decreased by 11% year-on-year in 2016.
- A decrease in expenditures on fuel by 20% from RUB 2.9 billion in 2015 to RUB 2.3 billion in 2016. This was driven by a 14% decline in overall fuel purchase prices denominated in RUB. Lower fuel consumption volumes resulted from an increase in extraction of apatite-nepheline ore from underground mining, where electricity is primarily consumed.
- A year-on-year decrease in heating energy expenses of RUB 42 million, or by 6%, from RUB 718 million in 2015 to RUB 676 million in 2016. This was mainly due to a 5% decline in RUB-denominated prices.



Selling, general and administrative expenses

Administrative expenses rose by 14% year-on-year to RUB 13.9 billion in 2016, primarily due to an increase in personnel costs of RUB 1.1 billion, or 16%, year-on-year. The increase was mainly due to the indexation of salaries, PhosAgro's 15th-anniversary bonuses, and the relocation of a significant proportion of operational management to Cherepovets.

Selling expenses rose by 19% year-on-year from RUB 17.8 billion in 2015 to RUB 21.1 billion in 2016. This was primarily due to the following changes:

- Russian Railways infrastructure tariff and operators' fees increased by 34% from RUB 6.1 billion in 2015 to RUB 8.2 billion in 2016. This was mainly due to an increase in railway tariffs of 9% in 2016, as well as growth in fertilizer sales (primarily to the domestic market, where predominantly CPT shipments increased by 31% year-on-year).

- Growth of 54% in materials and services from RUB 1.6 billion in 2015 to RUB 2.5 billion in 2016. This was mainly driven by an increase in multimode shipment volumes to export markets.
- Growth in freight, port and stevedoring expenses by 2% from RUB 9.2 billion in 2015 to RUB 9.4 billion in 2016 mainly due to an increase in export shipment volumes of 7%. After the commissioning of the Smart Bulk Terminal in June 2015, the Company transferred its export shipping activity from Baltic ports to Ust-Luga. This helped PhosAgro to achieve sustainable savings in port fees, which was balanced by an increase in export shipment volumes.

Statement of cash flows

Cash flow from operating activities

Cash flow from operating activities decreased by 20% year-on-year in 2016 to RUB 50.4 billion compared to RUB 63.3 billion in 2015 due to lower operating cash flow and higher income tax payments, which was partially offset by favourable changes in working capital.

Cash used in investing activities

Net cash used in investment activities increased by 21% in 2016 to RUB 38.0 billion.

Cash used in financing activities

In 2016, net cash used for financing activities amounted to RUB 29.9 billion.

COST OF SALES

Item	2016		2015		Change
	RUB mln	% of cost of sales	RUB mln	% of cost of sales	y-o-y, %
Materials and services	25,746	30%	22,905	27%	12%
Salaries and social contributions	10,784	12%	10,155	12%	6%
Depreciation	9,377	11%	8,057	10%	16%
Natural gas	8,084	9%	7,484	9%	8%,
Potash	7,104	8%	7,559	9%	-6%
Sulphur and sulphuric acid	6,065	7%	8,385	10%	-28%
Ammonia	5,801	7%	8,190	10%	-29%
Chemical fertilizers and other products for resale	4,254	5%	4,091	5%	4%
Electricity	4,462	5%	3,927	5%	14%
Fuel	2,299	3%	2,865	3%	-20%
Ammonium sulphate	2,547	3%	2,176	3%	17%
Heating energy	676	1%	718	1%	-6%
Other items	42	–	23	–	83%
Change in stocks of works in progress and finished goods	-850	-1%	-3,471	-4%	-76%
TOTAL	86,391	100%	83,064	100%	4%

Capital expenditure

Cash spent on capital expenditure in 2016 amounted to RUB 40.2 billion, a decrease of 6% in comparison with RUB 42.7 billion in 2015. PhosAgro's capital expenditure, which consists of additions to property, plant and equipment, amounted to RUB 45.3 billion for 2016, compared to RUB 44.2 billion in 2015. Capital expenditure focused on the construction of the new 760 ths tonnes/year ammonia plant and the new 500 ths tonnes/year urea plant at PhosAgro-Cherepovets.

CASH FLOW STATEMENT, RUB mln

Results	2016	2015
Cash flow from operating activities	50,361	63,261
Cash flow from investing activities	-38,014	-31,463
Cash flow used in/from financing activities (net of dividends paid)	-1,872	-19,243
Dividends paid to shareholders	-27,974	-18,130
Net change in cash and cash equivalents	-17,499	-5,575

CAPITAL EXPENDITURE*, RUB mln

	2016	2015	Change, y-o-y %
Phosphate-based products/mining and beneficiation	13,342	10,471	27%
Phosphate-based products/fertilizers production	10,448	7,442	40%
Nitrogen fertilizers	20,968	25,025	-16%
Other	533	1,255	-58%
TOTAL	45 291	44,193	2%

* capital expenditure, which consists of additions to property, plant and equipment

ENVIRONMENTAL REVIEW



We introduced new KPIs for the Company’s Environmental Service in 2016, aimed at helping to ensure regulatory compliance and to minimise payments for over-limit environmental impact

Environmental strategy

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. 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.

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. We also invest in advanced technologies and high-quality production processes to make the most efficient use possible of finite natural resources.

Our environmental strategy focuses on the following key areas:

- Reducing our waste production, 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
- Implementing energy-efficiency and energy-saving programmes at all our enterprises

Policy highlights

PhosAgro maintains a policy framework and related management systems procedures to address business conduct matters. Here are some of the highlights of the organisation’s policy framework:

- We continually monitor and analyse the impact that our production sites have on the environment and implement corrective measures with the goal of limiting that impact.
- We aim to comply with all applicable Russian and international legislation and standards.
- We continually invest in new technologies and processes that reduce our use of energy and finite resources.
- We look to reduce, process or recycle the waste we produce wherever possible.
- We embed a culture of respect for the environment and the indigenous natural communities where we operate.

2016 Highlights

The main KPIs of the Company's environmental function are:

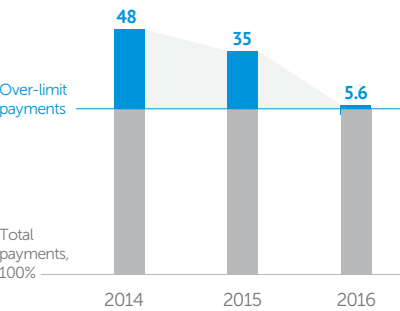
- possession of all necessary environmental permits for the key production assets and subsidiaries
- the size of payments for environmental impact, including over-limit payments, which is a key indicator of the Company's overall environmental impact

We introduced new KPIs for the Environmental Service in 2016:

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

Over-limit payments equalled 48% of total payments in 2014, 35.3% in 2015 and just 5.6% in the first three quarters of 2016. A KPI was set in 2016 for a maximum over-limit payment of 15.4% of the total in 2015. The result for the first three quarters of 2016 was around 10% of the 2015 level.

Over-limit payments, %



System highlights

Management and reporting
PhosAgro's environmental affairs are overseen by the chief ecologist based at PhosAgro-Cherepovets, who is supported by environmental control and resource use divisions at each of our production sites. These divisions are responsible for undertaking activities related to environmental protection, ensuring compliance with regulatory requirements and reporting on these issues. Employees of these divisions provide support to production site management when they engage with local stakeholders.

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

KEY EVENTS AT PRODUCTION SITES IN 2016

Apatit:

- switching to new, more effective chemicals for hardening dusty surfaces at tailing facilities
- selecting chemicals for cleaning wastewater as part of the programme to reduce discharge of pollutants that is being implemented over 2015-2019
- acquiring two waste disposal and recycling units

PhosAgro-Cherepovets:

Signing a four-party agreement with the Russian Ministry of Natural Resources and Environment, Federal Service for the Supervision of Natural Resources, and the administration of Vologda region, which includes the following plans:

- finishing construction of wastewater treatment facilities at the Rybinsk reservoir, which will provide regulatory sewage treatment for 10,000 cubic metres per day of ammonia production, as well as sanitary sewage containing phosphorous and nitrogen complexes at the village of Novye Ugli
- upgrading the aluminium fluoride plant to increase waste recycling volumes, and as part of an import substitution programme
- continuing PhosAgro's "2 Thousand Trees" programme

Metachem:

- developing construction design for a wastewater treatment facility on the Volkhov river, which will provide Metachem's required regulatory sewage treatment



- payment of a fine and potential liability in the event of a violation up to and including criminal prosecution
- penalties are calculated in material terms for damage caused to the environment

None of PhosAgro's enterprises use ozone-depleting substances in the production process. A small amount of carbon tetrachloride (not more than 250 kg/year) 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.

Permits and certificates

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

In addition to observing Russian environmental law, we adhere to international standards relevant to our business to guide our approach, for example, the Balakovo branch of Apatit is the first Russian enterprise to be certified as compliant with the European GMP+ quality control standard for feed materials.

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, and No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the development of exposure scenarios.

ISO AND OHSAS CERTIFICATES HELD BY PHOSAGRO ENTERPRISES:

	ISO 9001	OHSAS 18001	ISO 14001
Apatit	Since 2011	-	-
PhosAgro-Cherepovets	Since 2004	Since 2008	Since 2006
Balakovo branch of Apatit	Since 2005	-	Since 2009

Legislative and administrative framework

In general, Russian environmental law meets international standards, utilising the following main pieces of legislation: the Environmental Protection Law, the Russian Federation Water Code, the Law on Industrial Waste and Consumption, the Law on Protection of Atmospheric Air and the Environmental Expert Review Law. These pieces of legislation require environmental impact assessments prior to the implementation of a project that may have an impact on natural resources. No construction or operation is permitted until the Company is in receipt of a positive report from the State Environmental Expert Review (an essential precondition for financing and implementation).

Regional legislation supports and expands on these federal laws and regulations.

Russia is also a signatory to most of the major international environmental conventions and treaties, which, in the event of a conflict with Russian law, take precedence, as dictated by the Constitution of the Russian Federation and the Federal Law on Environmental Protection.

In general, any activity in Russia that may have an adverse impact on the environment is subject to:

- issuance of permits or licences (including for water use; subsoil use, for example, in mining; forest use; air emissions; disposal and recycling of waste; operation of hazardous industrial facilities)
- establishment of limits with respect to the amount of environmental impact
- payment for negative environmental impact (emissions and waste disposal)



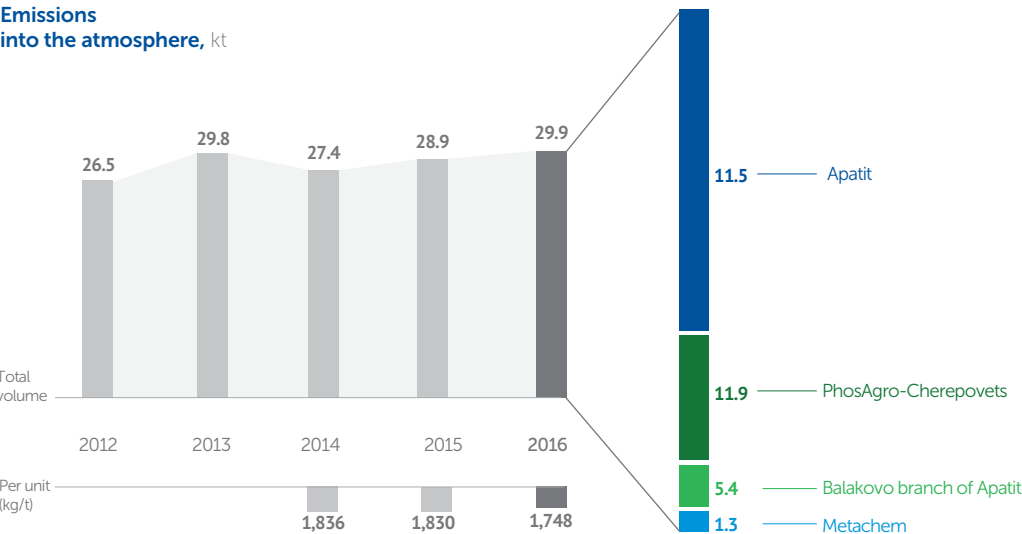
ENVIRONMENTAL IMPACT OF THE COMPANY'S PRODUCTION SITES IN 2016

Emissions and air quality

In 2016, consolidated atmospheric emissions by PhosAgro's production subsidiaries increased by 1 kt to 29.9 kt, up 3% year-on-year. The increase in emissions was primarily due to higher production volumes, with total fertilizer output growing at a faster pace of 9.4% year-on-year. This brought atmospheric emissions per unit of production down by 4.4% year-on-year to 1,749 kg/t in 2016.

4.4%
DECREASE
IN ATMOSPHERIC
EMISSIONS PER UNIT
OF PRODUCTION IN 2016

Emissions into the atmosphere, kt



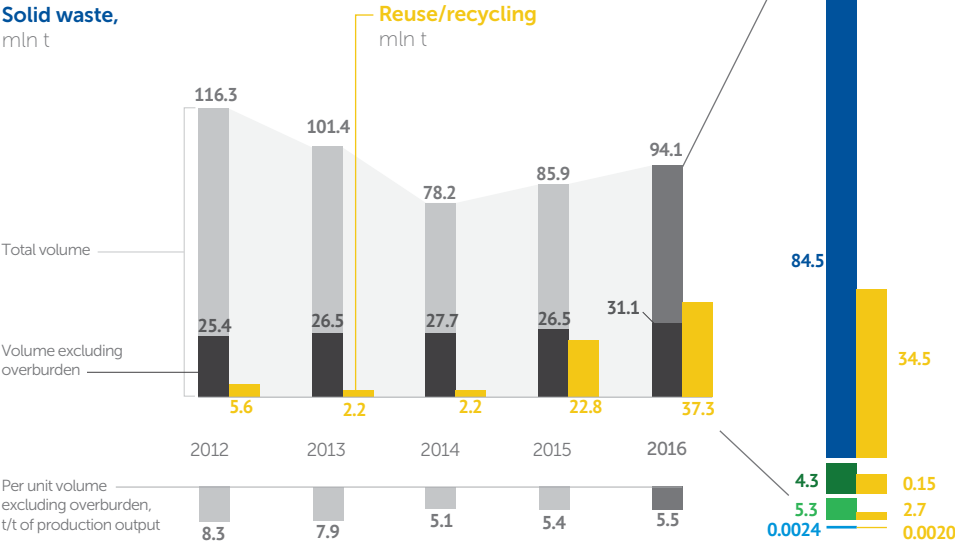
Waste disposal

As PhosAgro continually modernises its production facilities, one goal is to reduce the volume of waste produced, including through recycling. We also aim to reduce the danger that produced waste poses for the environment. At production facilities, some types of waste are used as raw materials in the production process.

One key area where we are working on recycling solid waste is in the development of new technologies for reprocessing of phosphogypsum.

Apatit used 22.8 million tonnes of overburden from surface mining for road construction. In 2016, the total volume of

waste produced was 94.1 million tonnes. Approximately 90% of this volume was produced by Apatit. The 8% year-on-year increase in phoposphate rock production volumes was the primary driver behind this increase in waste. The majority of solid waste (up to 70%) consists of rocks and overburden from Apatit.





ENVIRONMENTAL IMPACT OF THE COMPANY’S PRODUCTION SITES IN 2016

Water use

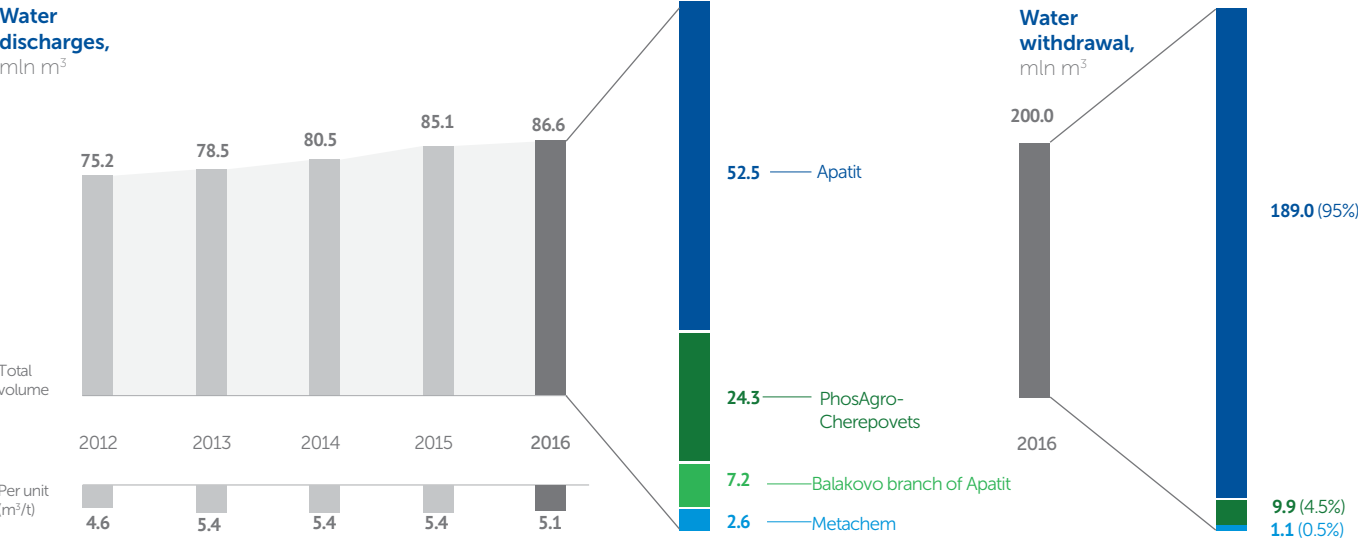
PhosAgro’s subsidiaries try to implement the latest available technologies when using water in the production process, maximising use in cycles to reduce waste-water volumes. The Balakovo branch of Apatit, for example, uses a process that produces no waste-water.

Apatit and PhosAgro-Cherepovets are responsible for the majority of PhosAgro’s water withdrawal, accounting for 60% and 28% of the total, respectively. In addition,

Apatit provides drinking water for Kirovsk and Apatity. The largest volume of waste-water discharges, 95%, comes from Apatit.

In 2016, PhosAgro’s total consumption from surface water sources increased by 1.7% year-on-year to 86.6 million cubic metres. Water consumption per unit of production declined by 5.5% year-on-year in 2016 to 5.1 cubic metres per tonne.

Water discharges by PhosAgro’s production sites increased slightly, amounting to 200.0 million m³.

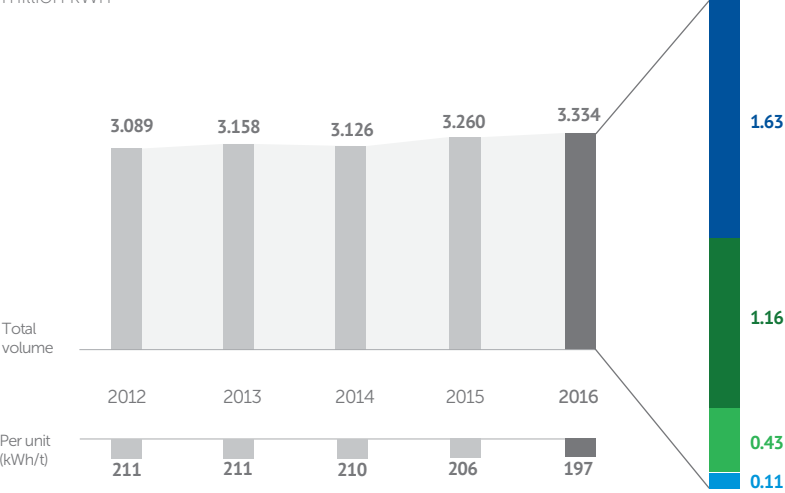


Electricity

PhosAgro used a total of 3,334 million kWh of electricity in 2016. PhosAgro-Cherepovets and Apatit’s Balakovo branch generated 1,272 million kWh of electricity (79.6% self-sufficiency) using on-site facilities, which have a total rated generation capacity of 183 MW.

39.91%
SELF-SUFFICIENCY
IN ELECTRICITY AT
PHOSAGRO PRODUCTION
SUBSIDIARIES

Electricity consumption, million kWh



Energy efficiency

PhosAgro’s subsidiaries were 39.91% self-sufficient in electricity in 2016, including from thermal energy generated by heat recapture units installed on sulphuric acid production lines. The Company also continues to implement programmes aimed at improving energy efficiency.

↓ 4.2%
YEAR-ON-YEAR
DECREASE IN PER-
UNIT ELECTRICITY
CONSUMPTION

Natural gas and fuel oil

In 2016, PhosAgro’s natural gas consumption increased by 5.2% year-on-year to 1,914 million m³, while fuel oil consumption grew by 3.7% year-on-year to 141 kt.

Apatit is our only consumer of fuel oil. The increase in fuel oil consumption was a result of higher production volumes at Apatit’s beneficiation facilities.

In 2016, we completed work on a new facility for the capture, storage and regasification of natural gas, which is part of the ventilation and heating system at the Rasvumchorsky underground mine. This new system will enable Apatit to decrease its consumption of fuel oil and diversify its sources of energy.

HEALTH AND SAFETY REVIEW

We have established unified policies and governance systems across our production facilities, which aim to maintain high safety levels for production processes and employees of PhosAgro and our subcontractors.



Health and safety strategy

Workplace health and safety are of critical importance for PhosAgro's efficient and uninterrupted operations, which include large-scale mining and processing enterprises. PhosAgro's workplace health and safety strategy aims to achieve three key goals:

- 1. Zero fatal incidents involving employees of PhosAgro or its subcontractors
- 2. Zero accidents involving production equipment
- 3. Sustainable performance achieved by creating a culture of safety at production sites

PhosAgro management understands that creating a culture of safety requires commitment and leadership by supervisors at every level, as well as involvement in the work done by employees of the Company and its subcontractors.

Our strategic and operational goals and tasks in the area of workplace health and safety are based on the analysis of large volumes of data from internal and external audits and inspections, incident investigations, and recommendations from representatives of the workforce.

Policy highlights

- We have established and maintain the required level of workplace health and safety, whereby the risk of injuries or death, or accidents at production sites is minimised and reflects the latest scientific, industrial and community standards
- We seek to constantly develop and update our workplace health and safety practices based on international standards and the experience of other companies that are leaders in the field of production site safety
- We are promoting a unified corporate culture concerning workplace health and

- safety among the employees at each of our production sites
- We provide for adherence to all legal and regulatory requirements in the area of workplace health and safety by all employees, regardless of their position in the Company
- We aim to improve the monitoring of compliance with workplace health and safety requirements at our production sites with the help of modern information technologies

System highlights

We create a clear culture that embraces personal, team and company-wide responsibility for health, safety and care for fellow employees. In addition to adherence to federal legal requirements for workplace safety, PhosAgro's management has introduced additional measures to improve our workplace health and safety practices based on international standards and best practices. We are also constantly learning – we use our own experience and that of others to ensure PhosAgro is implementing leading-edge practices in workplace health and safety across its enterprises.

Starting from the second half of 2016, we have introduced the development and implementation of comprehensive programmes to address the most problematic areas of workplace health and safety in order to focus on type of activity, job or specific worksite where workplace health and safety risks are considered to be heightened..

Governance and oversight

- Oversight begins at the Board of Directors, with the Environmental, Health and Safety Committee chaired by Igor Antoshin

- Management receives weekly reports on workplace health and safety performance across the Company; if and when incidents do happen, management is immediately informed about the situation, and then receives detailed information as it becomes available
- At the executive management level, we aim to create a culture of safety whereby each manager embraces responsibility for his or her own safety, as well as that of others in his or her unit
- Each of our subsidiaries has a workplace health and safety service, or dedicated specialists. Their responsibilities include advising management, monitoring adherence to safety requirements, helping to identify and mitigate hazardous activities or conditions, ensuring employees evaluate risks prior to starting work, investigating the root cause of incidents and serious deviations, assisting management with developing and implementing activities to prevent incidents, and to mitigate any identified risks
- The Company conducts regular audits and inspections of workplace safety conditions, including internal Safety Behaviour Audits. Our production sites also regularly undergo government regulatory inspections
- We operate a whistle-blower hotline, and we strongly encourage employees to report to management any concerns regarding possible violations or potentially dangerous situations at our production sites, as well as any issues related to health and safety

Unified standards

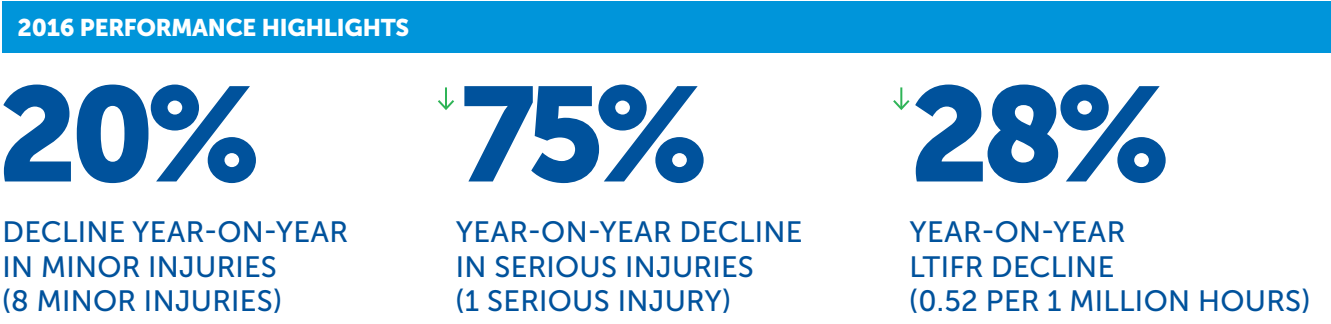
- As part of the integration and streamlining of PhosAgro's production assets, we have introduced new, unified safety standards and practices across all of our subsidiaries. These new standards are based on internationally recognised best practices, and are being implemented together with some of the best external experts available
- Currently, our PhosAgro-Cherepovets production site has OHSAS 18001:2007 certification for its occupational health and safety management systems

Training

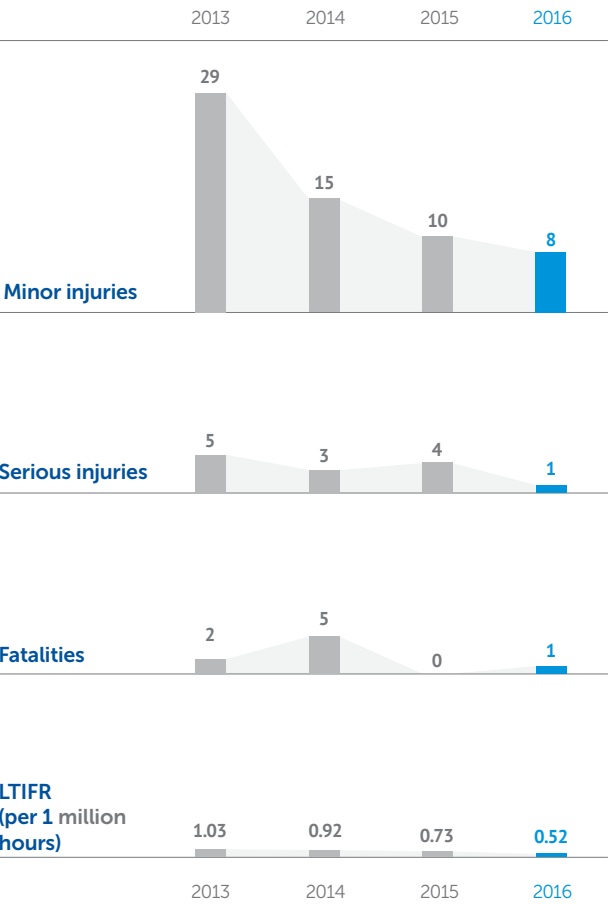
Every single manager, specialist and production line employee at PhosAgro receives workplace health and safety instruction and training, and undergoes testing on the subject in accordance with Russian legal requirements. In addition, we conduct a number of additional internal trainings. Specific training highlights in 2016 included the following sessions:

- 89 employees participated in an eight-hour course on workplace safety and safe production operations
- Training on basics of safe behaviour was attended by 4,481 employees
- Safe behaviour audit classes, organised in cooperation with DuPont Science and Technology, were taught to 575 employees
- Root Cause Analysis workshop was attended by 102 employees

Implementing best practices in workplace health and safety



WORKPLACE INJURIES AND FATALITIES



Our performance

We have achieved good results in 2016: zero incidents resulting in loss of the ability to work at PhosAgro's chemical processing sites, and a 28% year-on-year decline in LTI FR.

However, we deeply regret that one fatality occurred at the Apatit mine in 2016 due to a landslide. Following an investigation into the causes of this incident and an analysis of safety procedures, we took measures to improve the safety of our mining work (described below).

CASE STUDY



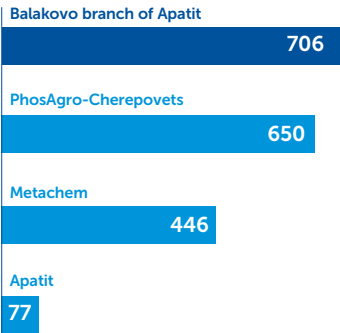
1. Three steps to safety

PhosAgro regularly participates in the All-Russian Week of Workplace Health and Safety, which is organised by the Russian Government, in order to learn more about the latest developments at other companies. At the 2016 forum, a number of companies shared their experience implementing practices to identify hazards and evaluate risks before starting any job.

This idea was quickly adopted by PhosAgro's workplace health and safety team, and approved by management. New procedures to improve safety before starting work were developed and entitled "Three steps to safety". This new methodology was introduced at all of our production sites during the second half of 2016

- Step 1: →
- Step 2: →
- Step 3:
- Stop! Think and identify hazards!
- Take measures to eliminate any hazard!
- Decide whether it is safe to proceed with work!

Days without injuries (as of 31 December 2016)



2. Improving transportation safety

During 2016, PhosAgro launched a programme to improve the safety of automobile, rail, and mine vehicle transportation.



Measures taken to improve safety included:

1. Introducing new requirements for drivers responsible for transporting passengers and operating large mining vehicles
2. Providing additional training for personnel responsible for rail transport on the territory of PhosAgro production sites
3. Installing monitoring devices and equipment in certain vehicles to monitor and control the driving style
4. Professional training for drivers of mining equipment, including reviewing reasons for past accidents and learning accident-avoidance driving techniques
5. Renovating to certain road- and railways



3. Improving safety of mining work

The Apatit mine is the heart of PhosAgro, providing us with the exceptionally pure and high-quality phosphate raw materials we use to produce phosphate-based fertilizers. We undertook several measures during 2016 to improve the safety at Apatit, including:

1. Improved techniques and tools for installing and maintaining containment walls for mining excavation sites
2. Organised new training and testing for employees responsible for maintaining excavation sites and roadways in mines
3. Purchased new equipment for installation and maintenance of containment walls
4. Granted access to automated monitoring of the location of all mining equipment and personnel is for dispatchers
5. Installed new equipment to monitor levels of CO, NO₂, CH₄ and O₂ at mining sites
6. Distributed new leaflets on workplace health and safety for employees of the Apatit mine

PEOPLE REVIEW

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 primary school level and continue to invest in our people throughout their careers with PhosAgro.



Our people are our most important asset

Strategy highlights

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.

- We aim to maintain our reputation as an employer of choice in the regions where we work
- We use a KPI system to link executive remuneration to priorities like health and safety, as well as financial performance
- We strive to motivate our staff by providing competitive wages, paying close attention to the conditions at our work sites and offering generous non-monetary benefits
- 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 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

Policy highlights

Our policy focuses on ensuring that our staff remain healthy and properly motivated. In the coming year, we plan to reassess social benefits for the overall PhosAgro Group, as well as analyse the collective agreements of PhosAgro Group's main production facilities. Overall, our policy priorities are as follows.

- We place an increased priority on preventive health care for our young and middle-aged employees who have been with us for two or more years.
- We have begun moving toward a standardised collective agreement with our workers
- We aim to maximise the number of our staff who participate in exercise and sports programmes to improve both their personal health and work productivity
- We have analysed our accident and health insurance policies to develop a single approach and unified criteria for selecting providers
- We have revamped our recreational offerings for employees and their children
- We have worked to standardise the social policies of our subsidiaries

HIGHLIGHTS

2.8%

OF OUR STAFF

PARTICIPATED IN PERIODIC PERFORMANCE AND CAREER DEVELOPMENT ASSESSMENTS UNDER THE KPI SYSTEM

107

HOURS

OF TRAINING PER EMPLOYEE

822

EMPLOYEES

TOOK PART IN PROFESSIONAL TRAINING PROGRAMMES IN 2016 (DOWN FROM 908 IN 2015)

~700,000

TOTAL HOURS

OF TRAINING ATTENDED BY PHOSAGRO EMPLOYEES IN 2016 (COMPARED TO >1 MILLION HOURS IN 2015)

7,599

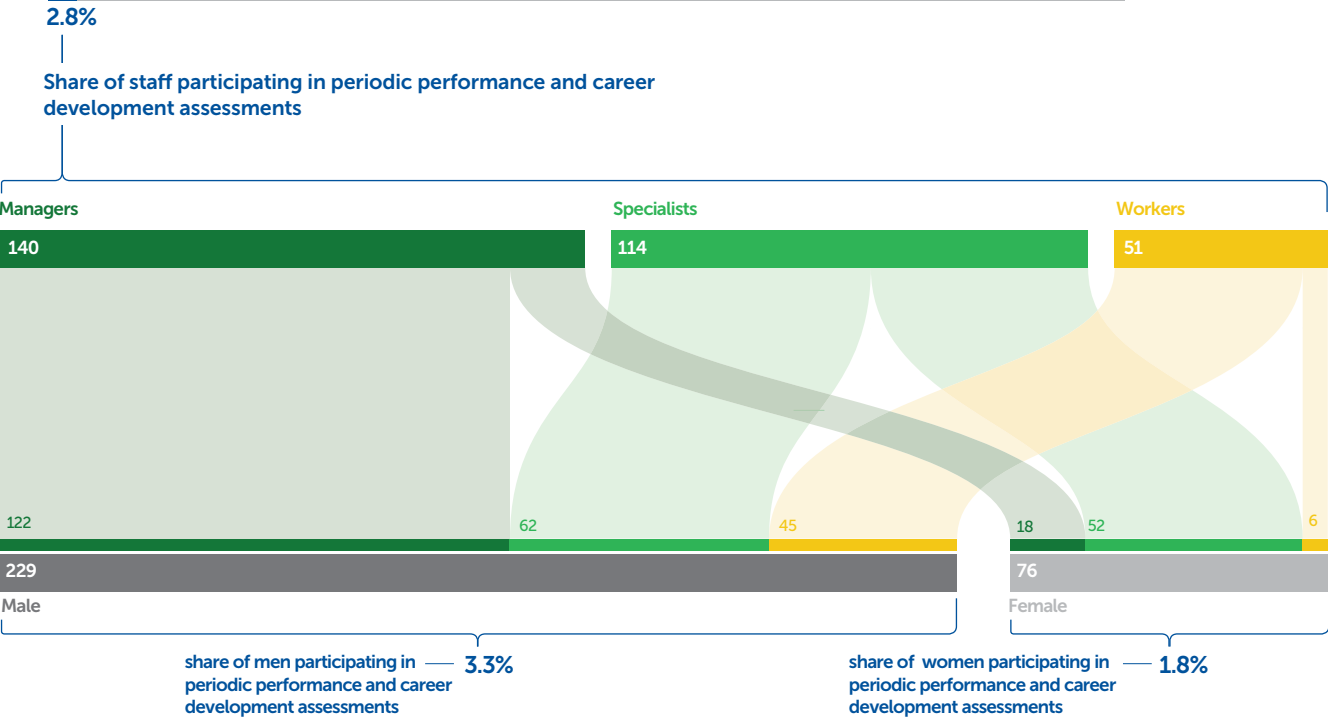
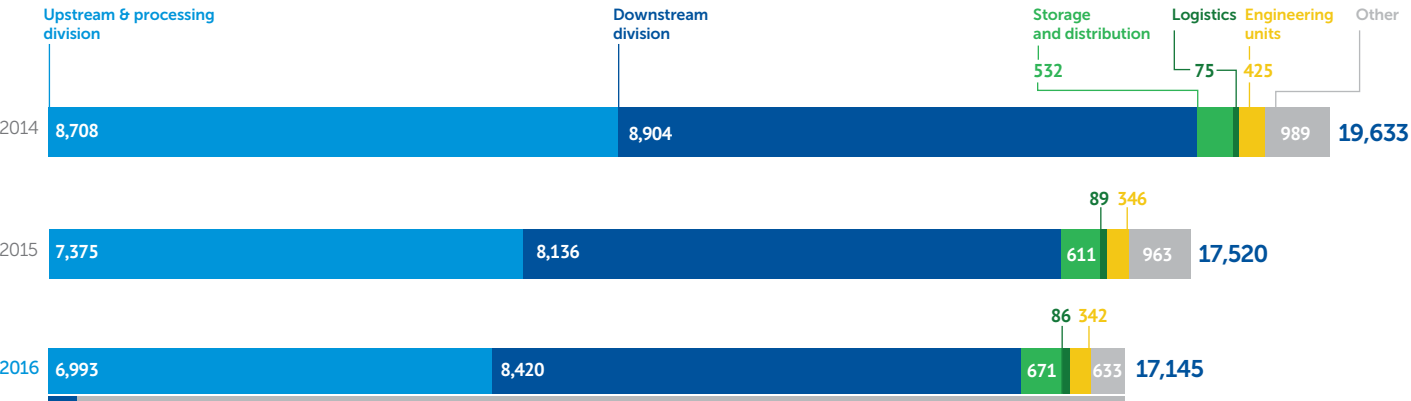
TRAINING COURSES

ATTENDED BY PHOSAGRO EMPLOYEES IN 2016 (DOWN FROM 8,342 IN 2015 DUE TO HEADCOUNT REDUCTIONS)

THE DRIVER BEHIND THE YEAR-ON-YEAR REDUCTION IN TOTAL TRAINING HOURS ATTENDED WAS A 2% DECREASE IN HEADCOUNT

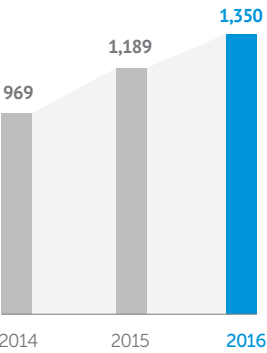
OUR EMPLOYEE

Headcount, average per year

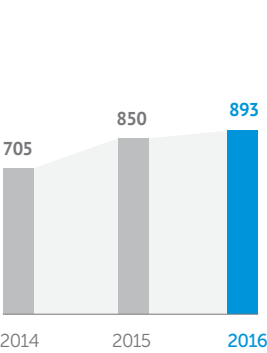


EMPLOYEE PRODUCTIVITY

Upstream & processing division, tonnes/person



Downstream division, tonnes/person



System highlights

Executive remuneration

We introduced a KPI system in 2014, which began by linking top executive remuneration via a set of uniform standards to priorities like health and safety performance at the management company and subsidiary levels. In 2016, we expanded the KPI system to encompass all PhosAgro subsidiaries, as well as additional categories of staff.

Employee benefits

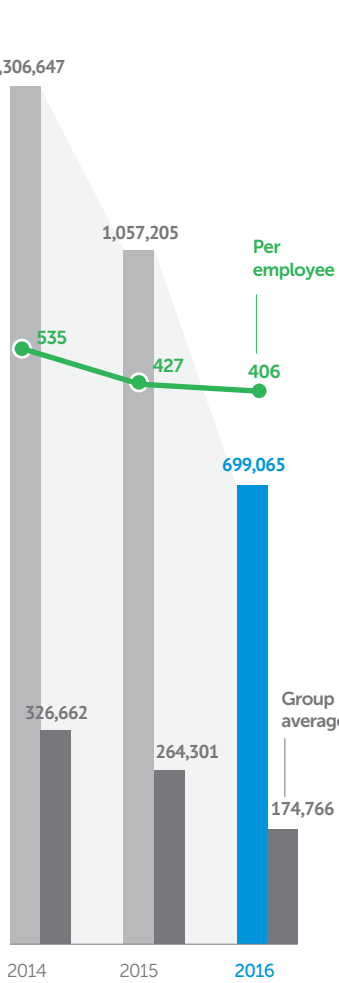
We strive to motivate our staff by providing competitive wages, paying close attention to the conditions at our worksites and the quality of our employee dining facilities, as well as by offering generous non-monetary benefits like corporate medical, rest and recreation programmes for employees and their family members. Additionally, our staff enjoy private pension plans, housing programmes, corporate sport facilities and numerous sporting and cultural events.

Communication and feedback

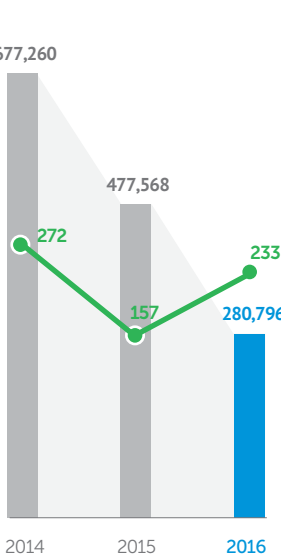
We have a multichannel communication and feedback programme that allows employees to address employment-related or other issues. The formats include Q&As in the corporate newspaper, town hall meetings for staff and management and an anonymous whistle-blower hotline, allowing staff to choose from various degrees of anonymity when deciding how to raise an issue.

HOURS OF TRAINING ATTENDED

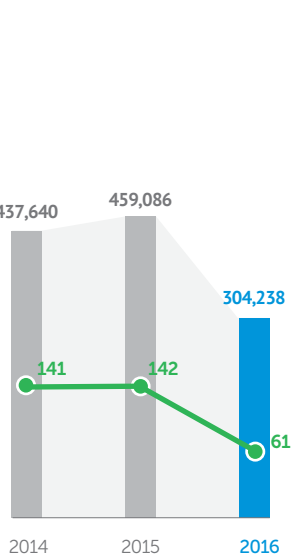
Total



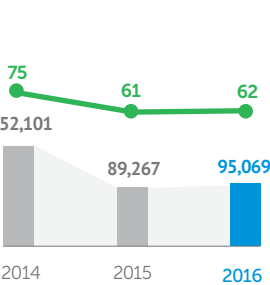
Apatit



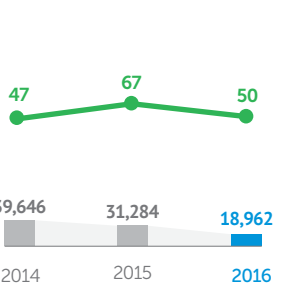
PhosAgro-Cherepovets



Balakovo branch of Apatit



Metachem



Every complaint received via telephone, email or regular mail is recorded in a unified register, which also contains any instructions from the Economic Security Service and the results of investigations conducted following a complaint. In 2016, the Company adopted a new standard governing the work of the hotline, and placed information about the hotline in relevant media. This led to an increase in use of the hotline to submit complaints: from just six complaints in 2014 to 41 in 2015 and 149 in 2016. The table to the right contains information about the types of complaints received in 2016.

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

Training and development

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. Our focus on training and developing our people 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. One aspect of this that we prioritise is including schools, universities and our own staff programmes in our recruitment and training initiatives.

PhosAgro Classes

Our PhosAgro Classes initiative encourages school students to pursue STEM (science, technology, engineering and mathematics) studies. The programme’s annual budget totals RUB 19 million.

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 assign them a mentor upon their arrival at PhosAgro.

Workplace training

We use our Professional Training and Development Centre to help our staff prepare for changes, both external (legislative/regulatory) and internal (related

to optimisation, changes to production or business processes). The Centre helps run our long-term HR initiatives, like PhosAgro Classes, High-Potential Graduates and the Staff Reserve programme, and holds competitions for professional skills and young managers.

Management development

- This programme includes trainings and development courses on the following topics:
- Leadership
 - Management skills
 - Setting goals and objectives
 - Organising and monitoring mentoring programmes
 - Time management
 - Results-oriented work styles
 - Situation analysis and decision-making
 - Effective communications and relationship management

Staff Reserve

PhosAgro relies on the Staff Reserve initiative as a means of identifying talented staff with the potential to expand their roles and step into more senior positions, and by providing 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.

Equal opportunity

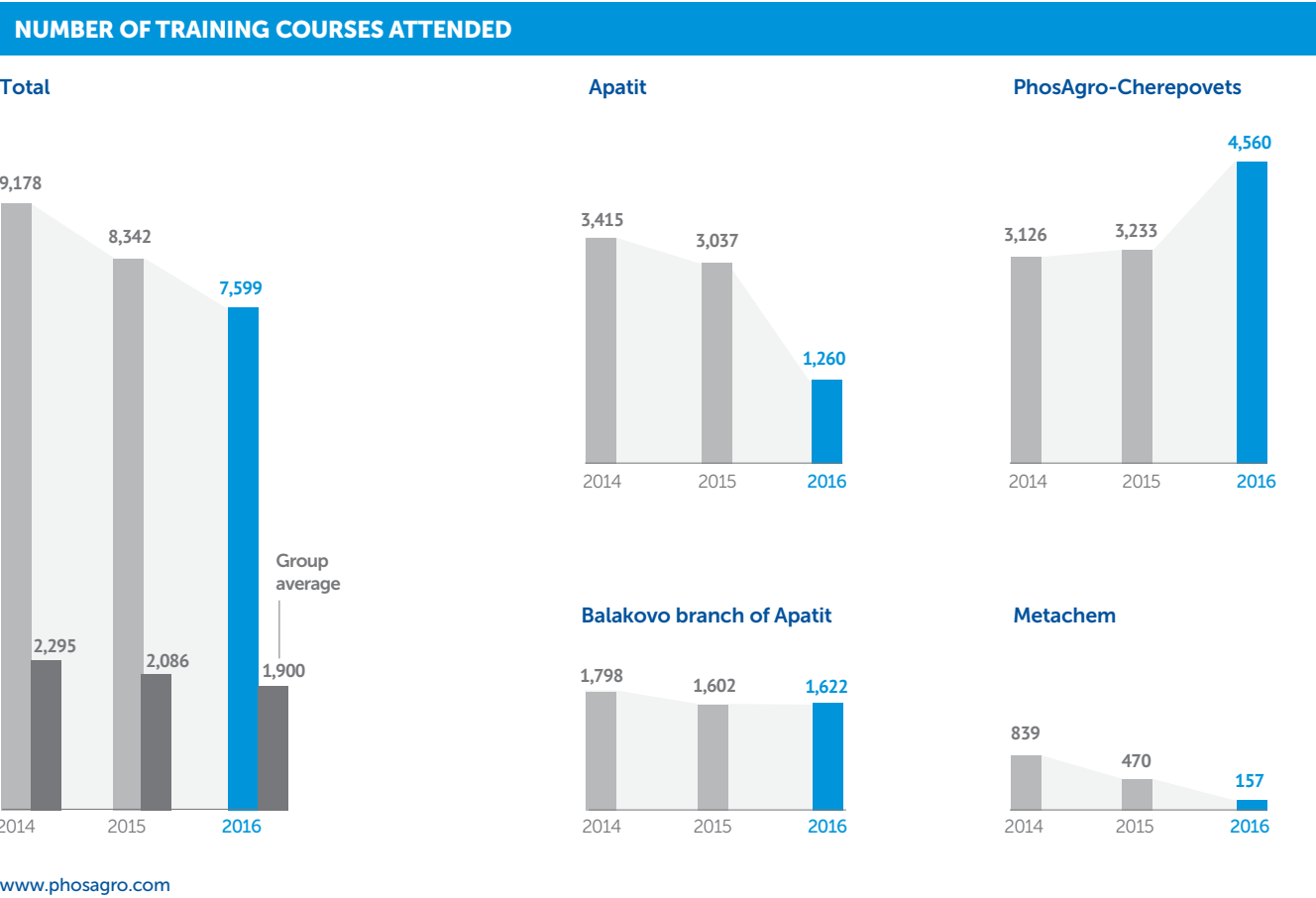
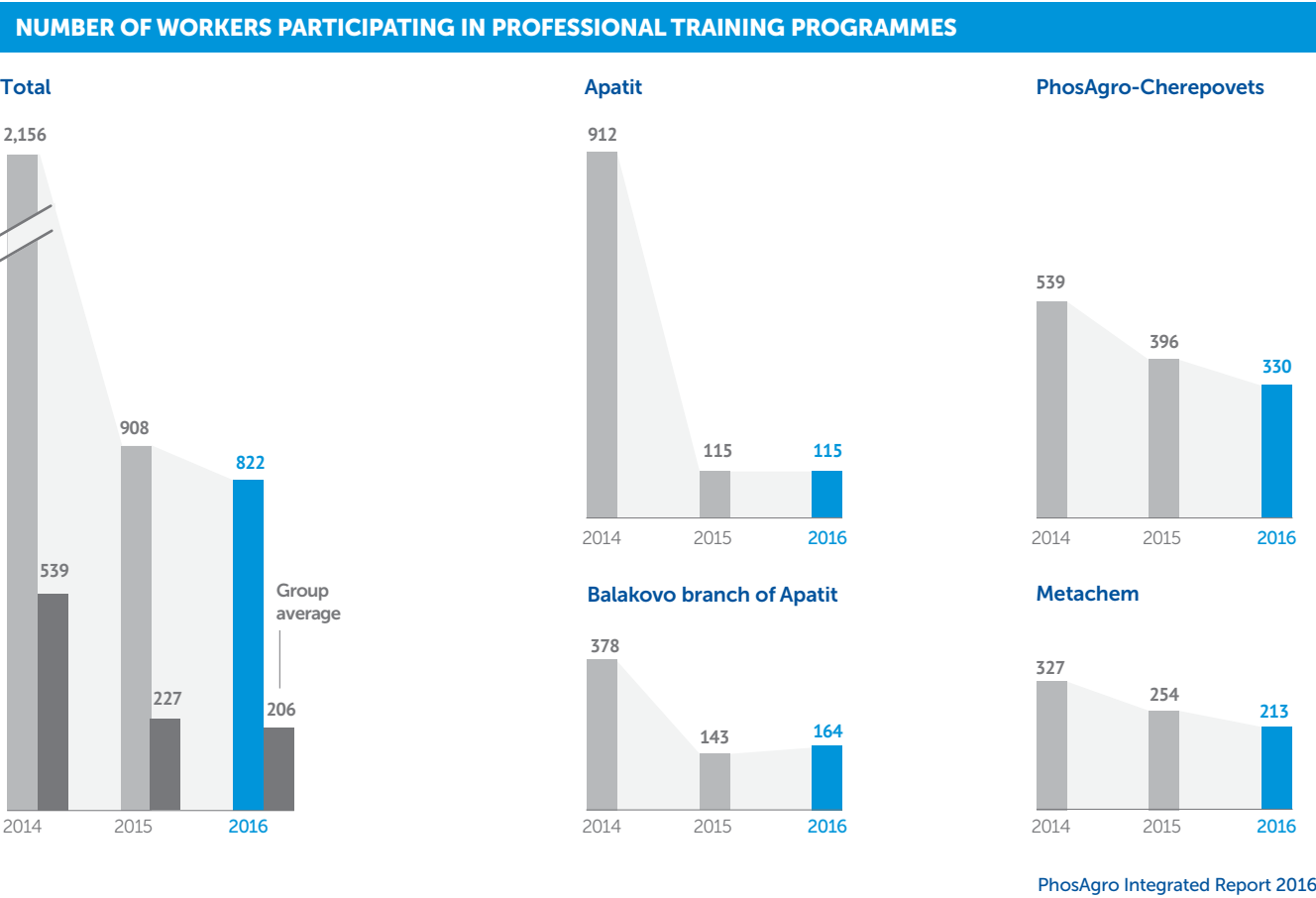
We pride ourselves on being an employer of choice in the regions where we operate, and having an equal opportunity programme as the cornerstone of our reputation. We take a straightforward approach to equal opportunity: we strive to select the best person for each role without regard to gender, sexual orientation, religion, ethnicity or race. We take seriously our obligations under Russian federal and regional laws that

stipulate a business’s social responsibilities and obligations to its employees. This includes not using child or forced labour and ensuring that our staff have the right to exercise freedom of association and collective bargaining.

How we measure success

To further develop our employees’ personal and professional skills in 2017, we plan to hold workshops on cross-functional training, proactive thinking, change management and time management.

- We also plan to focus on our staffs’ professional development via the following initiatives:
- A repair safety course for employees of PhosAgro facilities, subsidiaries and contractors
 - A group training programme for key users of the new Oracle system
 - A training course for HSE staff



TRAINING AND DEVELOPMENT



PhosAgro Classes

A total of 254 students took part in the PhosAgro Classes programme in 2016, all of whom excel at, and are interested in, studying chemistry, physics, mathematics and computer science. The programme graduated 132 students from five schools in 2016, 52% of whom went on to join technical degree programmes with a potential career track with PhosAgro. Another 17% were accepted into universities on sponsored placement programmes.

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



High-Potential Graduates

PhosAgro recruited 38 young specialists under the High-Potential Graduates programme in 2016. This brought to the total of 200 graduates who have joined the Company under this programme since its inception in 2012. A total of 169 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 27% had received promotions and/or been included in the Staff Reserve as of December 2016, and many of them had successfully completed the projects that they were entrusted with when they joined the Company.



Oracle 12

We prepared a training course for the Oracle 12 project group with the help of consultants. The programme included cross-functional training and situational management. In between each stage of training, participants joined a moderated discussion to share lessons learned and plans for the upcoming session. Members of the management team joined the sessions as well.



Cross-functional training

In an effort to build upon the managerial skills of our project management staff, in June 2016 we held the first session of our cross-functional training programme for 51 members of our staff. The courses were developed with the support of business trainer Maxim Dolgov of Sales Training International Russia. In mid-September, we conducted the second session, which covered management skills, and in December we held the final session on relationship management.



Management streamlining

In order to streamline our management functions, we moderated a discussion among our economic affairs staff and managers of subsidiaries about new interaction models. As a result, new communications schemes were developed and a number of problems regarding communication between subsidiaries and the management company. More than 70 people took part in the discussion, which was facilitated by business trainers.



Other programmes

- Other key training and development events in 2016 included:
- A corporate seminar was held in February and March for about 40 employees from all business units with workshops on implementing professional standards
 - Staff from the corporate training centre launched a continuous production improvement training project. The first classes were held over the summer in Balakovo, after which it was expanded to Cherepovets in December. In 2017, the programme will be introduced at other facilities, including Kirovsk and Volkhov
 - Several groups of employees took part in the Business Engineer training programme throughout the year

COMMUNITY INVESTMENT REVIEW

PhosAgro implements social programs to promote sustainable socio-economic development in regions where the Company operates.



We devise our community investment initiatives to maximise our positive impact

Strategy highlights

PhosAgro implements social programs to promote sustainable socio-economic development in regions where the Company operates. The main principles for external social investment are a targeted approach, control over how funds are spent, transparency and information disclosure, cooperation and accountability.

Our strategic goals for 2016 and 2017 include:

- Support for education, science, culture, art, education and spiritual development
- Support for healthcare, as well as the promotion of a healthy lifestyle and improvements in the moral and psychological wellbeing of citizens
- Promote a patriotic, spiritual and moral upbringing of children and youth
- Promote physical education and sports (excluding professional sports)
- Social support and the protection of citizens, including financial aid for the poor, social rehabilitation of the unemployed, disabled and other individuals
- Promote volunteer activities
- Protect and maintain buildings, objects and territories of historical, religious, cultural or environmental significance, including burial sites

System highlights

PhosAgro actively cooperates with representatives of the local communities in which it operates, as well as with representatives of federal, regional and municipal authorities.

Our programmes are the result of joint efforts to meet the needs of all stakeholders and ensure compliance with regulatory requirements.

We strive to conduct our activities in the interest of future generations. This includes upgrading and replacing old equipment to minimise any harmful impact on the environment. equipment to minimise our impact on the surrounding environment.

Education Support Program

PhosAgro successfully implements a unique multi-level educational support program. It is distinctive in its integration of social projects within a single programme that covers all levels of education, from pre-school to higher professional education, with the possibility of subsequent employment in the company. For children and young people, projects include Educated and Healthy Children of Russia ("DROZD"), PhosAgro Classes and a project supporting vocational education.

Educated and Healthy Children of Russia aims to combine quality education, vocational guidance and physical training for full-fledged spiritual and moral development, as well as improving the health of the younger generation.

In 2013, the DROZD initiative was expanded into the PhosAgro Classes programme which runs in the areas where we operate. Unlike ordinary comprehensive schools, the programme provides for more in-depth study of physics, mathematics, chemistry, biology along with additional lectures in career planning, economics, management, ethics, and social responsibility. PhosAgro Classes also cover the basics of corporate culture, as well as laboratory research in physics and chemistry in the facilities of leading universities. The PhosAgro Classes programme acts as a stepping stone to Russia's leading science and technical universities, after which most participants find work at either PhosAgro or other leading Russian companies.

DROZD also helps promote sports, fitness and tourism. PhosAgro supports the idea of a healthy lifestyle by financing sports events, clubs and facilities in the regions where we are present. Our programmes range from children's activities to competitive sports and includes outreach to children from underserved villages. The sports initiatives help serve as a pipeline to funnel young athletes into the regional competitive sports programmes, where many have gone on to participate in Russian and European championships.

PhosAgro’s Educated and Healthy Children of Russia (DROZD) initiative provides thousands of children with opportunities in education, sport, and vocational training, helping prepare our future generations for success

CASE STUDY

Our Favourite Cities initiative

Our Favourite Cities is PhosAgro’s award-winning initiative aimed at creating a quality environment for growth. We have partnered with regional and municipal governments, NGOs, charities, community organisations, and even founded our own NGOs to reach our programme goals. Our target audience includes: local government organisations; civil society; the Company stakeholders, employees, and their families; and the more vulnerable members of our society. The programme covers Russia’s Murmansk, Vologda, Saratov and Leningrad regions.

We determine cities’ needs, including any partnership or funding requirements, by conducting sociological surveys, questionnaires, and interviews, as well as by meeting with legislators and representatives of local and regional governments. We then create a project or event to address the issue or request, and add it to the programme and funding plans. The programme managers monitor and report on implementation. Where necessary for project implementation, we may select an NGO to partner with or create an NGO specific to the project.

Programme phases

- 1. Research pressing social problems
- 2. Establish necessary partnerships and NGOs
- 3. Monitor project implementation and take corrective action
- 4. Perform annual summary and new project search, periodic project reviews, interim project results
- 5. Report programme results to stakeholders and expand geography of successful projects

Programme goals

- 1. Create modern social infrastructure in the cities where we live and work, including sports and recreation facilities, roads, health care centres, etc.

PHOSAGRO COMMUNITY INVESTMENT PROGRAMMES AND INITIATIVES

					
CHILDREN’S EDUCATION AND HEALTHY LIFESTYLES	CULTURAL ENRICHMENT	CARING FOR ELDERLY AND NEEDY	OUR FAVOURITE CITIES INITIATIVE	SPIRITUAL ENLIGHTENMENT	SPORTS
• Educated and Healthy Children of Russia (DROZD) NGO • PhosAgro Classes programme • Supporting colleges and universities • Apatit CEO’s grant for youth education, cultural enrichment and sport • Installing children’s playgrounds and sports areas in residential neighbourhoods	• Apatit corporate museum • PhosAgro-Cherepovets corporate museum • Apatit’s Balakovo branch corporate museum • Metachem corporate museum • Landscaping and caring for monuments • Supporting the Spasskaya Tower festival, including the participation of employees and their children	• Volunteer centres in the Murmansk region • Harmony recreation centre in Cherepovets • Volleyball Without Borders project in Cherepovets • Providing financial assistance to World War II veterans • In the Name of Good charity foundation	• Partnering with cities and government organisations • Supporting medical institutions • Building and renovating sports centres • Repairing and renovating educational and training institutes • Putting on citywide concerts • Renovating and landscaping city parks, squares and pedestrian areas • Repairing roads	• Providing ongoing charitable support for the renovation and construction of Orthodox holy places in Russia and abroad • Organising Patriarchal charter flights for pilgrimages to the Italian city of Bari for St. Nicholas the Miracle-Maker’s Saint’s day celebrations • Restoring the tradition of factory chapels: began construction of four churches on the premises of the Company’s sites in Kirovsk and Cherepovets	• Russian Olympians Foundation • Russian Federation of Rhythmic Gymnastics • Russian Chess Federation • Champion Foundation • Saint Petersburg Judo Federation • Severyanka women’s volleyball team, Cherepovets • Proton-BAES volleyball club, Saratov • Avtodor basketball club, Saratov • Turbine speedway club, Balakovo • Russian Cross-Country Skiing Federation
	KHIBINSK START INITIATIVE	HEALTH CARE			
	• Khibinsk initiative movement • Khibinsk business incubator NGO	• Supporting the Bakulev Cardiology Research and Cardiovascular Surgery Centre			

CASE STUDY



Murmansk Region

- Within the framework of a public-private partnership with the Government of the Murmansk region, a project is being implemented to develop a tourist cluster in the city of Kirovsk. The programme aims to support the social and economic development of the Kirov-Apatity region, to create a comfortable living environment and to reduce Kirovsk’s mono-industry dependence. Within the framework of the project, the modern ski resort Big Woodyavr has been established and has been recognised as the best resort in Russia as well as being named the best snowboard park twice. The airport of Apatity has been modernised. Modern tourist infrastructure is also being created, including hotel and recreation complexes, a children’s belt lift and a new training slope, as well as a ski piste at the Tirvas sanatorium. This is the highest-altitude resort in the North-West of Russia. The wide, European-quality ski tracks are FIS certified and meet the requirements of both professional and beginner alpine skiers. The Russian freestyle team trains here. The total length of the trails exceeds 35 kilometres, and the number of ski routes of various complexity has increased to 28.
- Kirovsk’s infrastructure was also updated under the ski resort project, including the airport, regional hospital, museum and exposition hall, city parks, and heating and water distribution networks.
- Thanks to the development of the Bolshoy Woodyavr ski resort, tourism and business activity in the tourism and related sectors has been growing for two years in a row. With the goal of decreasing its “mono-industry” dependence, the city was given TOR status (territory for advanced development). This will attract around RUB 300 million of investments into the economy of Kirovsk, and create more than 500 new jobs. Tourist traffic to the city is expected almost double.

>3.2 BLN RUB

PHOSAGRO SPENT TO HELP THE REGIONAL GOVERNMENT BUILD A SKI RESORT AS AN ANCHOR FOR TOURISM IN MURMANSK REGION



Vologda Region

- PhosAgro is one of Vologda Region’s largest taxpayers and invested RUB 63 billion in the region by modernising its production facilities and repairing local infrastructure. PhosAgro is also involved in repairing schools, pre-schools and sports facilities, as well as the local cultural centre, college and university.
- Over the past eight years, the Company has built housing for more than 1,700 of its employees in one of the suburbs of Cherepovets. At the request of the local community, it has also funded the construction of the new Church of St Athanasius and Theodosius of Cherepovets, which is the city’s first new religious centre since the fall of the Soviet Union.
- PhosAgro has helped sponsor various municipal events, including an annual religious festival as well as an annual rock music festival.
- In honour of the 70th anniversary of the end of World War II, the Company helped the Perspektiva Foundation repair a tank that fought in the war and place it as a monument to the victory in a Cherepovets park.

63 BLN RUB

PHOSAGRO INVESTED IN THE REGION BY MODERNISING ITS PRODUCTION FACILITIES AND REPAIRING LOCAL INFRASTRUCTURE



Saratov Region

- One of the priorities of the Balakovo branch of Apatit is investment into the region’s social infrastructure, including:
- Investing in the region’s social infrastructure, including repairing the local health resort.
 - At the request of legislators from the Bykov Ostrog region, the Company is helping repair roads using gypsum, a production by-product.
 - The DROZD-Balakovo club has launched the “DROZD-village” programme, and has organised lessons for conscription-age men in hand-to-hand combat and firearms training.
 - Apatit’s Balakovo branch has helped restore several of the city’s World War II memorials, as well as the open-air military equipment museum.



Leningrad Region

- PhosAgro finances reonvations in the orphanage, palace of culture, schools and pre-schools in Volkhov. The Company has allocated funds to renovate public spaces around Volkhov, and to restore the World War II memorial at the mass grave in Novooktyabrsk.

Khibiny Start project

In 2015, the Khibiny Initiative was established as a community movement. Active citizens, deputies of the city council of Kirovsk and the youth organisation of Apatit participated in its creation.

The main task of the Khibiny Initiative is the formation of the economic basis of the city through combining efforts and opportunities of the city, regional and federal authorities with the initiative of citizens and support of Apatit. Through such cooperation, key issues facing the city’s residents can be solved.

To reduce the city’s unemployment rate, the Khibiny Initiative proposed the Khibiny Start project. Its main objective is the formation of a comfortable environment for the development of self-employment and small business.

The Khibiny Business Development Centre (HCRB), an autonomous non-profit organisation, was established to manage the project. It acts as an operator for the development and support of small business. The project is carried out within the framework of a public-private partnership with local government and regional authorities.

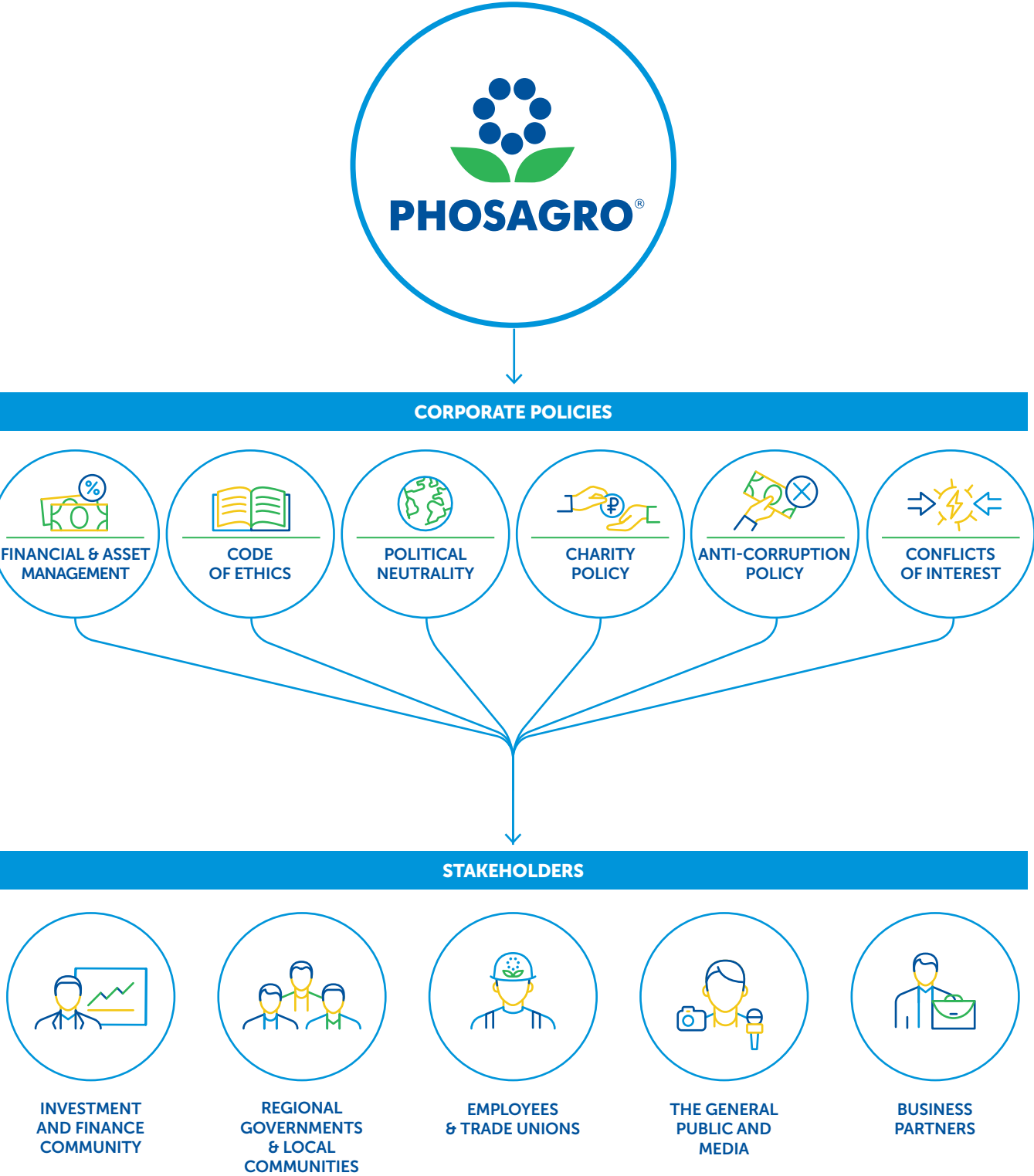
The project focuses on two key areas of activity:

1. Teaching the basics of entrepreneurial activity; consulting on issues like marketing, personnel management, planning, organisation and control, management of financial and economic activities, accounting, tax systems, business-related legal issues; further consulting services to assist in the development of business plans, business models, investment projects..
2. The Khibiny Start grant contest focuses on supporting young entrepreneurs. The “Do Business” business plan contest is conducted out to support existing entrepreneurs. One of the most important criteria for obtaining a grant is the creation of at least one workplace.

- In 2016:
- 27 business projects were implemented
 - 45 jobs were created
 - SMEs paid a total of RUB 400,000 in taxes

BUSINESS CONDUCT REVIEW

PhosAgro's business conduct framework is based on global best practice



Policy highlights

PhosAgro's business conduct policy framework and management procedures are based on best practice standards. Highlights of this framework include:

- Our Government Relations Policy dictates that PhosAgro's relationships with local, regional and federal governments 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 Conflicts of Interest Policy 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

All employees receive regular training and undergo testing on preventing corruption

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.

- of internal resources to document and investigate issues reported via the hotline.
- All employees receive regular training and undergo testing on preventing corruption as part of a company-wide process. This exercise aims to build an understanding of the importance of preventing corruption and of maintaining a culture of corruption avoidance throughout the business.
- PhosAgro maintains a Commission for Adherence to the Code of Ethics and Regulating Conflicts of Interest. Commission members are appointed by the Chief Executive Officer and are responsible for identifying potential conflicts of interest and assisting with resolution, implementing behaviour standards and creating an environment that supports adherence to the Code of Ethics and the Conflicts of Interest Policy.

System highlights

- PhosAgro has in place a whistle-blowing procedure that includes a telephone hotline. All employees are provided with information about the purpose of the hotline and when it should be used (for example, to confidentially report matters such as theft, corruption, reputational risks, conflicts of interest, legal violations and environmental, health and safety incidents). PhosAgro's Chief Executive Officer is responsible for the allocation

Activities in 2016

In 2016, the Internal Audit service conducted 14 audits including consultations for management & risk management efficiency evaluation. The audits looked at areas like capital investments, domestic sales, energy consumption, environmental compliance, industrial safety, as well as audits of risk management activities involving external consultants.

INTERNAL AUDIT SERVICE ACTIVITIES IN 2016 INCLUDED:

14 AUDIT PROJECTS INCLUDING CONSULTATIONS FOR MANAGEMENT & RISK MANAGEMENT EFFICIENCY EVALUATION

STAKEHOLDER ENGAGEMENT

We create long-term value by building solid and sustainable relationships with our stakeholders. PhosAgro aims to engage in a strategic way with the groups that are affected by our business or may impact it. Our ability to understand and respond to stakeholders' evolving expectations helps us to create a sustainable and strong company.

INVESTMENT AND FINANCE COMMUNITY

Why we engage



EXPLAIN PHOSAGRO'S STRATEGY AND PROGRESS WE HAVE MADE TOWARDS ACHIEVING OUR GOALS



SUPPORT LIQUIDITY AND SHARE PRICE BY ATTRACTING NEW INVESTORS TO THE COMPANY



SUPPORT A POSITIVE PERCEPTION OF OUR CORPORATE GOVERNANCE SYSTEMS



PROMOTE KNOWLEDGE OF THE LONG-TERM POTENTIAL AND VALUE OF THE COMPANY



MAINTAIN ACCESS TO A WIDE ARRAY OF CAPITAL MARKET INSTRUMENTS



USE DIALOGUE AS AN OPPORTUNITY TO OBTAIN NEW IDEAS AND IDENTIFY BEST PRACTICES

How we engage

- Roadshows
- One-on-one meetings with investors
- Capital Markets Day
- Investor conferences
- Conference calls on financial results
- Ongoing engagement with analysts
- Regulatory press releases
- AGM and formal reporting
- Corporate website
- Provision of a dedicated in-house investor relations team and the support of knowledgeable professional advisory services
- Three independent non-executive directors on the Board of Directors ensure that the interests of public shareholders are represented

2016 ENGAGEMENT ACTIVITIES

- Conducted four non-deal roadshows with Company management in key financial market centres like London, Paris, Zurich, Geneva, Stockholm, Copenhagen, Helsinki, New York, Boston, etc.
- Organised 30 investment conferences and forums
- Organised four conference calls and webcasts for analysts and investors to discuss the Company's financial results
- Disclosed 40 press releases via UK regulatory news service
- Disclosed 181 Russian Federation mandatory information press releases via the corporate information disclosure centre and Interfax

How we create our value

We continue to implement a generous dividend policy, and paid RUB 28 billion or RUB 72/GDR in dividends in 2016

We were included in MSCI Russia index from May 2016, and significantly increased the GDRs' liquidity while ADTV (average daily trading volumes) grew by more than 75% YoY and reached almost USD 6mn per day in 2016

We have maintained an investment-grade credit rating from Standard & Poor's thanks to our conservative financing policy and solid cash flow generation capacity



4

NON-DEAL ROADSHOWS TO GLOBAL FINANCIAL CENTRES

30

INVESTMENT CONFERENCES AND FORUMS

11

INDUSTRY CONFERENCES

REGIONAL GOVERNMENTS & LOCAL COMMUNITIES

Why we engage



TO PROMOTE SOCIO-ECONOMIC DEVELOPMENT IN REGIONS WHERE WE WORK



TO ADDRESS COMMUNITY NEEDS AND SOCIAL OR ENVIRONMENTAL CONCERNS



TO SUPPORT THE HEALTH AND WELL-BEING OF THE COMMUNITIES WHERE WE OPERATE



TO MAINTAIN A DIALOGUE AROUND GOVERNMENT POLICIES OR POTENTIAL REGULATORY CHANGES THAT MAY AFFECT OUR BUSINESS



TO ENSURE THAT WE ARE A GOOD NEIGHBOUR

How we engage

- Implementing environmental programmes
- Funding medical treatment for employees and residents in the regions where we operate
- Developing cooperation agreements with regional governments based on what is most appropriate for the region
- Meetings with government and community representatives
- Supporting local social and sporting organisations
- Sponsoring PhosAgro Classes to support chemistry education for school-aged children
- Investing in universities and technical colleges that grant degrees that could lead to careers in PhosAgro
- Introducing university scholarship and recruitment programmes aimed at encouraging the study of chemistry

2016 ENGAGEMENT ACTIVITIES

- Organised visits of specialists from the Bakuleva Cardiological Centre to regions where PhosAgro operates to conduct medical examinations and provide treatment for PhosAgro employees and local residents
- Signed and implemented agreements with regional governments where PhosAgro has operations
- Signed agreement with the Russian Federation Ministry of Economic Development and the Vologda region to support a programme for projects in the areas of industrial and agricultural biotechnology
- PhosAgro-Cherepovets signed an agreement on cooperation with the Ministry of Natural Resources, the Federal Service for Environmental Monitoring and the government of Vologda region as part of the Year of the Environment
- Signed plan for renovation of roads near Bykov Ostrog using phosphogypsum from PhosAgro production sites
- Signed agreements with the Proton volleyball club, Avtodor basketball club and the Turbina speedway racing club
- Started construction of a rehabilitation centre in Cherepovets as part of the development programme for the Cherepovets Chemical and Technical College
- Signed agreement with the Vologda region regarding modernisation of the vocational education system and the supply of professional personnel for the chemicals sector

How we create our value

- We help ensure that the local communities that supply the workforce for our production sites are healthy and well-educated
- We pay taxes into local and federal budgets
- We help improve comfort and quality of life of community residents by cooperating with local and regional governments in priority areas of development



418 MLN RUB
INVESTED IN
LOCAL EDUCATION
INITIATIVES

14.5 BLN RUB
TAXES PAID INTO LOCAL,
REGIONAL AND FEDERAL
BUDGETS

EMPLOYEES & TRADE UNIONS

Why we engage

 ESTABLISH A CORPORATE CULTURE THAT IS ALIGNED WITH PHOSAGRO'S STRATEGIC GOALS

 ENSURE EMPLOYEE MOTIVATION IS APPROPRIATE AND EFFECTIVE

 PROVIDE MEANINGFUL SOCIAL GUARANTEES FOR CURRENT AND RETIRED EMPLOYEES

 MAINTAIN CONSTRUCTIVE RELATIONSHIPS WITH TRADE UNIONS AND EMPLOYEES

 RESPONSIBLE AND EFFECTIVE USE OF HUMAN RESOURCES

 PROVIDE RELEVANT PROFESSIONAL DEVELOPMENT OPPORTUNITIES FOR OUR EMPLOYEES

How we engage

- Trade unions engaged in development of PhosAgro's workplace health and safety programmes
- Collective agreements negotiated with trade unions incorporating conditions and compensation for employees (usually for three-year terms, entered into with each of our production entities)
- Collaboration with trade unions including sporting and cultural events, joint participation in workplace health and safety committees, nomination of workplace health and safety representatives and participation in health and safety workshops
- Employee development programmes, including our Staff Reserve Programme
- Employee surveys, presentations, bulletin boards, intranet and corporate newspapers
- Meetings with general directors of production sites and management responsible for social and HR issues together with trade union representatives
- Whistle-blower hotline: dedicated email addresses for complaints, telephone hotlines for inquiries about social issues, reporting violations

2016 ENGAGEMENT ACTIVITIES

- The Ruskhimprofsoyuz trade union held a meeting of its Presidium in Kirovsk, hosted by the PhosAgro-Apatit trade union and the Minudobreniya Association of Trade Unions
- Signed collective agreements negotiated with trade unions at PhosAgro-Cherepovets (June 2016), Apatit (March 2016), the Balakovo branch of Apatit (December 2016) and Metachem (December 2015)
- Trade unions, with the support of PhosAgro, arrange the following events annually:
 - PhosAgro Stars Festival
 - Company-wide sporting competitions
 - Professional skills competitions (including welding, lathe turning and electrical work)
 - Professional development workshops on topics like workplace health and safety, and management skills
- General directors and HR personnel at production facilities, together with trade unions, regularly meet with employees; every corporate newspaper provides contact information for feedback, and in the event of a violation of Company rules, employees are encouraged to call dedicated hotline numbers



How we create our value

By providing fulfilling careers that reward, recognise, motivate and develop our people, we create a sustainable business that is a global leader in its sector

We aim to deliver training programmes to help employees meet their personal career goals and benefit the Company.

For more information, see the People review section of this report

11.4_{THS}

EMPLOYEES ARE UNION MEMBERS

72.8%

AVERAGE UNION MEMBERSHIP PER TEAM

> 1,000

INSPECTIONS CONDUCTED BY AUTHORISED WORKPLACE SAFETY MONITORS

THE GENERAL PUBLIC AND MEDIA

Why we engage



TO ENHANCE PUBLIC PERCEPTION AND UNDERSTANDING OF THE COMPANY



INFORM STAKEHOLDERS ABOUT THE COMPANY'S PLANS, PERFORMANCE AND PRIORITIES



PROMOTE UNDERSTANDING OF THE ROLE OF MINERAL FERTILIZERS IN SUPPORTING GLOBAL FOOD SECURITY

How we engage

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

2016 ENGAGEMENT ACTIVITIES

- Published four weekly newspapers at production sites and monthly corporate newspaper
- PhosAgro and its subsidiaries published over 230 press releases
- Domestic and international media mentioned PhosAgro over 20,000 times
- 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 including the Financial Times, Bloomberg, Reuters, The Wall Street Journal, Forbes, CNBC, Business FM, Vedomosti, Kommersant, Interfax, RBC, RIA Novosti, TASS, Rossiskaya Gazeta and Izvestia

The CEO:

- Held press conferences as part of various domestic and international events, including the Saint Petersburg International Economic Forum, the World Economic Forum in Davos, the International Fertilizer Association conference, the Sochi International Economic Forum, the Russo-German Natural Resources Forum, VTB's Russia Calling! Investor Conference and other industry and investment conferences
- Protected the Company's reputation and informed the public about its ongoing activities
- Participated in international and regional industry conferences
- Maintained membership in Russian and international professional associations (A. Guryev was elected President of the Russian Association of Fertilizer Producers and was reappointed as the Vice President for Eastern Europe and Central Asia of the International Fertilizer Association)
- Organised grant ceremony for talented young scientists as part of the PhosAgro/ UNESCO/IUPAC Green Chemistry for Life programme
- Organised PR support for a variety of corporate events, awards and investments during the year

How we create our value

We protect the reputation of our Company and make sure the public is informed about our activities



230
PRESS RELEASES
PUBLISHED

71
MEDIA EVENTS
ORGANISED

> 20_{THS}
PUBLICATIONS
IN RUSSIAN AND
INTERNATIONAL PRESS

BUSINESS PARTNERS

Why we engage



CONSUMER
HEALTH



UNDERSTANDING AND
CONTRIBUTION TO
MAJOR ISSUES AFFECTING
THE FERTILIZER
AND MINING INDUSTRIES



CREATING A BUSINESS
RELATIONSHIP BUILT ON
TRUST AND RESPECT



MUTUAL UNDERSTANDING
OF OBLIGATIONS AND
EXPECTATIONS OF
THE RELATIONSHIP

How we engage

- Contracts and agreements
- Conferences
- Joint submissions on issues affecting our industry
- Support for international applied research and sustainability projects
- Negotiations with consumers, publications and distribution of advertising materials
- Membership in industry associations

2016 ENGAGEMENT ACTIVITIES

- Attended 15 international and local industry conferences (4 IFA, 3 CRU, 4 FMB Argus, 2 IPNI, 2 other)
- Hosted a conference to award the first grants given out under the PhosAgro/UNESCO/IUPAC Green Chemistry for Life programme sponsored by PhosAgro to support promising projects by young chemists
- Participated in domestic and international professional associations



How we create our value

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

We work with our peers to ensure that the industry's voice is properly represented around the world

We support scientific research to help develop "green chemistry" technologies, including in the field of crop nutrients

FARMERS

Why we engage

 TO MAINTAIN A DIALOGUE WITH OUR CUSTOMERS AND ENSURE WE OFFER THE PRODUCTS THEY NEED

 EDUCATE FARMERS ABOUT THE BENEFITS OF PHOSAGRO'S CONTAMINANT-FREE PHOSPHATE-BASED FERTILIZERS

 PROMOTE RESPONSIBLE AND SUSTAINABLE USE OF FERTILIZERS IN ORDER TO ENCOURAGE FARMERS NOT TO INTRODUCE HARMFUL ELEMENTS INTO THE FOOD CHAIN WITH LOW-QUALITY PHOSPHATE-BASED FERTILIZERS

How we engage

- In our domestic market:
 - through feedback from our distribution network, which works directly with Russian farmers and agricultural holdings
- International markets:
 - establishment of our own trading operations in priority markets, bringing us closer to farmers
 - membership in industry organisations like the International Plant Nutrient Institute and the International Fertilizer Association
- Agreements signed with leading scientific research institutes in Europe (Wageningen in the Netherlands and the University of Milan) to conduct extensive research that will assess the impact on the quality of crops and soil of using almost entirely cadmium-free fertilizers produced by PhosAgro. The tests will be run in different geographical locations, as well as for different types of crops, and will include a direct comparison with the traditional types of fertilizers used in each selected location

2016 ENGAGEMENT ACTIVITIES

- Participated in 55 domestic and international meetings, seminars, exhibitions, conferences and forums dedicated to agriculture and/or fertilizers
- Began conducting «Field Day» seminars for agricultural cooperatives, farmers and agronomists
- Introduced customised recommendations for fertilizer application based on region, crop, soil and other conditions
- Gave out sample products to introduce farmers to new grades of fertilizers
- Promotion of responsible application of mineral fertilizers for sustainable farming that minimises environmental impact.
- Launched new grades of PKS, as well as NPK and NPS fertilizers containing micro-elements (boron and zinc)
- Opened new sales offices in Biarritz (France) and Hamburg (Germany), to enhance our ability to work directly with farmers in our priority export markets
- Cooperating with IPNI to develop recommendations for application of phosphate-based and complex fertilizers for soy, wheat, corn and sugar beets in order to provide farmers with recommendations in accordance with 4R Nutrient Stewardship principles

How we create our value

Our strategy to 2020 aimed at bringing us closer to farmers

We offer customers 35 fertilizer grades after introducing two new PKS grades and one new NPS grade in 2015. We continue investing in further enhancing our product offering

Our fertilizers have one of the lowest levels of impurities due to the exceptionally high quality of our phosphate rock, meaning it is more effective

We provide information about the positive effects of phosphate-based fertilizers on crop output and their important role in global food security



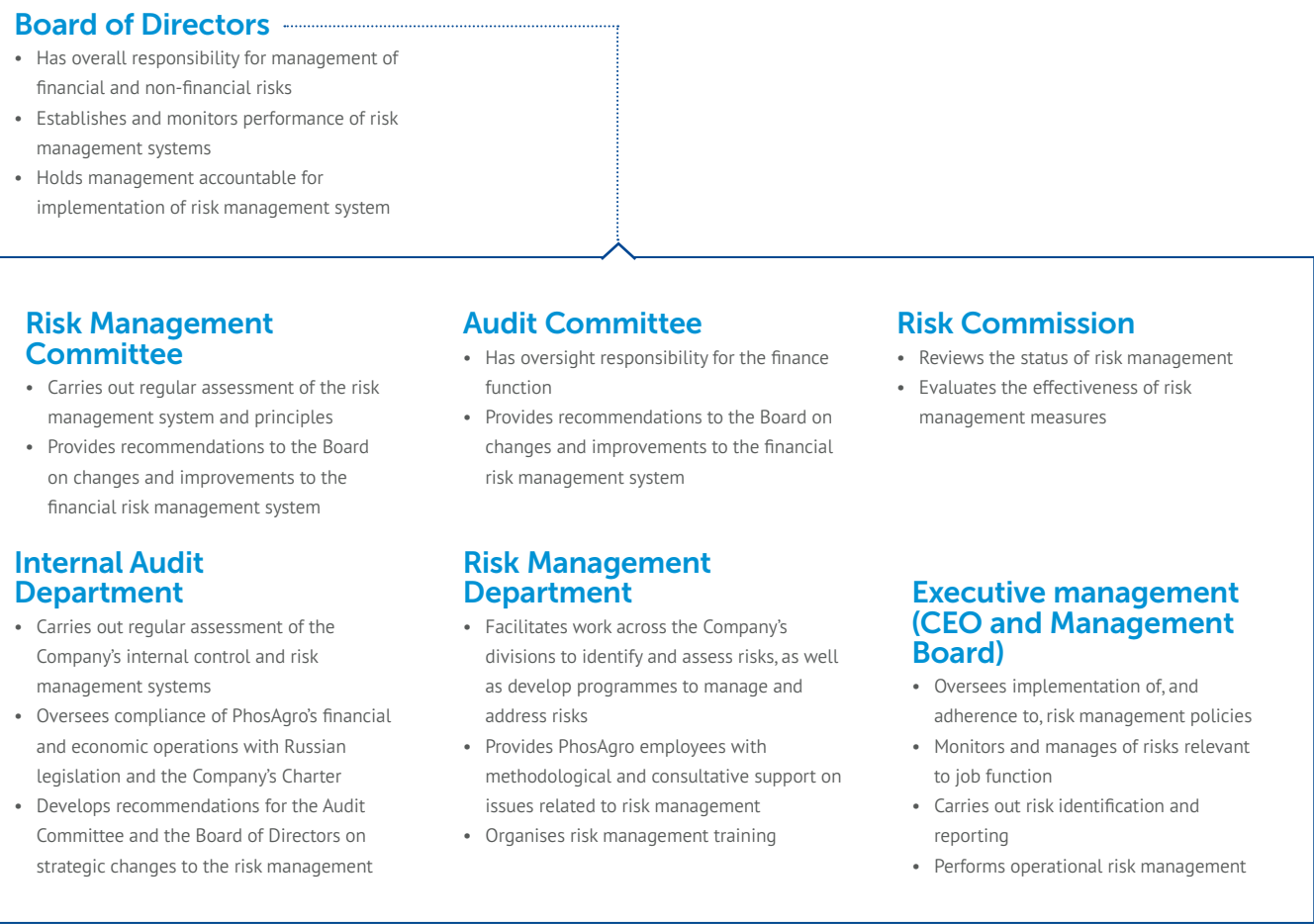
55
FERTILIZER AND/OR
AGRICULTURE SECTOR
EVENTS ATTENDED

2
NEW SALES
OFFICES OPENED
IN EUROPE

6
TOTAL NUMBER OF TRADING
OFFICES OUTSIDE OF RUSSIA
IN PRIORITY EXPORT MARKETS

MANAGING OUR RISKS

RISK MANAGEMENT SYSTEM



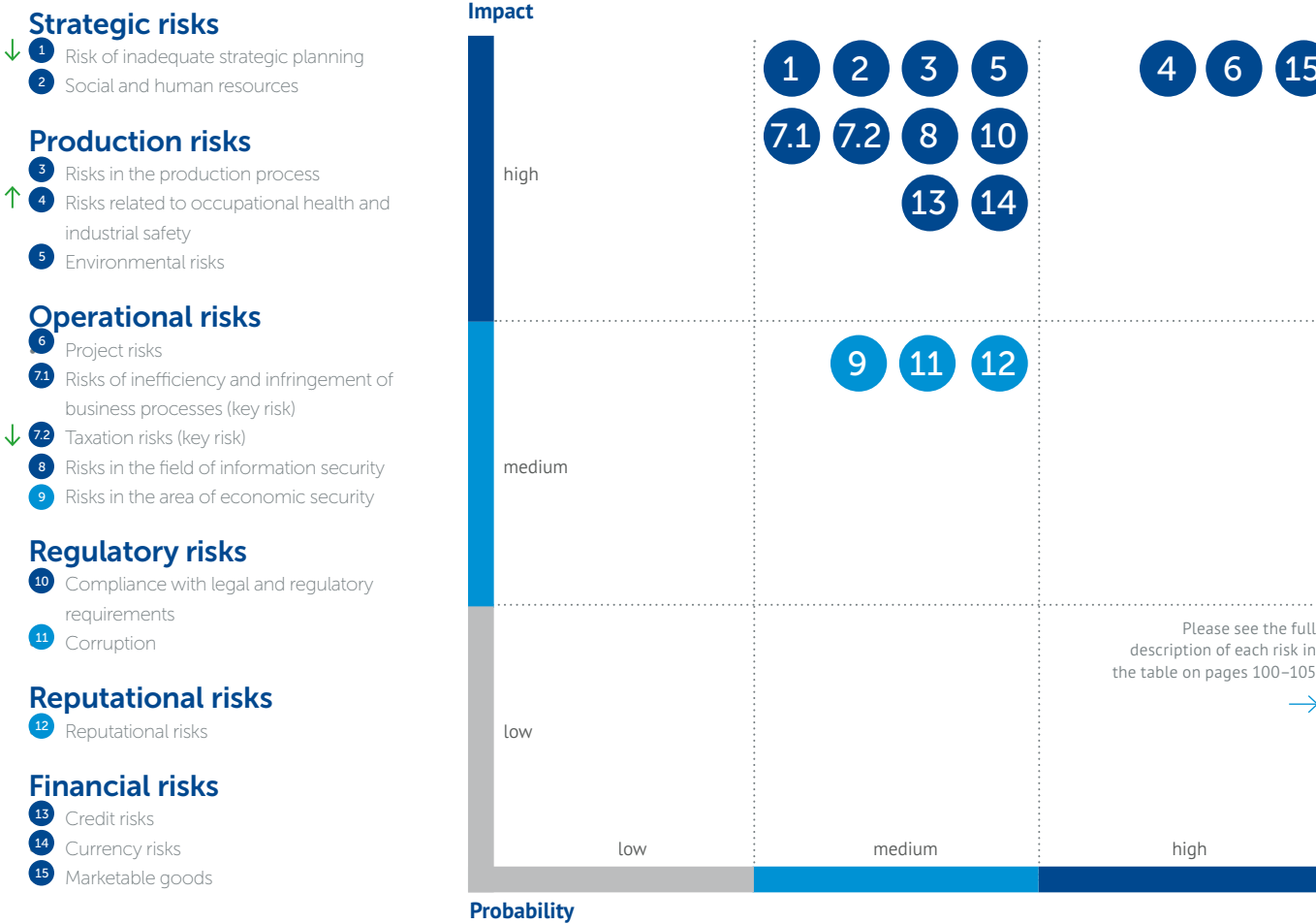
In 2016, PhosAgro ensured the effective functioning of its risk management system by identifying and assessing risks in a timely manner and developing and implementing measures to manage those risks. Senior management devoted significant attention to managing key risks that have a high impact and a high probability. The Board of Directors reviewed information on managing the Company's key risks on a quarterly basis.

In 2016, the Company continued to develop its risk management system:

- At the management level, a Risk Commission was formed that is responsible for the regular review of the status of risk management and the effectiveness of risk management measures. The Commission includes managers responsible for key functions within the Company. The Commission is headed by PhosAgro's Chief Operating Officer.

- A declaration and provision on PhosAgro's risk appetite were approved by the Board of Directors. Risk appetite establishes the level of risk that is acceptable in terms of achieving the Company's goals and facilitates effective decision-making while taking risks into account.
- The Company's bylaws establishing a unified methodology and procedure for cooperation and responsibility regarding risk management were updated.

RISK MAP



No significant changes were made to the Company's corporate governance system in 2016 overall as a result of changes to the risk management system. The Risk Management Committee coordinates issues related to risk management on behalf of the Board of Directors, and both the Risk Commission and the Risk Management Department coordinate risk management on behalf of Company management. The Director of the Risk Management Department reports operationally to the

CEO and functionally to the chair of the Board's Risk Management Committee.

At the end of 2016, 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. In 2017, the Company plans to maintain the effective functioning of its risk management system.

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			PRODUCTION RISKS		
Risk of inadequate strategic planning (key risk) 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. Risk level			Production risks (key risk) Risks in the production process are negative events of a technical/industrial nature or naturally occurring events 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.		
Social and human resources (key risk) 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.			Workplace health and safety risks (key risk) 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.		
Impact - Failure to reach the target values of key strategic indicators (assessment adjusted in connection with the updated strategy until 2020) - Loss of competitive advantages associated with the level of technological development of production and the constraints of external infrastructure			Impact Discrepancies between the number of staff members and their qualifications and the Company's needs		
Measures for minimising risk In 2016, an updated version of the Company's strategy until 2020 was approved by PhosAgro's Board of Directors, while preparation of the Company's strategy until 2025 continues. There is a system in place that monitors both internal and external factors that could have an impact on implementation of the strategy. PhosAgro also carries out analysis comparing best industry practices to the practices it employs, or plans to employ, to assess costs and benefits in order to facilitate optimal decision-making.			Measures for minimising risk 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 the construction of new equipment and the upgrading of existing equipment, schedules preventative maintenance of equipment and major overhauls, while using back-up equipment and creating a reserve of components, accessories and spare parts. A programme to boost the quality and reliability of repair work carried out by suppliers is in place. Insurance covers the Company's dangerous production facilities and property.		
Environmental risks (key risk) Environmental risks cover the occurrence of potential damage to the environment as a result of the Company's activities.			Environmental risks (key risk) Environmental risks cover the occurrence of potential damage to the environment as a result of the Company's activities.		
Impact Occupational injuries, complete or partial loss of the capacity to work (assessment adjusted to reflect risk statistics for 2016)			Impact Non-compliance with established regulations regarding the impact on various components of the environment		
Measures for minimising risk 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 guidelines both for Company divisions and for suppliers for which the Company has put the OHSAS 18001 system in place. Additional measures to reduce workplace injuries when performing work underground have also been developed and are being implemented.			Measures for minimising risk PhosAgro regularly assesses and analyses its impact on the environment. In an effort to limit its environmental impact, the Company is modernising its clean-up and storage system and is putting energyefficiency programmes in place. The Company partners with UNESCO and the International Union of Pure and Applied Chemistry (IUPAC) to provide grants for research in the field of green chemistry with the aim of protecting the environment and human health, creating energyefficient processes and implementing ecological safety technologies on the basis of innovative ideas. Facilities being launched by PhosAgro in 2017, in particular its ammonia and granulated urea plants, as well as its biochemical treatment facilities, have been included as environmentally safe production facilities by the Russian Ministry of Natural Resources and the Environment in its plan of activities for the Year of the Environment. These facilities utilise best available technologies, and after being commissioned, they will make it possible to reduce specific consumption of raw materials and energy, as well as specific emissions of regulated substances.		

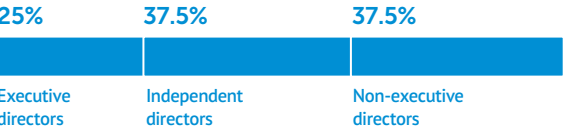
OPERATIONAL RISKS					
Project risks (key risk)		Risks of inefficiency and infringement of business (key risk)		Taxation risks (key risk)	
Project risks are related to exceeding planned budgets and timelines for the completion of new construction and modernisation projects, as well as the failure to achieve efficiency targets related to projects.		Risks associated with inefficiency or the intentional or unintentional infringement of the Company's business processes, including counterparty risk related to supply chain.		Taxation risks are related to potential claims by tax authorities that the Company has not correctly filed its tax return or made payment on time.	
Risk level					
Impact					
- Exceeding the planned budgets and timelines for the implementation of key projects - Poor implementation or work tasks		- Late deliveries of feedstock, raw materials, equipment and spare parts from third parties - Interruption of production lines and lower production volumes		Financial (penalties), administrative and criminal consequences as a result of violations uncovered by the tax authorities (assessment adjusted on account of risk management measures undertaken in 2016)	
Measures for minimising risk					
PhosAgro aims to carry out its projects (the key projects are the construction of new ammonia and granulated urea plants) in line with planned budgets and timelines. Uniform approaches to project implementation and management are employed. Projects undergo a multi-step review and approval process. Project offices are established for particularly large and important projects. Contracts can be made with a fixed (hard) price. Regular monitoring to ensure compliance with project timelines and budgets is carried out.		PhosAgro aims to support the efficient functioning of all of the Company's business processes. 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. We also aim to minimise risk in our supply chain by choosing suppliers through competitive tender processes. PhosAgro aims to establish long-term relationships with reliable suppliers by signing long-term supply contracts.		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, accountancies and tax authorities are consulted on questions related to double taxation and various tax-related laws.	
Information security risks (key risk)		Risks to economic security			
Risks in the field of information security are risks associated with losses caused to the Company's property and assets by means of unauthorised access to its information systems or by the disclosure of confidential information.		Economic security risks are related to losses caused to the Company's property and assets as a result of legal violations in the economic sphere committed by employees or third parties, including fraud and theft.			
Risk level					
Impact					
Disclosure of confidential information		Loss of an enterprise's property as a result of illegal actions, including fraud and theft			
Measures for minimising risk					
The Company carries out various measures aimed at preventing unauthorised access to information systems as well as disclosure of confidential information. Different technical and software solutions are used to control access to information resources and systems; access rights to information are regulated according to different user groups; there is a clear definition of what constitutes confidential information and how it should be handled; periodic audits are carried out to ensure strict compliance with the Company's confidentiality policy.		The Company takes measures aimed at preventing potential damage 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. Besides, additional oversight checks are carried out by various departments within the Company.			

BOARD OF DIRECTORS

Audit Committee Strategy Committee Remuneration and Human Resources Committee Environmental, Health and Safety Committee Risk Management Committee Executive Director				
				
ANDREY A. GURYEV Executive Director CEO of PhosAgro	SVEN OMBUDSTVEDT Independent Director	ANDREY G. GURYEV Non-executive Director	MARCUS RHODES Independent Director	
Year appointed to Board:				
2013	2006	2013	2011	
Committee appointments:				
(Head of the committee)			(Head of the committee)	
Recent roles				
2013-present: CEO of PhosAgro 2011-2013: Deputy CEO for Sales and Logistics of PhosAgro AG 2011-2013: Deputy CEO of PhosAgro	2010-present: Chief Executive Officer, Norske Skogindustrier ASA 2008-2009: Senior Vice President, SCD SAS 2006-2008: Chief Financial Officer and Head of Strategy, Yara International ASA	2006-present: Vice President of the Russian Union of Chemical Sector Businesses and Organisations, a non-profit organisation 2001-2013: Member of the Federation Council	2002-2008: Audit Partner, Ernst & Young 1998-2002: Audit Partner, Arthur Andersen	
Education				
- Bachelor's degree in Economics from the University of Greenwich (UK) - Graduated from the Russian Academy of National Economy under the Government of the Russian Federation. PhD in Economics	- Master of Science degree in International Management from the Thunderbird School of Global Management (USA) - Bachelor of Science degree in Business Administration from Pacific Lutheran University (USA)	Graduated from - the G.V. Plekhanov St Petersburg State Mining Institute - the Lenin State Central Institute of Physical Culture	Graduate degree in Economics from the University of Loughborough (UK). Qualified Chartered Accountant, member of the Institute of Chartered Accountants in England & Wales (ICAEW) and member of the Non-Executive Director Group of the ICAEW	
Shares in PhosAgro				
Mr Andrey A. Guryev owns no shares in PhosAgro. According to information available to the Company, the ownership of companies holding 43.66% (45.46% as of 31/12/2016) of PhosAgro's authorised capital, namely Private Company Limited by shares Chlodwig Enterprises Limited and Private Company Limited by shares Adorabella Limited, is held in trusts, the economic beneficiaries of which are Andrey A. Guryev and members of his family.	Mr Ombudstvedt owns 4,000 Global Depositary Receipts (GDRs – 3 GDRs = 1 ordinary share) for PhosAgro shares, which represents 0.001% of the Company's authorised capital.	Mr Andrey A. Guryev owns no shares in PhosAgro. According to information available to the Company, the ownership of companies holding 43.66% (45.46% as of 31/12/2016) of PhosAgro's authorised capital, namely Private Company Limited by shares Chlodwig Enterprises Limited and Private Company Limited by shares Adorabella Limited, is held in trusts, the economic beneficiaries of which are Andrey A. Guryev and members of his family. Andrey A. Guryev's wife owns shares representing 4.82% of PhosAgro's authorised capital.	Mr Rhodes owns 2,500 Global Depositary Receipts (GDRs – 3 GDRs = 1 ordinary share), which represents 0.0006% of the Company's authorised capital.	
Membership of the Board of Directors in other organisations				
Member of the Boards of Directors, QIWI PLC, and Zoltav Resources Inc.				

Board of Directors structure, %

We have the right mix of knowledge of Russia and international business to help PhosAgro succeed in all of its priority areas.



JAMES ROGERS
Independent Director

Year appointed to Board:

2014

Committee appointments:



Recent roles

Jim Rogers is currently the president of Beeland Interests, Inc. He is a legendary investor and co-founder of the Quantum Fund, a global investment partnership. He is an author, financial commentator, adventurer and successful international investor, and currently holds directorships and advisory positions at a dozen companies and investment funds around the world.

Education

- BA from Yale University, BA/ MA from Balliol College, Oxford University
- Bachelors/masters degree in PPE from Balliol College at Oxford University (UK)

Shares in PhosAgro

Mr Rogers owns 25,000 Global Depositary Receipts (GDRs – 3 GDRs = 1 ordinary share) for PhosAgro shares, which represents 0.0064% of the Company's authorised capital.

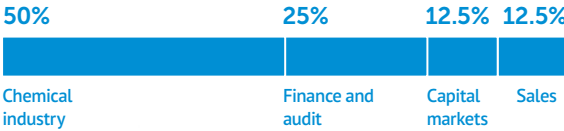
Membership of the Board of Directors in other organisations

Member of the Boards of Directors, First China Financial Network Holdings Limited; Geo Energy Resources Limited; Spanish Mountain Gold Limited; Virtus Global Dividend & Income Fund Inc. (The Zweig Total Return Fund, Inc.), The Zweig Fund, Inc.; Crusader Resources Limited

www.phosagro.com

Board of Directors professional experience, %

The Board of Directors consists of a diverse group of professionals with experience in audit, chemicals, investing and financial markets.



IGOR ANTOSHIN
Non-executive Director

Year appointed to Board:

2004

Committee appointments:



2013-2016: Adviser to the CEO of PhosAgro
2009-2013: CEO of PhosAgro Engineering Centre
2006-2009: CEO of PhosAgro

- Graduate degree in Economics from the G.V. Plekhanov St. Petersburg State Mining University

Based on information available to the Company, Mr Antoshin holds the right to indirectly control 100% of the voting shares of Vindematrix Trading Limited, Carranita Holdings Limited and Dubberson Holdings Limited, which together hold shares equivalent to 11.88% (12.66% as of 31/12/2016) of PhosAgro's authorised capital. Igor Antoshin's stake in PhosAgro includes 2,489,540 ordinary shares in the Company (1.92% of the share capital) that were transferred by him under a REPO deal on 21/12/2016.



IVAN RODIONOV
Non-executive Director

Year appointed to Board:

2004

Committee appointments:



2003-present: Professor, Higher School of Economics
2006-2014: Professor, Russian State University for the Humanities
2004-2006: Managing Director, AIG-Interros RCF Adviser
1997-2006: Managing Director, AIG Brunswick Capital Management

- Graduate degree in Economics from the Lomonosov Moscow State University (Russia)

Mr Rodionov owns shares and GDRs equivalent to 0.0064% of PhosAgro's authorised capital.

Membership of the Board of Directors in other organisations

Member of the Board of Directors, RUSS-INVEST Investment Company, Interdepartmental Analytical Centre, AgroGard-Finance.

EXECUTIVE MANAGEMENT



SERGEY SEREDA
First Deputy CEO,
JSC PhosAgro-Cherepovets
Deputy CEO for International and
Special Projects, PJSC PhosAgro

Recent roles

2016-present: First Deputy CEO, JSC PhosAgro-Cherepovets; Deputy CEO for International and Special Projects, PJSC PhosAgro

2014-2016: First deputy CEO, OJSC PhosAgro

2013-2015: Deputy CEO for Sales and Logistics, CJSC PhosAgro AG

2013: Sales Director, CJSC PhosAgro AG

2013-2014: Deputy CEO for Government Relations, OJSC PhosAgro

2012-2013: Deputy CEO for Government Relations and Control, OJSC PhosAgro

2007-2012: Chief Executive Officer, CJSC Hydrostroy Burgas

2007: Chief Executive Officer, CJSC AgroGard

2005-2007: Chief Executive Officer, Chairman of OJSC AgroGard-Finance

2003-2005: Adviser to the Chairman of the Board of Directors, Head of Internal Control and Audit Division, Director of the Voskresensk branch of CJSC PhosAgro AG, CEO of Voskresensk Mineral Fertilizers, First Deputy CEO of CJSC PhosAgro AG

Education

- Graduated from the Moscow State Institute of International Affairs with a degree in International Economic Relations



ALEXANDER SHARABAIKO
Chief Financial Officer,
PJSC PhosAgro
Adviser to the CEO,
JSC PhosAgro-Cherepovets
representative office in Moscow

2014-present: Adviser to the CEO, JSC PhosAgro-Cherepovets (CJSC PhosAgro AG)

2013-present: Chief Financial Officer, PJSC PhosAgro

2012-2014: Chief Financial Officer, CJSC PhosAgro AG

2011-2012: Head of Corporate Finance, OJSC Uralkali

2010-2011: Financial Adviser to Chief Executive Officer, OJSC Silvinit

2005-2010: held various positions from Chief Specialist to Chief Financial Officer at LLC Mineral Group

2003-2005: 1st Class Analyst at Securities and Investments Department, OJSC Silvinit

1998-2003: held various positions at Belaruskali Production Association

- Bachelor's degree in Economics with Honours from Belarus State Economic University (Belarus)
- MBA in Finance from Nottingham University Business School (UK)



ALEKSEY SIROTENKO
Deputy CEO for Corporate and
Legal Affairs, PJSC PhosAgro
Head of Legal, JSC PhosAgro-
Cherepovets representative office
in Moscow

2011-present: Head of Legal, JSC PhosAgro-Cherepovets (CJSC PhosAgro AG)

2010-present: Deputy Chief Executive Officer for Corporate and Legal Matters, PJSC PhosAgro

2006-2011: Head of Legal Department, CJSC PhosAgro AG

2005-2006: Deputy Chief Executive Officer for Legal Affairs, CJSC Lukoil-Neftekhim

2000-2005: Head of Legal Department, Interkhimprom Group

- Graduate degree in Law from the Lomonosov Moscow State University (Russia)



SIROJ LOIKOV
Human Resources and Social
Policy Director, PJSC PhosAgro
Human Resources and Social
Policy Director, JSC PhosAgro-
Cherepovets representative office
in Moscow

2013-present: Human Resources and Social Policy Director, PJSC PhosAgro

2013-present: Human Resources and Social Policy Director, JSC PhosAgro-Cherepovets (CJSC PhosAgro AG)

2011-2013: Human Resources Director, CJSC PhosAgro AG

2009-2011: Human Resources Director, CJSC Russian Standard

2008-2009: Personnel Development Director, Metinvest Ukraine

2005-2008: Human Resources Director, Leman Commodities S.A.

1996-2005: held various positions at British American Tobacco (UK, Uzbekistan and Russia offices)

- Bachelor of Science degree in Business Management from Nottingham Trent University (UK)
- Graduate degree in International Economic Relations from the Tashkent State University of Economics (Uzbekistan)



SERGEY PRONIN
Deputy CEO for Sales and
Marketing, PJSC PhosAgro
Deputy CEO for Sales,
JSC PhosAgro-Cherepovets
representative office in Moscow
Advisor to the CEO, LLC PhosAgro-
Region

Recent roles

2017-present: Deputy CEO for Sales and Marketing, PJSC PhosAgro

2016-present: Deputy CEO for Sales of the JSC PhosAgro-Cherepovets representative office in Moscow

2016: Advisor to the CEO of the JSC PhosAgro-Cherepovets representative office in Moscow

2012-2016: CEO, LLC PhosAgro-Region

2013-2015: Adviser to the Division for Mineral Fertilizer Sales in Eastern Europe and the CIS, CJSC PhosAgro AG

2012: Deputy CEO for Human Resources and Social Affairs, CJSC PhosAgro AG

2011-2012: Deputy CEO for External Communications and Information Policy, CJSC PhosAgro AG

2010-2011: Director for External Communications and Corporate Relations, CJSC PhosAgro AG

2010: Director for organisational and social issues, CJSC PhosAgro AG

2010: First Deputy CEO, CJSC PhosAgro AG

Education

- Graduated from the V. V. Kuibyshev Moscow Engineering and Construction Institute with a degree Industrial and Civil Construction. PhD in Economics



IRINA EVSTIGNEEVA
Director for Marketing and
Development, PJSC PhosAgro

2017-present: Director for Marketing and Development, PJSC PhosAgro

2011-2016: Director of Corporate Finance and Investor Relations, PJSC PhosAgro

2008-2011: Head of Corporate Finance Division, OJSC PhosAgro

2003-2008: held various posts in the finance block of OJSC PhosAgro



ROMAN OSIPOV
Director of Business
Development, PJSC PhosAgro

2013-present: Director of Business Development, PJSC PhosAgro

2012-present: Member of the Board of Directors, PJSC PhosAgro

2012-2013: Adviser to the CEO, OJSC PhosAgro

2012: Deputy CEO for Business Development, CJSC PhosAgro AG

2009-2012: Chief Financial Officer, CJSC PhosAgro AG

2008-2009: Deputy Chief Financial Officer, CJSC PhosAgro AG

2003-2008: held various financial management positions, GAZ Group

2002-2003: Auditor, Ernst & Young

1998-2002: Senior Consultant, Arthur Andersen

- Graduated from the Moscow State Financial Academy under the Russian Government with a degree in Finance and Credit

CORPORATE GOVERNANCE



Sven Ombudstvedt
Chairman of the Board of Directors

“ The Board of Directors worked with management during 2016 to update PhosAgro’s strategy through 2020, while also monitoring progress against the strategy and implementation of updated corporate governance standards. ”

OUR CORPORATE GOVERNANCE PRINCIPLES

Accountability

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

- Formulating the Company’s strategy
- Establishing and maintaining systems that enable it to monitor PhosAgro’s performance
- Holding management accountable for successful implementation of the Company’s strategy

Equality

PhosAgro’s corporate governance system is designed to protect shareholders’ rights and ensure equal treatment of all shareholders.

Responsibility

PhosAgro values the rights of all stakeholders and aims to cooperate with a wide range of individuals and institutions to find ways to ensure the Company’s financial stability and its successful, sustainable development.

Transparency

We strive to ensure the appropriate disclosure of reliable information on all significant issues related to our operations, including financial status, social and environmental performance, operating results and ownership.

PhosAgro has successfully advanced key strategic projects like increasing beneficiation capacity at Apatit, as well as construction of new ammonia and granulated urea lines at PhosAgro-Cherepovets. The Company’s sales strategy has also moved forwards, with the opening of sales offices in key export markets and expansion of domestic market share.

On the regulatory side, we continue to develop our internal systems for health, safety and environment, and are achieving good results. This is an important issue for the Board, as the legal and regulatory environment where we operate is developing.

Outside of Russia, PhosAgro is actively engaged in discussions at the European Union level regarding cadmium regulations that are aimed at making phosphate-based fertilizers safer, and the Company successfully got anti-dumping duties against urea from PhosAgro-Cherepovets removed in the US.

The Board also engaged in a strategic review, looking at PhosAgro’s development through 2020 with a continued focus on cost competitiveness, which will be helped by higher volumes and more efficient logistics and production.

I would like to thank the Board and PhosAgro’s management for the hard work that was put into building a responsible, sustainable business in 2016, and all of PhosAgro’s stakeholders for your continued engagement with the Company.

Guiding PhosAgro’s strategic performance

How governance works at PhosAgro

Our Shareholders’ Meeting is the principal forum through which the Company’s shareholders take decisions on the most significant issues affecting our business. These include approving financial statements and amending the Company’s Charter and other internal documents. The Board of Directors provides overall guidance to the Company except in areas that are the remit of the Shareholders’ Meeting. It sets targets and oversees their implementation by the Management Board and the Chief Executive Officer. The Management Board and the Chief Executive Officer manage the Company’s day-to-day operations and implement the strategy approved by the Board of Directors.

The General Shareholders’ Meeting

The General Shareholders’ Meeting is the Company’s highest governing body and is convened by the Board of Directors at least once a year. The Annual General Meeting is held between 1 March and 30 June each year. 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 the issued voting shares. The General Shareholders’ Meeting has the exclusive authority to take decisions on a number of matters, including:

- implementation of amendments and additions to the Company’s Charter, or adoption of a new version of the Charter

- reorganisation or liquidation of the Company
- election and removal of members of the Board of Directors
- increases or reductions in the Company’s authorised capital
- approval of the Company’s external auditor
- approval of the Company’s annual reports and financial statements
- distribution of profits, including payment of dividends
- payment of remuneration to the members of the Board of Directors and the Review Committee

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

A General Shareholders’ Meeting may be held in the form of a meeting or by absentee ballot. All shareholders entitled to participate in a General Shareholders’ Meeting are notified of the Meeting by a notice sent by post or in person in most cases no less than 20 days prior to a Meeting. The list of persons entitled to participate in a General Shareholders’ Meeting is compiled on the basis of data in the Company’s register of shareholders

as of the date established by the Board of Directors. General Shareholders’ Meetings are usually held in Russia (Moscow).

Our Board of Directors has been chaired by an independent director since 2011. It operates in accordance with the Law on Joint Stock Companies, the Company’s Charter, 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.

Key activities undertaken by the Board of Directors in 2016 included:

- reviewing the Company’s operational priorities for 2016
- using the KPI system to determine the size of bonus payments for executives and management in 2015
- monitoring risk management performance
- approving PhosAgro’s updated Corporate Secretary Policy
- approving PhosAgro’s Internal Audit Policy
- ensuring compliance with the Company’s Information Policy and determining the Information Policy priorities for 2017
- approving PhosAgro’s Risk Management Policy
- approving PhosAgro’s updated Corporate Governance Code
- approving PhosAgro’s updated Insider Information Policy
- updating the Company’s strategy to 2020
- determining the Company’s operational priorities for 2017
- reviewing the Company’s budget for 2017

As of 31 December 2016, the Board of Directors consisted of eight members, three of whom were independent non-executive directors (INEDs). The number of directors and the membership of the Board of Directors are determined by the General Shareholders' Meeting, with the term of appointment being until the next Annual General Shareholders' Meeting is held. When choosing Board members, it is of paramount importance that the Company find the right balance between professional skills and experience, independence and industry knowledge.

An independent director (candidate to serve as an independent director) is a person unrelated to:

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

The Board of Directors constantly aims to improve its effectiveness and to comply with the recommendations of the Bank of Russia regarding corporate governance, as well as internationally recognised good practice in corporate governance. The members of the Board of Directors are elected at the Annual General Shareholders' Meeting by cumulative voting. In 2016, the Board of Directors held 10 meetings covering a total of 87 issues.

Significant attention was paid to matters of corporate governance.

Since 2012, systemic changes have been and continue to be made to the legislation governing shareholders. Amendments have been made to Russia's Civil Code, the Law on Joint Stock Companies and the Law on Securities Markets, as well as many other pieces of legislation and related regulations. Several new regulations entered force in April 2014, including a new Corporate Governance Code introduced by the Central Bank of Russia. Some of the requirements of the latter were also included in the listing rules, which must be followed for stocks to be included in the quotation list, as well as to maintain a given listing level.

		Board		Audit Committee		Strategy Committee		Remuneration and Human Resources Committee		Risk Management Committee		Environment Health and Safety Committee	
Name	Year of Birth	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Andrey A. Guryev	1982	10	10			2	2			4	4	3	3
Igor Antoshin	1963	10	9									3	3
Andrey G. Guryev	1960	10	10			2	2						
Sven Ombudstvedt	1966	10	10	4	4			4	4			3	3
Marcus Rhodes	1961	10	10	4	4			4	4				
Ivan Rodionov	1953	10	10							4	4		
Roman Osipov	1971	4	4							2	2		
James Rogers	1942	10	10	4	4			4	4				
Mikhail Rybnikov	1975	6	6			2	2			2	2		

Issuers whose shares are included in organised trading were given a period of two years to bring their internal documentation and corporate governance structure into compliance with the listing rules. The Central Bank of Russia also requires issuers to include an annex to their annual report certifying compliance with the principles of the Central Bank of Russia Code.

During 2015–2016, the Company reviewed the internal documentation regulating its operations, including the Company's Charter, the Shareholder Meeting Policy, the Board of Directors' Policy, four committee policies, the Corporate Secretary Policy and the Audit Policy. The corporate governance structure was also updated, including the structure of the Audit Department and of the Risk Management Department, among other changes. The final step in this process was the Company's Corporate Governance Code, which the Board of Directors approved in November 2016.

The Board of Directors reviewed the updated Charter and recommended it for approval by the General Shareholders' Meeting to account for legislative changes

that took effect on 1 January 2017, primarily concerning the regulation of transactions.

Based on committee recommendations, the Board of Directors also reviewed and approved other important corporate governance documents in 2016, including: the Risk Appetite Policy, the internal audit and Internal Control Policy, the updated Corporate Secretary Policy and the Insider Information Policy.

The Board of Directors decided to engage a third party, PricewaterhouseCoopers Consulting, to conduct an independent review of its activity to ensure absolute compliance with the Corporate Governance Code.

At its meeting in December, the Board of Directors reviewed and approved the updated strategy until 2020, the Company's consolidated budget for 2017 and the operational priorities for 2017.

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 advisers on the issues that fall within their remit.

List of transactions by members of the Board of Directors and the Management Board to purchase or sell PhosAgro shares in 2016

IVAN RODIONOV

Type of transaction	Type of security	Number of securities	Date of transaction
Purchase	Global Depositary Receipts	14,500	12 July 2016

IGOR ANTOSHIN

Type of transaction	Type of security	Number of securities	Date of transaction
REPO	PJSC PhosAgro shares	2,489,540	21 December 2016



Marcus Rhodes
Committee Chairman

“ PhosAgro continues to introduce and upgrade automated systems to improve the speed and quality of its financial reporting. ”

The Audit Committee and the Company continue to focus on optimising the internal business processes involved in preparation of PhosAgro's financial reporting. We aim to ensure accuracy and completeness, while also speeding up the process of collecting and verifying data. Looking ahead to 2017, our aim is to continue moving PhosAgro's reporting dates closer to those of global leaders in transparency and disclosure.

AUDIT COMMITTEE

Committee members
As of 31 December 2016, the Audit Committee comprised:

Marcus Rhodes Committee Chairman, Independent Non-executive Director of the Board of Directors

Sven Ombudstvedt Committee Member, Independent Non-executive Director of the Board of Directors

James Rogers 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 Statute of PhosAgro's Audit Committee, the Audit Committee shall consist of not 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
- analysing financial reporting processes, including carrying out regular reviews and making recommendations
- recommending the Company's external auditor to the Board of Directors and maintaining an ongoing relationship with the external auditor
- analysing and supporting the internal audit system and risk management procedures, including drafting of recommendations for their improvement

Activities in 2016

During the reporting period, the Audit Committee held four meetings, in which matters covering priority areas of the Company's activity were considered. Considerable focus was placed on improving internal audit procedures. In 2016, the Audit Committee focused on:

- making recommendations for, and monitoring the implementation of, OeBS Oracle v. 12.0
- establishing targets and monitoring the implementation of the IFRS 2017 budget
- monitoring the implementation of the Hyperion consolidated financial reporting automation system
- further improving the quality of the financial accounting and reporting preparation process, as confirmed by the Company's auditors



Andrey A. Guryev
Committee Chairman

“ During 2016, we undertook a strategic review of PhosAgro's development plan through 2020. ”

The Committee was pleased to note successful implementation of all of PhosAgro's strategic goals for 2016, and that the Company is on track to complete key investment projects on schedule. We are currently in the process of finalising PhosAgro's development strategy through 2025, which is aimed at further strengthening the Company's leading position in the global phosphate-based fertilizer industry.

STRATEGY COMMITTEE

Committee members
As of 31 December 2016, the Audit Committee comprised:

Andrey A. Guryev Committee Chairman, Executive Director of the Board of Directors

Andrey G. Guryev Committee Member, Non-executive Director of the Board of Directors

Mikhail Rybnikov Committee Member, Executive Director of the Board of Directors.

Key areas
Directs the development of the Company's strategy and related processes, including management of the Company's assets and the review of major innovation and investment programmes and projects.

The Committee's remit includes:

- Monitoring and updating the Company's mid-term and long-term strategy, and drafting policy as required
- Evaluating the development of the Company's subsidiaries, including reviewing their strategies
- Making recommendations regarding the Company's M&A projects
- Analysing and making recommendations regarding potential strategic partnerships

Activities in 2016

In 2016, the Strategy Committee held two meetings, where it focused on:

- identifying key strategic activities for 2016
- reviewing the Committee's work in 2015
- reviewing implementation of strategy in 2016 and plans for 2017
- making investment and borrowing plans for 2017 and 2018
- updating the Company's strategy through 2020



Jim Rogers
Committee Chairman

“ We continue to focus on ensuring management KPIs and remuneration are aligned with key stakeholder interests. ”

In 2016, the Committee reviewed management KPI and bonus policies to ensure that they continued to align management interests with those of key stakeholders. The Committee also finalised the headcount optimisation, which has significantly streamlined PhosAgro's operations.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

Committee members

As of 31 December 2016, the Remuneration and Human Resources Committee comprised:

James Rogers Committee Chairman, Independent Non-executive Director of the Board of Directors

Sven Ombudstvedt Committee Member, Independent Non-executive Director of the Board of Directors

Marcus Rhodes Committee Member, Independent Non-executive Director of the Board of Directors

Key areas

The Remuneration and Human Resources Committee's Statute requires that the Committee's 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.

The Committee's remit includes:

- developing of the Company's policy in relation to organising the activities and motivation of the Board of Directors
- developing of the Human Resources Policy in relation to the Company's senior management, and supervising its implementation

Activities in 2016

During the reporting period, the Remuneration and Human Resources Committee held four meetings. The main issues considered by the Committee during 2016 were:

- analysis of implementation of the Company's social programmes in 2015 and priority areas of social policy in 2016
- evaluation of the performance of the Chief Executive Officer and the Management Board, recommendations for the Board of Directors regarding their reappointment
- assessment of the headcount optimisation programme at PhosAgro and its subsidiaries;
- review of the Human Resources Policy for PhosAgro and its subsidiaries
- evaluation of the independence of candidates for the Board of Directors
- evaluation of the work of the Board of Directors in 2016



Igor Antoshin
Committee Chairman

“ We have implemented best practice HSE policies across PhosAgro and have improved performance in this area. ”

In 2016, the Committee reviewed the Company's HSE reports every quarter. Special attention was paid to targeted programmes and work schedules, as well as to monitoring implementation. Investments and target projects aimed at reducing our environmental impact were reviewed and evaluated. Changes to environmental legislation were reviewed for potential impacts on the Company's operations. The Committee surveyed and evaluated management's performance with regards to environmental permits and measures undertaken to address issues identified during inspections.

In 2016, Committee members received monthly reports containing up-to-date information about: industrial injuries, accidents and incidents; ongoing audits by government agencies, results of such audits, and corrective actions recommended during the audits; implementation of such measures as internal audits, incident investigations, special evaluations of labour conditions, and the investigation and reporting of occupational diseases; performance of industrial analyses.

The Committee's input has helped to improve the quality and the scope of reporting. This ensures a deeper and more efficient review of HSE issues by both the Committee and the Board of Directors.

ENVIRONMENTAL, HEALTH AND SAFETY COMMITTEE

Committee members

As of 31 December 2016, the Environmental, Health and Safety Committee comprised:

Igor Antoshin Committee Chairman, Non-executive Director of the Board of Directors

Andrey A. Guryev Committee Member, Executive Director of the Board of Directors

Sven Ombudstvedt Committee Member, Independent Non-executive Director of the Board of Directors

Key areas

The Environmental, Health and Safety Committee was formed to oversee the Company's activities in the areas of environmental protection, 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's remit includes:

- ensuring the Company's compliance with legal and regulatory requirements relating to environmental and health and safety issues
- ensuring 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
- evaluating the Company's efficient use of natural resources and energy, enforcement of energy-saving and resource-conservation activities within the Company, and providing recommendations for further implementation and improvement of these activities
- preventing industrial accidents, including plans, programmes and processes established by the Company to evaluate, manage and decrease risks of industrial accidents
- Improving conditions related to the health and safety of the Company's employees, and enforcing policies for decreasing and eliminating occupational injuries

Activities in 2016

During the reporting period, the Environmental, Health and Safety Committee held three meetings, at which the following issues were covered:

- proposed changes to the Committee regulations in connection with new requirements issued by the Moscow Exchange and the Russian Corporate Governance Code
- review of PhosAgro's integrated report for 2015
- evaluation of the results of subsidiaries' work on compliance with workplace health and safety regulations for hazardous production sites in 2015 and for the first nine months of 2016
- evaluation of the results of subsidiaries' work on compliance with environmental regulations in 2015 and for the first nine months of 2016
- evaluation of subsidiaries' comprehensive safety systems for handling hazardous cargoes (storage, loading and transportation)
- review of proposed changes to Russian Federation environmental protection legislation and analysis of possible effects for the Company



Ivan Rodionov
Committee Chairman

“ The Committee monitored the implementation of risk management systems across the enterprise, and met several times to analyse emerging risks related to events that took place during the year. ”

In 2016, the Committee continued to develop and further improve its Risk Management Policy, and to review our risk analysis and risk tolerance in line with the current market situation. Throughout the year, the Board of Directors received regular risk management updates.

RISK MANAGEMENT COMMITTEE

Committee members

As of 31 December 2016, the Risk Management Committee comprised:

Ivan Rodionov Committee Chairman, Non-executive Director of the Board of Directors

Andrey A. Guryev Committee Member, Executive Director of the Board of Directors

Mikhail Rybnikov Committee Member, Executive Director of the Board of Directors

Key areas

The Risk Management Committee was created in 2014 with the goal of developing recommendations and proposals for the Board of Directors and other management bodies with regard to identification and management of material risks for the Company, as well as improvements to, and further development of, the Company's risk management systems.

The Committee's remit includes:

- evaluating the effectiveness of the Company's risk management system and making recommendations regarding improvements
- preparing recommendations for the Company's Board of Directors regarding:
 - risk management methodology, determining the Company's most material risks that require constant monitoring and management, and recommendations regarding improvements to the unified risk management system
 - determining the Company's risk appetite and its risk tolerance
 - changes and additions to PhosAgro's risk management policy

Activities in 2016

- monitoring how PhosAgro's key risks are managed
- considering PhosAgro's risk appetite
- review of PhosAgro's key risks and updates to its risk map
- providing recommendations to management on risk management policies and procedures

EXECUTIVE BODY

Management Board

As of 31 December 2016, the Management Board consisted of:

Andrey A. Guryev Chairman of the Management Board

Mikhail Rybnikov Member of the Management Board

Siroj Loikov Member of the Management Board

Alexander Sharabaiko Member of the Management Board

Alexei Sirotenko Member of the Management Board

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

- reviewing, revising and approving of PhosAgro's quarterly and annual budgets
- developing PhosAgro's capital expenditure plans and strategy with respect to any new business activities
- deciding to enter into, change or terminate certain transactions related to the disposal of securities and stakes in other companies
- arranging the preparation and provision of reports to the Board of Directors on PhosAgro's financial and operating performance
- approving incentivisation and similar documents that determine the compensation and benefit policies for PhosAgro employees
- electing and removing of the secretary of the Management Board and his/her powers

During the reporting period, the Management Board held seven meetings, at which it reviewed the Company's quarterly financial and operational performance. It approved the 2016 budget in March and the 2017 budget in December. The Management Board also made decisions to approve and amend the charity budget.

Senior management

The Management Board effectively represents PhosAgro's senior management. It oversees the day-to-day operations of the Company and implements the Company's strategy.

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 one year 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 shall act in good faith and with due diligence to further the interests of the Company and its shareholders. All issues related to the Company's day-to-day operations are within the authority and responsibility of the Chief Executive Officer except for those matters that are subject to ratification by the General Shareholders' Meeting, the Company's Board of Directors and/or the Management Board. The Chief Executive Officer, together with the

Management Board, is responsible for ensuring that the Company's strategy and the decisions of the General Shareholders' Meeting and the Board of Directors are implemented. In order to ensure efficient corporate communications between the Company's Board of Directors and the Chief Executive Officer, the Chief Executive Officer submits regular quarterly reports to the Board.

- Some of the matters for which the Chief Executive Officer is responsible are:
- deciding on all issues related to the Company that do not fall within the competence of the General Shareholders' Meeting, the Board of Directors or the Management Board
 - representing the Company before all federal and local authorities and in meetings with organisations and entities in Russia and abroad
 - hiring and dismissing the Company's personnel
 - carrying out all other activities and legal steps required to be conducted on behalf of the Company in accordance with the Company's Charter, decisions of the Board of Directors and the General Shareholders' Meeting and/or in accordance with current legislation

Andrey A. Guryev was the Company's Chief Executive Officer throughout 2016. For Mr Guryev's biographical details, please see the "Board of Directors" section of this report.

Board and senior management remuneration

Members of PhosAgro's Board of Directors may receive remuneration and be compensated for expenses incurred in the course of their duties in accordance with decisions of the General Shareholders' Meeting. According to the Company's Corporate Governance Code, the remuneration of the Board of Directors shall be in line with current market conditions and shall be at a level that enables the Company to attract, motivate and retain highly skilled professionals to help drive the future growth and performance of the business. At the same time, the remuneration shall not exceed the amount needed to achieve this.

In 2016, the total remuneration paid to the Board of Directors of PhosAgro was USD 800.0 thousand and RUB 9,247.1 thousand. The amount of remuneration and additional compensation paid to the Chief Executive Officer of PhosAgro is regulated by a contract between the Chief Executive Officer and the Company, which is signed by the Company's Board of Directors. The total remuneration reflects the Chief Executive Officer's qualifications and takes into account the particular contribution of the Chief Executive Officer to the Company's financial results.

The remuneration paid by the Company to the Chief Executive Officer and the four other members of the Management Board (who represent the Senior Management Team) for their services to the Company during the year ended 31 December 2016 was RUB 234.6 million in salary and additional compensation.

The remuneration of the Company's senior managers consists of base salary, which is paid monthly, plus additional compensation, paid quarterly and annually. Payment of additional compensation is based on achieving the Company's key performance indicators and accomplishing additional tasks and goals, as set by the Board of Directors and Chief Executive Officer for the reporting quarter or year. 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 contributing to the achievement of corporate growth and strategy.

Annual additional compensation is calculated by adding percentages (as set by the Board of Directors) of the Company's EBITDA for the reporting period.

Insider Information Policy

PhosAgro has instituted a well-defined policy on insider information that is one of the most important factors in ensuring that the rights and interests of its shareholders and investors are respected. The Company's principles are outlined in the Regulation on Insider Information, which is available on the website. An insider is a person who has the right to access insider information as part of his or her job description or in line with an internal Company document, a contract with the Company or a law or regulatory requirement. PhosAgro's Internal Audit Department, which reports to the Board of Directors, is responsible for ensuring compliance with current laws and regulations on insider information. In 2016, the Board of Directors approved a revised version of the policy to account for changes in Russian legislation, as well as the requirements of the European

Union's newly enacted regulation aimed at combating market manipulation.

PhosAgro controls insider activity by placing restrictions on the use and circulation of insider information. For example, insiders may not pass on information available to them to other individuals except in cases expressly provided for in current legislation and the Company's documents. The Corporate Secretary's office maintains lists of insiders and notifies insiders of their inclusion on these lists. The office gathers data on possible or actual disclosures of insider information and brings them to the attention of the Company's Board of Directors. In the event that the Company suffers a loss due to a breach of the Insider Information Policy, the insider is required to compensate the Company for any damages.

Dividend Policy

PhosAgro's Dividend Policy is based on the following principles:

- shareholders' interests are to be balanced between the payment of dividends and reinvestment of profit into further development
- there is to be a transparent and predictable dividend policy that is attractive to investors
- the majority of profit is to be used for reinvestment to support the Company's growth

A decision on the payment of a dividend, its timing and the exact amount of such a payment is subject to approval of the General Shareholders' Meeting, based on recommendations provided by PhosAgro's Board of Directors. The Board of Directors' recommendations depend primarily on

PhosAgro's net profit under IFRS, while other factors such as cash requirements and financial position are also considered. While formally the amount of dividend payments is based on the Company's net profits for the first quarter, six months, nine months and/or full year calculated under Russian Accounting Standards (RAS), and payments are made in relation to these specific periods, the Board of Directors bases its dividend decisions on the Company's IFRS results. A decision on the payment of an interim dividend is made at the General Shareholders' Meeting within three months of the end of the relevant period. If the dividends are approved by the General Shareholders' Meeting, decisions regarding ex-dividend dates are made based on the recommendations of the Board of Directors.

The ex-dividend date must be set between 10 and 20 days from the date of the decision to pay dividends. Dividends must be paid to registered shareholders who are nominee shareholders that are professional securities traders or fund managers within 10 working days from the ex-dividend date. Other registered shareholders must be paid within 25 working days after the ex-dividend date. Holders of PhosAgro GDRs are also entitled to receive dividends in respect of shares underlying the GDRs, subject to the terms of their depositary agreements.

In determining the size of dividends to be paid out, the Board of Directors will always try to recommend dividend payments of between 30% and 50% of the consolidated profit for the year, calculated in accordance with IFRS. Dividend payments in 2016 totalled nearly 50% of the Company's net profit for the period.

The Review Committee

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

Internal Audit Department

The responsibility for performing internal audits of PhosAgro falls on the Internal Audit Department. It is an independent department within PhosAgro that functionally reports to the Audit Committee of the Board of Directors and administratively reports to the CEO.

The Internal Audit Department is tasked with improving the efficiency of business-process management, internal control and risk management systems of PhosAgro and its subsidiaries by conducting an independent and objective assessment of their risk management, corporate governance, information systems and internal control, as well as other projects that fall within the department's scope as required by the international internal audit standards established by the Institute of Internal Auditors.

In 2016, the Board of Directors approved a new Internal Audit Policy

that was developed in compliance with the corporate governance code, the recommendations of the Central Bank of Russia and the Moscow Exchange's listing rules. The policy outlines the Internal Audit Department's goals and tasks, the rights and responsibilities of its staff, as well as the conditions that guarantee its operational independence.

The department has also been reorganised into two functional units to comply with the new policy:

- the internal audit function audits the efficiency of business processes, including the risk management and internal control systems;
- the special projects function implements bespoke projects, including research and forensics.

New documents regulating the Internal Audit Department have been confirmed to reflect the reorganisation, including staff job descriptions that have been developed to comply with the internal auditor professional standard.

In 2016, the department audited the following business processes: capital construction, domestic sales, energy management, environmental compliance and industrial safety. It also brought on external consultants to help audit the risk management system.

The Internal Audit Department's plans for 2017 include auditing the following business processes: mining and refining, fertilizer production, transportation logistics, insider information and export sales.

INTERNAL CONTROL AND AUDIT

Internal control body		
REVIEW COMMITTEE	AUDIT COMMITTEE OF THE BOARD OF DIRECTORS	BOARD OF DIRECTORS
Appointed by		
General Shareholders' Meeting	Board of Directors	General Shareholders' Meeting
Reports to		
General Shareholders' Meeting	Board of Directors	Shareholders
Functions		
Prepares a report on the results of the Company's operations for the prior year ahead of the Annual General Shareholders' Meeting and gives its opinion on whether the Company's financial statements are true and accurate. Conducts internal audit procedures and ensures compliance with Russian Accounting Standards (RAS). Monitors compliance with current legislation, the Company Charter and internal regulations.	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: - internal and external audits - the accuracy and efficiency of internal control procedures - management accounting and financial reporting - risk management procedures and systems - how risks are reflected in the Company's reporting Supervises the Internal Audit Department.	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	INTERNAL AUDIT DEPARTMENT	EXTERNAL AUDITOR
Appointed by		
Board of Directors	Board of Directors	General Shareholders' Meeting
Reports to		
Board of Directors	Functional: Audit Committee	Audit Committee
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 results of these actions.	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 for the Board of Directors, Audit Committee and General Shareholders' Meeting. Verifies compliance of management and employees with legislation and internal regulations on insider information.	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. KPMG is currently PhosAgro's external auditor.

MANAGEMENT RESPONSIBILITY STATEMENT

The Company's management hereby confirms that, to the best of its knowledge:

- a. 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;
- b. 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 consolidated financial statements for the year ended 31 December 2016 were approved by the Company's management on 21 March 2017.

Pre-approved by the Board of Directors March 21, 2017

Approved by the Annual General Meeting of Shareholders May 30, 2017.



Andrey A. Guryev

Chairman of the Management Board and
Chief Executive Officer of PJSC PhosAgro



Andrey A. Guryev

Chairman of the Management
Board and Chief Executive
Officer of PJSC PhosAgro

CONSOLIDATED FINANCIAL STATEMENTS

Contents

Auditors' Report	124
Consolidated Statement of Profit or Loss and Other Comprehensive Income	127
Consolidated Statement of Financial Position	128
Consolidated Statement of Cash Flows	129
Consolidated Statement of Changes in Equity	130
Notes to the Consolidated Financial Statements	131
1. Background	131
2. Basis of preparation	131
3. Significant accounting policies	132
4. Determination of fair values	137
5. Segment information	138
6. Revenues	139
7. Personnel costs	139
8. Cost of sales	140
9. Administrative expenses	140
10. Selling expenses	140
11. Other expenses, net	140
12. Finance income and finance costs	140
13. Income tax expense	141
14. Property, plant and equipment	142
15. Investments in associates	143
16. Deferred tax assets and liabilities	144
17. Other non-current assets	146
18. Other current investments	146
19. Inventories	147
20. Trade and other receivables	147
21. Cash and cash equivalents	148
22. Equity	148
23. Earnings per share	149
24. Loans and borrowings	150
25. Defined benefit obligations	152
26. Leases	153
27. Trade and other payables	153
28. Financial risk management	154
29. Commitments	159
30. Contingencies	159
31. Related party transactions	160
32. Significant subsidiaries	161
33. Events subsequent to the reporting date	161



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Independent Auditors’ Report

To the Shareholders and Board of Directors
PJSC "PhosAgro"

Opinion

We have audited the consolidated financial statements of PJSC “PhosAgro” (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, 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.

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.

VALUATION OF DEFERRED TAX ASSETS

Please refer to the Note 16 in the consolidated financial statements.

The key audit matter

The Group has recognised significant deferred tax assets in respect of tax losses.

The recovery of the deferred tax assets depends on achieving sufficient taxable profits in the future.

Future taxable profits to be used for utilisation of tax losses accumulated by the Company mainly represent interest income to be received by the Company on the loans issued to the Group subsidiaries less interest expense of the Company from financing.

The assessment of the potential to utilise the tax losses is dependent on the forecast profitability of the Group subsidiaries, the amount of dividends to be distributed to the Company, expected foreign currency exchange and interest rates for loans to be issued by the Company to Group subsidiaries and financing to be received by the Company.

There is inherent uncertainty involved in forecasting timing and quantum of future taxable profits, which support the extent to which tax assets are recognised. Therefore, this is the key judgmental area our audit is concentrated on.



PJSC "PhosAgro"
Independent Auditors' Report
Page 2

How the matter was addressed in our audit

Our audit procedures included the following:

We analysed the underlying methodology and tested the mathematical accuracy of the taxable profits forecast model used to estimate the likelihood of the recovery of deferred tax assets.

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.

We corroborated expected interest rates for loans to be issued and financing to be received by the Company to publicly available market benchmarks.

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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for

assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform

Audited entity: PJSC "PhosAgro"
Registration No. in the Unified State Register of Legal Entities 1027700190572.
Moscow, Russia
Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Registration No. in the Unified State Register of Legal Entities 1027700125628.
Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.



PJSC "PhosAgro"
Independent Auditors' Report
Page 3

audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including

the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 2016

RUB million

	Note	2016	2015
Revenues	6	187,742	189,732
Cost of sales	8	(86,391)	(83,064)
GROSS PROFIT		101,351	106,668
Administrative expenses	9	(13,891)	(12,184)
Selling expenses	10	(21,129)	(17,751)
Taxes, other than income tax		(2,261)	(1,994)
Other expenses, net	11	(2,472)	(1,408)
OPERATING PROFIT		61,598	73,331
Finance income	12	909	1,222
Finance costs	12	(4,682)	(6,093)
Foreign exchange gain/(loss), net	28(b)	16,962	(22,178)
Share of profit/(loss) of associates	15	140	(59)
PROFIT BEFORE TAX		74,927	46,223
Income tax expense	13	(15,041)	(9,787)
PROFIT FOR THE YEAR		59,886	36,436
Attributable to:			
• Non-controlling interests*		2	(6)
• Shareholders of the Parent		59,884	36,442
OTHER COMPREHENSIVE INCOME			
Actuarial gains and losses, net of tax	25	(68)	(4)
Foreign currency translation difference		(3,105)	3,405
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(3,173)	3,401
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56,713	39,837
Attributable to:			
• Non-controlling interests*		2	(6)
• Shareholders of the Parent		56,711	39,843
Basic and diluted earnings per share (in RUB)	23	462	281

* non-controlling interests are the minority shareholders of the subsidiaries of PJSC "PhosAgro"

The consolidated financial statements were approved on 24 March 2017:

A.A. Guryev
Chief executive officer

A.F. Sharabaiko
Chief financial officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016			
RUB million			
ASSETS	Note	31 December 2016	31 December 2015
Property, plant and equipment	14	154,713	120,952
Advances issued for property, plant and equipment		4,684	7,424
Intangible assets		1,165	566
Investments in associates	15	816	810
Deferred tax assets	16	5,110	5,901
Other non-current assets	17	2,226	2,822
Non-current assets		168,714	138,475
Other current investments	18	3,282	4,902
Inventories	19	19,934	17,814
Current income tax receivable		339	453
Trade and other receivables	20	29,674	25,511
Cash and cash equivalents	21	7,261	29,347
Current assets		60,490	78,027
TOTAL ASSETS		229,204	216,502
EQUITY	22		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		74,932	43,460
Other reserves		5,486	8,659
Equity attributable to shareholders of the Parent		88,284	59,985
Equity attributable to non-controlling interests		137	213
TOTAL EQUITY		88,421	60,198
LIABILITIES			
Loans and borrowings	24	98,239	105,565
Defined benefit obligations	25	767	424
Deferred tax liabilities	16	4,600	3,677
Non-current liabilities		103,606	109,666
Trade and other payables	27	22,803	17,011
Current income tax payable		237	491
Loans and borrowings	24	14,137	28,947
Derivative financial liabilities		-	189
Current liabilities		37,177	46,638
TOTAL EQUITY AND LIABILITIES		229,204	216,502

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 133 to 163.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016			
RUB million			
CASH FLOWS FROM OPERATING ACTIVITIES	Note	2016	2015
Profit before tax		74,927	46,223
Adjustments for:			
Depreciation and amortisation	8, 9, 10	10,767	9,133
Loss on disposal of property, plant and equipment and intangible assets	11	614	915
Finance income	12	(909)	(1,222)
Finance costs	12	4,682	6,093
Share of (profit)/loss of associates	15	(140)	59
Foreign exchange (gain)/loss, net		(18,040)	23,663
Operating profit before changes in working capital and provisions		71,901	84,864
Increase in inventories		(2,120)	(5,287)
Increase in trade and other receivables		(4,023)	(6,116)
Increase in trade and other payables		3,019	2,741
Cash flows from operations before income taxes and interest paid		68,777	76,202
Income tax paid		(13,451)	(7,488)
Finance costs paid		(4,965)	(5,453)
CASH FLOWS FROM OPERATING ACTIVITIES		50,361	63,261
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans repaid/(issued), net		253	(151)
Acquisition of property, plant and equipment and intangible assets		(40,246)	(42,668)
Proceeds from disposal of property, plant and equipment		270	170
Proceeds from disposal of investments		1,277	-
Finance income received		432	1,008
Cash of Phosint Group at the date of acquisition		-	10,178
CASH FLOWS USED IN INVESTING ACTIVITIES		(38,014)	(31,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		34,149	46,376
Repayment of borrowings		(33,727)	(62,041)
Dividends paid to shareholders of the Parent	22	(27,974)	(18,130)
Dividends paid to non-controlling interests		(9)	-
Payment of finance lease liabilities		(1,951)	(1,905)
Proceeds from/(payments for) settlement of derivatives, net		127	(1,590)
Acquisition of non-controlling interests		(218)	-
Other payments		(243)	(154)
Proceeds from contribution to charter capital of subsidiaries by non-controlling interests		-	71
CASH FLOWS USED IN FINANCING ACTIVITIES		(29,846)	(37,373)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(17,499)	(5,575)
Cash and cash equivalents at 1 January		29,347	30,687
Effect of exchange rates fluctuations		(4,587)	4,235
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	7,261	29,347

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 133 to 163.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2016

RUB million

	Attributable to shareholders of the Parent						Total
	Share capital	Share premium	Retained earnings	Actuarial gains and losses	Foreign currency translation reserve	Attributable to non-controlling interests	
BALANCE AT 1 JANUARY 2015	372	7,494	22,708	(312)	5,570	149	35,981
Total comprehensive income for the year							
Profit for the year	-	-	36,442	-	-	(6)	36,436
Actuarial gains and losses, net of tax	-	-	-	(4)	-	-	(4)
Foreign currency translation difference	-	-	-	-	3,405	-	3,405
	-	-	36,442	(4)	3,405	(6)	39,837
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent	-	-	(15,540)	-	-	(1)	(15,541)
Additional contribution to charter capital of subsidiaries	-	-	-	-	-	71	71
Other	-	-	(150)	-	-	-	(150)
	-	-	(15,690)	-	-	70	(15,620)
BALANCE AT 31 DECEMBER 2015	372	7,494	43,460	(316)	8,975	213	60,198
BALANCE AT 1 JANUARY 2016	372	7,494	43,460	(316)	8,975	213	60,198
Total comprehensive income for the year							
Profit for the year	-	-	59,884	-	-	2	59,886
Actuarial gains and losses, net of tax	-	-	-	(68)	-	-	(68)
Foreign currency translation difference	-	-	-	-	(3,105)	-	(3,105)
	-	-	59,884	(68)	(3,105)	2	56,713
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent, note 22	-	-	(27,974)	-	-	(9)	(27,983)
Acquisition of non-controlling interests without a change in control	-	-	(149)	-	-	(69)	(218)
Other	-	-	(289)	-	-	-	(289)
	-	-	(28,412)	-	-	(78)	(28,490)
BALANCE AT 31 DECEMBER 2016	372	7,494	74,932	(384)	5,870	137	88,421

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 133 to 163.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

1. Background

(a)Organisation and operations

PJSC “PhosAgro” (the “Company” or the “Parent”) and its subsidiaries (together referred to as the “Group”) comprise Russian legal entities and foreign trading subsidiaries. The Company was registered in October 2001. The Company’s location is Leninsky prospekt 55/1 building 1, Moscow, Russian Federation, 119333.

The Group’s principal activity is production of apatite concentrate and mineral fertilisers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region), Balakovo (Saratov region) and Volkhov (Leningrad region), and their distribution across the Russian Federation and abroad.

The Company’s key shareholders are several Cyprus entities holding approximately 20% of the Company’s ordinary shares each. The majority of the shares of the Company are ultimately owned by trusts, where the economic beneficiary is Mr. Andrey G. Guryev and his family members.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The Group additionally prepares IFRS consolidated financial statements in the Russian language in accordance with the Federal Law No. 208-FZ On consolidated financial reporting

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that investments available-for-sale and derivative financial instruments are stated at fair value

(c) Functional currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Parent and its subsidiaries, except for foreign trading subsidiaries, where the functional currency is USD.

(d) Presentation currency

These consolidated financial statements are presented in RUB. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

The translation from USD into RUB, where applicable, was performed as follows:

- Assets and liabilities as at 31 December 2016 were translated at the closing exchange rate of RUB 60.6569 for USD 1 (31 December 2015: RUB 72.8827 for USD 1);
- Profit and loss items were translated at the average exchange rate for 2016 of RUB 67.0349 for USD 1. (for 2015: RUB 60.9579 for USD 1);
- Equity items, which were recognised at the date of adoption of IFRS, 1 January 2005, were translated at the exchange

rate of RUB 27.7487 for USD 1. Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;

- The resulting foreign exchange difference is recognised in other comprehensive income.

The translation from EUR into RUB, where applicable, was performed as follows:

- Assets and liabilities as at 31 December 2016 were translated at the closing exchange rate of RUB 63.8111 for EUR 1 (31 December 2015: RUB 79.6972 for EUR 1);
- Profit and loss items were translated at the average exchange rate for 2016 of RUB 74.2310 for EUR 1. (for 2015: RUB 67.7767 for EUR 1);
- Equity items, which were recognised at the date of adoption of IFRS, 1 January 2005, were translated at the exchange rate of RUB 37.8409 for EUR 1. Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

(e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical assumptions and estimation uncertainties that have the most significant effect on the amounts recognised

in the consolidated financial statements is included in the following notes:

- note 3(c)(iv) – estimated useful lives of fixed assets;
- note 16 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- note 18 – recognition of bad debt provision on promissory notes: uncertainties associated with the mutual court claims filed by the Group and the bank.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at

the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained

(iii) Acquisitions and disposals of non-controlling interests

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised in equity.

Any difference between the consideration received from disposal of a portion of a Group's interest in the subsidiary and the carrying amount of that portion, including attributable goodwill, is recognised in equity.

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the

same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currencies

Transactions in foreign currencies are translated to RUB at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to RUB at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to RUB at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RUB at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the profit or loss.

(c) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to IFRS was determined by reference to its fair value at that date ("deemed cost") as determined by an independent appraiser.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Subsequent expenditure

Expenses in connection with ordinary maintenance and repairs are recognised in the statement of profit or loss as they are incurred.

Expenses in connection with periodic maintenance on property, plant and equipment are recognised as assets and depreciated on a straight-line basis over the period until the next periodic maintenance, provided the criteria for capitalizing such items have been met.

Expenses incurred in connection with major replacements and renewals that materially extend the life of property, plant and equipment are capitalised and depreciated on a systematic basis.

(iv) Depreciation

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the month following the month of acquisition or, in respect of internally constructed assets, from the month following the month an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives as determined when adopting IFRS (1 January 2005) are as follows:

Buildings	12-17 years
Plant and equipment	4-15 years
Fixtures and fittings	3-6 years

Tangible fixed assets acquired after the date of adoption of IFRS, are depreciated over the following useful lives:

Buildings	10-60 лет
Plant and equipment	5-35 лет
Fixtures and fittings	2-25 лет

(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 and loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(ii) Other intangible assets

Other intangible assets acquired by the Group are represented by Oracle software, which has finite useful life and is stated at cost less accumulated amortisation and impairment losses

(iii) Amortisation

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful lives are 3 – 10 years.

(e) Investments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Held-to-maturity investments: If the Group has the positive intent and ability to hold debt instruments to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets: The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(i)), and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to the profit or loss.

Other: Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock

exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses

Derivative financial instruments

The Group from time to time buys derivative financial instruments to manage its exposure to foreign currency risk. All derivatives are recognised on the balance sheet at fair value. Derivatives are not designated as hedging instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value with the changes in fair value recognised in profit and loss.

(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) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses.

(h)Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(I) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there

is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can 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 will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers all individually significant receivables and held-to-maturity investment securities for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or

loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets,

impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

(I) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity.

(II) Dividends

Dividends are recognised as a liability in the period in which they are declared

(k) Loans and borrowings

Loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between initial value and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

(l) Employee benefits

(I) Pension plans

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the profit and loss. To the extent the benefits vest immediately, the expense is recognised immediately in the profit and loss.

All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(II) Long-term service benefits other than pensions

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(III) State pension fund

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

(m) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are stated at amortised cost.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent

that it is no longer probable that the related tax benefit will be realised.

(p) Revenues

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Transfer may occur when the product is dispatched from the Group companies' warehouses (mainly for domestic dispatches) or upon loading the goods onto the relevant carrier or upon the delivery to the destination point defined by the customer.

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(q) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(r) 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.

(s) Other expenses

(i) Operating leases

Payments made under operating leases are recognised in the profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease payments made.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the profit or loss as incurred.

(t) 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

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, related head office expenses and Group's associates.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(v) Adoption of new and revised standards and interpretations

No new standards and amendments became effective for the Group from 1 January 2016.

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2016, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new classification and measurement requirements, a single forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. Effective for annual periods beginning on or after 1 January 2018 with early adoption permitted;
- IFRS 15 Revenue from contracts with customers outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. Effective for annual periods beginning on or after 1 January 2018 with early adoption permitted;
- IFRS 16 Leases outlines a single lessee accounting model and requires to bring most leases on-balance sheet. Effective for annual periods beginning on or after 1 January 2019 with early adoption permitted if IFRS 15 is also applied at or before the date of initial application of IFRS 16;
- Amendments to IAS 12 Income Taxes clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. Effective for annual periods beginning on or after 1 January 2017 with early adoption permitted;
- Amendments to IAS 7 Statement of Cash Flows requires entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. Effective for annual periods beginning on or after

1 January 2017 with early adoption permitted.

The Group is currently assessing the impact of these new and amended standards on the consolidated financial statements and plans to adopt these pronouncements when they become effective.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the methods described in 4(a) to 4(c). When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

For non-quoted investments the fair value, if reliably measurable, is determined using valuation models.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Segment information

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Phosphate-based products segment includes mainly production and distribution of ammophos, diammoniumphosphate, sodium tripolyphosphate and other phosphate based and complex (NPK) fertilisers on the factories located in Cherepovets, Balakovo and Volkhov, and production and distribution of apatite concentrate extracted from the apatite-nepheline ore, which is mined and processed in Kirovsk;

- Nitrogen-based products segment includes mainly production and distribution of ammonia, ammonium nitrate and urea on the factory located in Cherepovets.

Certain assets, revenue and expenses are not allocated to any particular segment and are, therefore, included in the "other operations" column. None of these operations meet any of the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit, as included in internal management reports that are reviewed by the Group's CEO.

Segment information as at 31 December 2016 and for the year then ended is as follows:

RUB million	PHOSPHATE-BASED PRODUCTS	NITROGEN-BASED PRODUCTS	OTHER OPERATIONS	TOTAL
Segment revenue and profitability	168,136	18,829	777	187,742
Segment external revenues, thereof:				
Export	110,458	14,264	-	124,722
Domestic	57,678	4,565	777	63,020
Cost of goods sold	(74,667)	(11,025)	(699)	(86,391)
Gross segment profit	93,469	7,804	78	101,351
Certain items of profit or loss				
Amortisation and depreciation	(8,095)	(2,328)	(344)	(10,767)
Total non-current segment assets	91,880	60,240	3,758	155,878
Additions to non-current assets	23,791	20,967	533	45,291

Segment information of the Group as at 31 December 2015 and for the year then ended is as follows:

RUB million	PHOSPHATE-BASED PRODUCTS	NITROGEN-BASED PRODUCTS	OTHER OPERATIONS	TOTAL
Segment revenue and profitability	167,430	21,574	728	189,732
Segment external revenues, thereof:				
Export	120,873	17,984	-	138,857
Domestic	46,557	3,590	728	50,875
Cost of goods sold	(70,344)	(12,063)	(657)	(83,064)
Gross segment profit	97,086	9,511	71	106,668
Certain items of profit or loss				
Amortisation and depreciation	(7,022)	(1,890)	(221)	(9,133)
Total non-current segment assets	76,090	41,992	3,436	121,518
Additions to non-current assets	17,913	25,025	1,255	44,193

The analysis of export revenue by regions is as follows:

RUB million	2016	2015
Europe	46,738	47,303
North and South America	32,992	44,430
CIS	15,883	10,740
Asia	12,462	5,724
India	10,280	18,185
Africa	6,367	12,475
	124,722	138,857

6. Revenues

RUB million	2016	2015
Sales of chemical fertilisers	146,369	154,312
Sales of apatite concentrate	26,037	19,155
Sales of sodium tripolyphosphate	4,839	5,803
Sales of nepheline concentrate	825	737
Sales of ammonium	75	115
Other sales	9,597	9,610
	187,742	189,732

7. Personnel costs

RUB million	2016	2015
Cost of sales	(10,784)	(10,155)
Administrative expenses	(7,882)	(6,784)
Selling expenses	(511)	(373)
	(19,177)	(17,312)

8. Cost of sales

RUB million

	2016	2015
Materials and services	(25,746)	(22,905)
Salaries and social contributions	(10,784)	(10,155)
Depreciation	(9,377)	(8,057)
Natural gas	(8,084)	(7,484)
Potash	(7,104)	(7,559)
Sulphur and sulphuric acid	(6,065)	(8,385)
Ammonia	(5,801)	(8,190)
Electricity	(4,462)	(3,927)
Chemical fertilisers and other products for resale	(4,254)	(4,091)
Ammonium sulphate	(2,547)	(2,176)
Fuel	(2,299)	(2,865)
Heating energy	(676)	(718)
Other items	(42)	(23)
Change in stock of WIP and finished goods	850	3,471
	(86,391)	(83,064)

9. Administrative expenses

RUB million

	2016	2015
Salaries and social contributions	(7,882)	(6,784)
Professional services	(1,555)	(2,003)
Depreciation and amortisation	(798)	(606)
Other	(3,656)	(2,791)
	(13,891)	(12,184)

10. Selling expenses

RUB million

	2016	2015
Freight, port and stevedoring expenses	(9,358)	(9,185)
Russian Railways infrastructure tariff and operators' fees	(8,169)	(6,099)
Materials and services	(2,499)	(1,624)
Depreciation	(592)	(470)
Salaries and social contributions	(511)	(373)
	(21,129)	(17,751)

11. Other expenses, net

RUB million

	2016	2015
Social expenditures	(2,081)	(1,821)
Loss on disposal of property, plant and equipment and intangible assets	(614)	(915)
(Increase)/decrease in provision for inventory obsolescence	(151)	161
Increase in provision for bad debt	(85)	(41)
Fines and penalties received	268	956
Other income, net	191	252
	(2,472)	(1,408)

12. Finance income and finance costs

RUB million

	2016	2015
Interest income	479	933
Gain from operations with derivative financial instruments	210	-
Unwind of discount of financial assets	95	128
Other finance income	125	161
Finance income	909	1,222
Interest expense	(4,365)	(5,198)
Loss from operations with derivative financial instruments	-	(310)
Bank fees	(315)	(277)
Other finance costs	(2)	(308)
Finance costs	(4,682)	(6,093)
NET FINANCE COSTS	(3,773)	(4,871)

13. Income tax expense

RUB million

The Company's applicable corporate income tax rate is 20% (2015: 20%)

	2016	2015
Current tax expense	(13,311)	(9,879)
Origination and reversal of temporary differences, including change in unrecognised assets	(1,730)	92
	(15,041)	(9,787)

Reconciliation of effective tax rate:

	2016	%	2015	%
Profit before tax	74,927	100	46,223	100
Income tax at applicable tax rate	(14,985)	(20)	(9,245)	(20)
Reversal of income tax on intra-group dividends	-	-	399	1
Under provided in respect of prior years	76	-	(250)	(1)
Unrecognised tax liability/(asset) on profit/(loss) from associates	28	-	(12)	-
Non-deductible items	(697)	(1)	(638)	(1)
Change in unrecognised deferred tax assets	(15)	-	-	-
Effect of tax rates in foreign jurisdictions	28	-	(41)	-
Reduction in tax rate	524	1	-	-
	(15,041)	(20)	(9,787)	(21)

14. Property, plant and equipment
RUB million

COST

	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
At 1 January 2015	25,663	67,061	5,373	31,212	129,309
Additions	10	741	1,544	41,898	44,193
Consolidation of Phosint Group	-	747	-	-	747
Transfers	5,392	8,574	-	(13,966)	-
Disposals	(244)	(2,411)	(168)	(644)	(3,467)
At 1 January 2016	30,821	74,712	6,749	58,500	170,782
Additions	-	248	1,696	43,347	45,291
Transfers	14,674	10,441	-	(25,115)	-
Disposals	(616)	(1,232)	(148)	(409)	(2,405)
At 31 December 2016	44,879	84,169	8,297	76,323	213,668

ACCUMULATED DEPRECIATION

	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
At 1 January 2015	(6,564)	(33,044)	(3,615)	-	(43,223)
Depreciation charge	(1,434)	(6,778)	(777)	-	(8,989)
Disposals	75	2,162	145	-	2,382
At 1 January 2016	(7,923)	(37,660)	(4,247)	-	(49,830)
Depreciation charge	(1,983)	(7,669)	(1,027)	-	(10,679)
Disposals	269	1,157	128	-	1,554
At 31 December 2016	(9,637)	(44,172)	(5,146)	-	(58,955)
Net book value at 1 January 2015	19,099	34,017	1,758	31,212	86,086
Net book value at 1 January 2016	22,898	37,052	2,502	58,500	120,952
Net book value at 31 December 2016	35,242	39,997	3,151	76,323	154,713

As at 31 December 2016, the balance of the construction in progress account includes the accumulated costs related to the construction of ammonia plant in the amount of RUB 34,222 million and urea plant in the amount of RUB 11,925 million in Cherepovets, as well as underground

mine extension in the amount RUB of 6,113 million, the development of Rasvumchorrskiy mine in the amount of RUB 4,163 million and the construction apatit-nepheline beneficiation plant in the amount of RUB 3,853 million in Kirovsk.

(a) Leasing

Plant and equipment with the carrying value of RUB 5,778 million (31 December 2015: RUB 6,008 million) is leased under various finance lease agreements, see note 26(a).

15. Investments in associates

RUB million

The movement in the balance of investments in associates is as follows:

	2016	2015
Balance at 1 January	810	12,975
Share in profit/(loss) for the year	140	(59)
Dividends accrued	(47)	-
Foreign currency translation difference	(87)	1,941
Consolidation of Phosint Limited	-	(14,047)
Balance at 31 December	816	810

Carrying values of the Group's investments in associates are as follows:

	31 DECEMBER 2016	31 DECEMBER 2015
JSC Khibinskaya Teplovaya Kompaniya	386	400
LLC PHOSAGRO-UKRAINE	312	245
JSC Giproruda	69	116
OJSC Soligalichskiy izvestkovyi kombinat	49	49
	816	810

Summary financial information for associates is as follows:

2016	Total assets	Total liabilities	Net assets	Revenue	(Loss)/profit for the year
JSC Khibinskaya Teplovaya Kompaniya	2,376	(1,655)	721	699	(29)
LLC PHOSAGRO-UKRAINE	2,247	(1,465)	782	9,496	386
JSC Giproruda	326	(201)	125	102	(16)
OJSC Soligalichskiy izvestkovyi kombinat	299	(81)	218	483	43
	5,248	(3,402)	1,846	10,780	384
2015	Total assets	Total liabilities	Net assets	Revenue	(Loss)/profit for the year
JSC Khibinskaya Teplovaya Kompaniya	2,550	(1,800)	750	545	(77)
LLC PHOSAGRO-UKRAINE	1,398	(780)	618	5,959	416
JSC Giproruda	884	(407)	477	130	103
OJSC Soligalichskiy izvestkovyi kombinat	242	(49)	193	555	10
	5,074	(3,036)	2,038	7,189	452

16. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

RUB million	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	27	(5,688)	(5,661)	7	(5,235)	(5,228)
Other long-term assets	17	(31)	(14)	85	(19)	66
Current assets	822	(488)	334	958	(405)	553
Liabilities	1,238	(33)	1,205	1,566	(10)	1,556
Tax loss carry-forwards	4,682	-	4,682	5,298	-	5,298
Unrecognised deferred tax assets	(36)	-	(36)	(21)	-	(21)
Tax assets/(liabilities)	6,750	(6,240)	510	7,893	(5,669)	2,224
Set off of tax	(1,640)	1,640	-	(1,992)	1,992	-
Net tax assets/(liabilities)	5,110	(4,600)	510	5,901	(3,677)	2,224

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 2016 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 interest expense on loans and borrowings, currently held or to be obtained by 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 to be issued or obtained by the Company and expected foreign currency rates.

As at 31 December 2016, no deferred tax liability for taxable temporary differences of RUB 29,869 million has been recognised (31 December 2015: no deferred tax liability for deductible taxable temporary differences of RUB 29,090 million), either because the Parent can control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, or because the applicable tax rate is expected to be 0%.

(b) Movement in temporary differences during the year

RUB million

2016	31 December	Recognised in profit or loss	Recognised in other comprehensive income	1 January
Property, plant and equipment	(5,661)	(433)	-	(5,228)
Other long-term assets	(14)	(80)	-	66
Current assets	334	(219)	-	553
Liabilities	1,205	(367)	16	1,556
Tax loss carry-forwards	4,682	(616)	-	5,298
Unrecognised deferred tax assets	(36)	(15)	-	(21)
NET TAX ASSETS/(LIABILITIES)	510	(1,730)	16	2,224

2015	31 December	Recognised in profit or loss	Recognised in other comprehensive income	1 January
Property, plant and equipment	(5,228)	25	-	(5,253)
Other long-term assets	66	151	-	(85)
Current assets	553	26	-	527
Liabilities	1,556	(63)	1	1,618
Tax loss carry-forwards	5,298	(51)	-	5,349
Unrecognised deferred tax assets	(21)	4	-	(25)
NET TAX ASSETS	2,224	92	1	2,131

17. Other non-current assets

RUB million

	31 DECEMBER 2016	31 DECEMBER 2015
Financial assets available-for-sale, at cost	595	596
Loans issued to related parties, at amortised cost	330	862
Loans issued to third parties, at amortised cost	266	248
Financial assets available-for-sale, at fair value	138	81
Loans issued to employees, at amortised cost	103	133
Loans issued to associates, at amortised cost	40	-
Finance lease receivable	-	13
Other long-term receivables	754	889
	2,226	2,822

18. Other current investments

RUB million

	31 DECEMBER 2016	31 DECEMBER 2015
Investments in debt securities, at amortised cost	4,656	5,671
Financial assets available-for-sale, at fair value	424	1,636
Loans issued to related parties, at amortised cost	218	-
Loans issued to third parties, at amortised cost	162	183
Loans issued to employees, at amortised cost	115	114
Interest receivable	35	27
Loans issued to associates, at amortised cost	-	68
Provision for doubtful accounts	(2,328)	(2,797)
	3,282	4,902

As at 31 December 2016 and 31 December 2015 the Group held debt securities issued by entities affiliated to a bank, which at the end of 2014 went into a financial recovery procedure, monitored by the Russian Deposit Insurance Agency, finalised in June 2015. Taking into account the uncertainties associated with the mutual court claims filed by the Group and the bank, the Group recognised a provision of 50% of the nominal value of the debt securities in the amount of RUB 2,328 million (31 December 2015: RUB 2,797 million).

19. Inventories

RUB million

	31 DECEMBER 2016	31 DECEMBER 2015
Raw materials and spare parts	7,586	6,561
Finished goods:		
Chemical fertilisers	8,274	7,664
Apatite concentrate	219	299
Work-in-progress:		
Apatite-nepheline ore	1,329	790
Chemical fertilisers and other products	1,296	1,643
Other goods for resale	173	45
Chemical fertilisers for resale, purchased from the third parties	1,238	842
Provision for obsolescence	(181)	(30)
	19,934	17,814

20. Trade and other receivables

RUB million

	31 DECEMBER 2016	31 DECEMBER 2015
Trade accounts receivable	12,770	11,368
Taxes receivable	11,932	9,429
Advances issued	4,693	4,462
Other receivables	513	582
Deferred expenses	229	164
Receivables from employees	36	21
Finance lease receivable	-	12
Provision for doubtful accounts	(499)	(527)
	29,674	25,511

The movements in provision for doubtful accounts are as follows:

	2016	2015
Balance at 1 January	(527)	(534)
Foreign currency translation difference	67	(91)
Disposal of provision through trade receivables	46	139
Increase in provision for bad debt	(85)	(41)
Balance at 31 December	(499)	(527)

See note 28(c) for the analysis of overdue trade accounts receivable.

21. Cash and cash equivalents

RUB million

	31 DECEMBER 2016	31 DECEMBER 2015
Cash in bank	4,860	18,900
Call deposits	2,395	10,441
Petty cash	6	6
	7,261	29,347

22. Equity

(a) Share capital

NUMBER OF SHARES UNLESS OTHERWISE STATED	ORDINARY SHARES
Shares on issue at 31 December 2016, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2016, RUB 2.5 par value	994,977,080
Shares on issue at 31 December 2015, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2015, RUB 2.5 par value	994,977,080

(b) Dividend policy

The Company expects to distribute cash dividends in the future and expects the amount of such dividends to be between 30 and 50 per cent of the Group's consolidated profit calculated in accordance with IFRS attributable to shareholders of PJSC "PhosAgro", adjusted by unrealised foreign exchange gain/(loss).

Whether the Company will pay dividends and the timing and exact amount of such dividends will be subject to the approval of the recommendation made by the Board of Directors at the General Shareholders' Meeting and will depend on a variety of factors, including the Company's earnings, cash requirements, financial condition and other factors deemed relevant by the Board of Directors in making their recommendation to the General Shareholders' Meeting.

TOTAL DIVIDENDS APPROVED DURING THE REPORTING PERIOD

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
November 2015	January 2016	63	8,159
March 2016	May 2016	57	7,382
May 2016	July 2016	63	8,159
August 2016	October 2016	33	4,274
			27,974

(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 2016, the Company had cumulative retained earnings of RUB 37,046 million (31 December 2015: RUB 31,857 million).

TOTAL DIVIDENDS APPROVED SUBSEQUENT TO THE REPORTING DATE

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
November 2016	January 2017	39	5,051
March 2017	To be approved in May 2017	30	3,885
			8,936

	2016	2015
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit for the year attributable to shareholders of the Parent, RUB million	59,884	36,442
Basic and diluted earnings per share, RUB	462	281

23. 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.

24. 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 26(a). For more information about the Group's exposure to foreign currency risk, interest rate risk and liquidity risk, see note 28.

CURRENT LOANS AND BORROWINGS

	Contractual interest rate	Year of maturity	31 December 2016	31 December 2015
Unsecured bank loans:				
RUB-denominated	5.75%-12.95%		3,000	6,500
EUR-denominated	0.21%		1,861	-
USD-denominated	LIBOR(1M)+1.18%-3.35%		4,221	11,783
USD-denominated	LIBOR(3M)+3%		-	3,644
USD-denominated	LIBOR(6M)+1.05%		1,336	-
Unsecured letters of credit issued by banks:				
EUR-denominated	EURIBOR(3M)+1.10%		952	-
EUR-denominated	EURIBOR(6M)+1.10%-1.15%		-	317
EUR-denominated	EURIBOR(12M)+1.10%-1.1 5%		326	2,982
Unsecured loans from related parties:				
RUB-denominated	9%-17%		-	29
Unsecured loans from other companies:				
RUB-denominated	12%		9	-
EUR-denominated	LIBOR(1M)+1.50%		-	438
Finance lease liabilities:				
EUR-denominated	1.17%-14.77% ¹		1,680	2,351
Interest payable:				
RUB-denominated			9	3
EUR-denominated			743	900
			14,137	28,947

NON-CURRENT LOANS AND BORROWINGS

RUB million

	Contractual interest rate	Year of maturity	31 December 2016	31 December 2015
Unsecured bank loans:				
RUB-denominated	11.50%-12.65%	2020-2021	4,000	3,000
EUR-denominated	EURIBOR(6M)+2.15%	2027	3,031	-
USD-denominated	LIBOR(1M)+1.18%-3.35%	2018-2020	21,028	38,506
USD-denominated	LIBOR(3M)+2.85%	2020	15,021	-
USD-denominated	LIBOR(6M)+1.05%	2021	7,967	8,700
USD-denominated	4.17%	2027	13,955	13,051
Unsecured letters of credit issued by banks:				
EUR-denominated	EURIBOR(6M)+1.1%-1.18%	2019	485	185
EUR-denominated	EURIBOR(12M)+1.1%-1.15%	2017	-	1,329
EUR-denominated	1.79%	2019	-	104
Unsecured loans from other companies:				
USD-denominated	LIBOR(12M)+1.25%	2018	614	742
Loan participation notes:				
USD-denominated	4.204% ²	2018	30,308	36,400
Finance lease liabilities:				
USD-denominated	3.8%-12.55% ¹	2018-2021	1,830	3,548
			98,239	105,565
			112,376	134,512

¹ Contractual interest rate on financial lease agreements consists of:
-interest rate and fees to a lessor;
-insurance of property;
-property tax (for lease agreements concluded since 2013 property tax is excluded from the interest rate).

² In February 2013, the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 4.204%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 31,337 million (31 December 2015: RUB 36,405 million).

25. Defined benefit obligations

RUB million	31 DECEMBER 2016	31 DECEMBER 2015
Pension obligations, long-term	535	345
Post-retirement obligations other than pensions	232	79
	767	424

Defined benefit pension plans relate to three subsidiaries of the Group: JSC “Apatit”, JSC “PhosAgro-Cherepovets” and JSC “Metachem”. The plans stipulate payment of a fixed amount of monthly pension to all retired employees, who have a specified period of service in the entities. The pension increases with the increase of the service period. The pension is paid over the remaining life of the pensioners. In addition,

there is a defined benefit plan other than the pension plan in JSC “Apatit”. This defined benefit plan stipulates payment of a lump sum to employees who have a specified period of service in JSC “Apatit” upon their retirement. All defined benefit plans are unfunded. The movement in the present value of the defined benefit obligations is as follows:

	RUB MILLION
Defined benefit obligations at 1 January 2015	453
Benefits paid	(99)
Current service costs and interest	72
Past service credit	(7)
Actuarial gain in other comprehensive income ³	5
Defined benefit obligations at 1 January 2016	424
Benefits paid	(73)
Current service costs and interest	57
Past service credit	275
Actuarial loss in other comprehensive income ¹	84
DEFINED BENEFIT OBLIGATIONS AT 31 DECEMBER 2016	767

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

	31 DECEMBER 2016	31 DECEMBER 2015
Discount rate	8.5%	9.6%
Future pension increases	4.5%	5.4%

³The related deferred tax benefit of RUB 16 million (2015: deferred tax expense of RUB 1 million) is recognised in other comprehensive income, see note 16(b)

26. Leases

(a) Finance leases

LLC “PhosAgro-Trans”, a Group subsidiary, has entered into several agreements to lease 2,750 railway wagons. Other Group subsidiaries also have entered into lease agreements in 2014 and 2015. At the end of the lease term, the ownership for the leased assets will be transferred to the lessee.

2016

RUB million	Minimum lease payments	Interest	Principal
Less than one year	1,900	220	1,680
Between one and five years	1,994	164	1,830
	3,894	384	3,510

2015

RUB million	Minimum lease payments	Interest	Principal
Less than one year	2,760	409	2,351
Between one and five years	3,857	441	3,416
More than five years	135	3	132
	6,752	853	5,899

(b) Operating leases

During 2015-2016, LLC “PhosAgro-Trans”, a group subsidiary, entered into several operating lease agreements to rent railway wagons. The rent payments for 2016, which are recorded in the cost of sales, amounted to RUB 240 million (2015: RUB 278 million).

The non-cancellable operating lease rentals are payable as follows:

27. Trade and other payables

RUB million	31 DECEMBER 2016	31 DECEMBER 2015
Payable for property, plant and equipment	6,060	3,282
Trade accounts payable	5,574	4,763
Advances received	5,203	3,901
Taxes payable	3,409	2,617
Accruals	1,231	1,394
Payables to employees	1,167	873
Other payables	159	181
	22,803	17,011

28. Financial risk management

(a) Overview

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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return

Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD and EUR.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group uses from time to time derivative financial instruments in order to manage its exposure to currency risk. 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:

	31 DECEMBER 2016		31 DECEMBER 2015	
	RUB million		RUB million	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Non-current assets				
Non-current investments	330	-	862	-
Current assets				
Receivables	1,517	4	1,403	1
Current investments	218	-	5	-
Cash and cash equivalents	2,033	2	7,538	298
Non-current liabilities				
Loans and borrowings	(90,108)	(3,516)	(100,205)	(1,618)
Current liabilities				
Payables	(1,227)	(719)	(1,951)	(358)
Loans and borrowings	(7,944)	(3,139)	(18,588)	(3,299)
	(95,181)	(7,370)	(110,936)	(4,976)

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 10,255 million, before any tax effect (2015: would have increased/(decreased) the Group's profit for the year by RUB 11,591 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015. The foreign exchange gain recognised in profit or loss of RUB 16,962 million and the foreign exchange loss of RUB 22,178 million for the comparative period resulted from the appreciation

of the Russian Rouble against major currencies during the reporting period and its devaluation during the comparative period. In addition, the net assets of the Group's foreign subsidiaries denominated in USD amount to RUB 12,454 million as at the reporting date (31 December 2015: RUB 14,655 million).

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide

whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

RUB million	31 DECEMBER 2016	31 DECEMBER 2015
Fixed rate instruments		
Long-term loans issued, at amortised cost	369	381
Long-term loans issued to related parties, at amortised cost	330	862
Investments in debt securities, at amortised cost, net of provision	2,328	2,874
Finance lease receivable	-	25
Short-term deposits	2,395	10,441
Financial assets available-for-sale, at fair value	424	1,636
Short-term loans issued to related parties, at amortised cost	218	-
Short-term loans issued to associates, at amortised cost	-	68
Short-term loans issued, at amortised cost	277	297
Long-term borrowings	(50,093)	(56,103)
Short-term borrowings	(6,550)	(8,880)
	(50,302)	(48,399)
Variable rate instruments		
Long-term borrowings	(48,146)	(49,462)
Short-term borrowings	(6,835)	(19,164)
	(54,981)	(68,626)

At 31 December 2016, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit or loss and equity by RUB 550 million (31 December 2015: RUB 686 million).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Group's receivables from customers, loans issued to related parties, current and non-current financial assets and cash and cash equivalents.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual specific characteristics of each customer. The general characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum amount of outstanding receivables; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The majority of the Group's customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics. Trade and other receivables relate mainly to the Group's wholesale customers.

The Group does not require collateral in respect of trade and other receivables, except for new customers who are required to work on a prepayment basis or present an acceptable bank guarantee or set up letter of credit with an acceptable bank.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The analysis of overdue trade accounts receivable is as follows:

	31 DECEMBER 2016	31 DECEMBER 2015
	RUB million	RUB million
Not past due	10,695	8,624
Past due 0-90 days	795	1,789
Past due 91-180 days	452	215
Past due 181-365 days	302	205
More than one year	526	535
	12,770	11,368

Current and non-current financial assets

The Group lends money to related parties, who have good credit standing. Based on the prior experience, management believes that there is no significant credit risk in respect of related party loans.

As at 31 December 2016 and 31 December 2015 the Group held promissory notes issued by an entity affiliated to a bank, which at the end of 2014 went into a financial recovery procedure, monitored by the Russian Deposit Insurance Agency, finalised in June 2015. Taking into account the uncertainties associated with the outcome of this procedure and mutual court claims filed by the Group and the bank, the Group recognised a provision of 50% of the nominal value of the promissory notes in the amount of RUB 2,328 million (31 December 2015: RUB 2,797 million)

Guarantees

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

The Group's policy is to provide financial guarantees only to the subsidiaries or related parties.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient

liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains several lines of credit in various Russian and international banks.

The table below illustrates the contractual maturities of financial liabilities, including interest payments, which are converted at the closing exchange rates, where applicable:

31 DECEMBER 2016
RUB million

	Carrying value	Contractual cash flows	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Unsecured bank loans	75,420	84,790	12,975	18,682	21,433	13,690	2,915	15,095
Unsecured loans from other companies	623	668	43	625	-	-	-	-
Unsecured letters of credit	1,763	1,782	1,288	5	489	-	-	-
Interest payable	752	752	752	-	-	-	-	-
Secured finance leases	3,510	3,894	1,900	1,032	624	226	112	-
Loan participation notes	30,308	31,787	1,263	30,524	-	-	-	-
Trade and other payables	13,024	13,024	13,024	-	-	-	-	-
Financial guarantees issued for associates and related parties	1,667	2,291	344	380	485	458	528	96
	127,067	138,988	31,589	51,248	23,031	14,374	3,555	15,191

31 DECEMBER 2015
RUB million

	Carrying value	Contractual cash flows	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Unsecured bank loans	85,184	95,401	25,480	24,053	16,459	10,333	4,601	14,475
Unsecured loans from other companies	1,180	1,221	460	14	747	-	-	-
Unsecured loans from related parties	29	34	34	-	-	-	-	-
Unsecured letters of credit	4,917	4,980	3,351	1,522	2	105	-	-
Interest payable	903	903	903	-	-	-	-	-
Secured finance leases	5,899	6,752	2,760	1,574	1,259	754	270	135
Loan participation notes	36,400	39,758	1,523	1,518	36,717	-	-	-
Trade and other payables	9,620	9,620	9,620	-	-	-	-	-
Financial guarantees issued for associates and related parties	1,795	2,637	301	345	393	516	458	624
	145,927	161,306	44,432	29,026	55,577	11,708	5,329	15,234

30. Contingencies

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital invested and the level of dividends to shareholders.

There were no changes in the Board's approach to capital management during the year.

The Company and its subsidiaries are subject to externally imposed capital requirements including the statutory requirements of the country of their domicile and the bank covenants

(f) Fair values

Unless stated otherwise, management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

(a) Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Environmental contingencies

The environmental legislation, currently effective in the Russian Federation, is relatively new and characterised by frequent changes, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different authorities.

The Group is involved in chemical production, which is inherently exposed to significant environmental risks. The Group companies record environmental obligations as they become probable and reliably measurable. The Group companies are parties to different litigations with the Russian environmental authorities. The management believes that based on its interpretations of applicable Russian legislation, official pronouncements and court decisions no provision is required for environmental obligations. However, the interpretations of the relevant authorities could differ from management's position and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29. Commitments

The Group has entered into contracts to purchase plant and equipment for RUB 16,609 million (31 December 2015: RUB 35,854 million).

31. Related party transactions

(a) Transactions and balances with associates
(I) Transactions with associates

	2016	2015
	RUB million	RUB million
Sales of goods and services	7,849	5,382
Interest income	11	114
Dividends income	47	-
Purchases of goods and services	(467)	(492)

(II) Balances with associates

	31 DECEMBER 2016	31 DECEMBER 2015
	RUB million	RUB million
Trade and other receivables	968	595
Long-term loans issued, at amortised cost	40	-
Short-term loans issued, at amortised cost	-	68
Trade and other payables	(30)	(22)

(III) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,580 million (31 December 2015 RUB 1,661 million).

(b) Transactions and balances with other related parties
(I) Transactions with other related parties

	2016	2015
	RUB million	RUB million
Sales of goods and services	1,238	965
Interest income	48	36
Purchases of goods and services	(1,359)	(919)

(II) Balances with other related parties

	31 DECEMBER 2016	31 DECEMBER 2015
	RUB million	RUB million
Long-term loans issued, at amortised cost	330	862
Short-term loans issued, at amortised cost	218	-
Trade and other receivables	2	5
Trade and other payables	(115)	(358)
Short-term loans received	-	(29)

(III) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 87 million (31 December 2015: RUB 134 million).

The balances and transactions with related parties are usually unsecured and denominated in RUB

(c) Key management remuneration

The remuneration of the Board of Directors and 13 members of key management personnel amounted to RUB 892 million (2015: RUB 535 million).

32. Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2016 Effective ownership (rounded)	31 December 2015 Effective ownership (rounded)
Apatit, JSC (including Balakovo branch)	Russia	100%	100%
PhosAgro-Cherepovets, JSC	Russia	100%	100%
Metachem, JSC	Russia	100%	100%
NIUIF, OJSC	Russia	94%	94%
PhosAgro-Trans, LLC	Russia	100%	100%
PhosAgro-Region, LLC	Russia	100%	100%
PhosAgro-Belgorod, LLC	Russia	100%	100%
PhosAgro-Don, LLC	Russia	100%	100%
PhosAgro-Kuban, LLC	Russia	100%	100%
PhosAgro-Kursk, LLC	Russia	100%	100%
PhosAgro-Lipetsk, LLC	Russia	100%	100%
PhosAgro-Oryol, LLC	Russia	100%	100%
PhosAgro-Stavropol, LLC	Russia	100%	100%
PhosAgro-Volga, LLC	Russia	100%	100%
PhosAgro-SeveroZapad, LLC	Russia	100%	100%
PhosAgro-Tambov, LLC	Russia	100%	100%
Trading house PhosAgro, LLC	Russia	100%	100%
Phosint Trading Limited	Cyprus	100%	100%
Phosagro Asia Pte Ltd	Singapore	100%	100%
PhosAgro Trading SA	Switzerland	97.6%	97.6%
Phosint Limited	Cyprus	95%	95%
PhosAgro Chartering SA	Switzerland	95%	95%
PhosAgro Baltic Sp.z o.o.	Poland	95%	-
PhosAgro Deutschland GmbH	Germany	95%	-
PhosAgro France SAS	France	95%	-

33. Events subsequent to the reporting date

In March 2017, the Board of Directors proposed paying a dividend of RUB 30 per ordinary share. The total amount of proposed dividends was RUB 3,885 million, see note 22.

SHAREHOLDER INFORMATION

Share capital

PhosAgro's authorised capital as of 31 December 2016 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: RU000AOJRK78).

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

Regulation S GDRS

CUSIP number: 71922G209
ISIN: US71922G2093
Common code: 065008939
SEDOL: 0B62QP1
RIC: PHOSq.L

Rule 144A GDRS

CUSIP number: 71922G100
ISIN: US71922G1004
Common code: 065008939
SEDOL: 0B5N6Z48
RIC: GBB5N6Z48.L
Citigroup Global Markets Deutschland AG acts as the depositary for the Company's GDR Programme.

SHAREHOLDER STRUCTURE OF PHOSAGRO AS OF 31 DECEMBER 2016

Name	Number of shares	Share, %
ADORABELLA LIMITED	29,716,162	22.95
DUBBERSON HOLDINGS LIMITED	8,639,705	6.67
CHLODWIG ENTERPRISES LIMITED	29,151,400	22.51
CARRANITA HOLDINGS LIMITED	4,028,519	3.11
VINDEMIATRIX TRADING LIMITED	3,726,814	2.88
Vladimir Litvinenko	18,823,850	14.54
Evgeniya Guryeva	6,235,960	4.82
Other shareholders ***	29,177,590	22.53
TOTAL	129,500,000	100.00

*** Other shareholders includes shares held as part of a REPO transaction undertaken by Igor Antoshin on 21.12.2016 involving 2,489,540 shares, or 1.92% of the Company's total issued shares.

Other ownership information as of 31 December 2016

According to the information available to the Company, the shares of Chlodwig Enterprises Limited and Adorabella Limited are ultimately held on trust where the economic beneficiaries are Mr Andrey Guryev and members of his family. Based on information available to the Company Mr Igor Antoshin has the right to indirectly control 100% of the votes on

the voting shares of Dubberson Holdings Limited, Carranita Holdings Limited, and Vindematrix Trading Limited.

Up to date information about PhosAgro's ownership structure is available on the Company's website: www.phosagro.com/investors/capital.

DIVIDENDS

SOURCE: UNALLOCATED NET INCOME AS OF 31 DECEMBER 2015 AND 31 MARCH 2016

Dividends accrued	AGM/EGM date	Dividend cut-off date	Amount of dividend per ordinary share/ GDR (RUB)	Amount of accrued dividends (RUB bln)
4Q 2015	31/05/2016	11/06/2016	57/19	7.4
1Q 2016	29/07/2016	10/08/2016	63/21	8.2
2Q 2016	03/10/2016	14/10/2016	33/11	4.3
3Q 2016	16/01/2017	27/01/2017	39/13	5.1

Dividends

Dividends accrued in 2016 were paid in full. On 21 March 2017, PhosAgro's Board of Directors recommended a final 2016 dividend of RUB 30 per share (RUB 10 per depositary receipt), or RUB 3.9 billion in total. If approved by the Annual General Meeting of Shareholders (the "AGM") on 30 May 2017, this will bring PhosAgro's payout ratio to 50% 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 2016, PhosAgro acted as a tax agent when it paid out dividends to the accounts of organisations that own shares as listed in the Russian share register. The Company calculated and withheld tax on those dividends and remitted the amount of tax to the relevant authorities. Dividends paid

out to shareholders were net of the amount of the tax deducted. The withholding tax rate depends on the status of the shareholder, in accordance with the information that the shareholder provides. PhosAgro also took into account any double taxation treaties and, where appropriate, made tax payments in accordance with the provisions of the relevant treaty.

Due to changes in Russian Federation law related to the payment of dividends that came into effect on 1 January 2015, existing or potential PhosAgro shareholders and holders of the Company's GDRs are advised to consult their tax advisers for tax implications with regards to dividend payments. The refund of a 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 regime, 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

PhosAgro strictly follows the requirements imposed by Russian securities regulations, as well as rules for the companies traded on the LSE, in its information disclosure and filings. The Company publicly discloses all required information to shareholders and investors in a timely manner through authorised newswires, the corporate website www.phosagro.com, and via PhosAgro's official disclosure page on the Interfax portal <http://www.e-disclosure.ru/portal/company.aspx?id=573>

SHARE PERFORMANCE IN 2016:

PhosAgro GDR



PhosAgro Local Shares



GLOSSARY

Abbreviations

GDR or depositary receipt
Global Depositary Receipt

bln
Billion

km
Kilometres

kt
Thousand metric tonnes

mln
Million

mln t
Million tonnes

MW
Megawatt

RUB
Russian rouble

t
Metric tonne = 1,000 kg

ths
Thousand

CFR
Cost and Freight — an Incoterms rule. CFR means that the seller must pay the costs and freight to bring goods to the port of destination, including customs costs for exporting the goods. The buyer pays to insure the goods. Risk is transferred to the buyer once the goods are loaded on the vessel. Maritime transport only.

FOB
Free on Board — an Incoterms rule. The seller must load goods on board the vessel nominated by the buyer; costs for delivery of the goods on board of the vessel are the responsibility of the seller.

USD
United States dollars

Industry terms

Ammonia
A colourless combustible gas with the chemical formula NH₃. Ammonia is a compound of nitrogen and hydrogen, and is primarily used in the production of mineral fertilizers and a wide variety of nitrogen-containing organic and inorganic chemicals.

Ammonium nitrate or AN
A nitrogen fertilizer with a nitrogen content of approximately 34%, produced by reacting nitric acid (an intermediate chemical feedstock produced from ammonia) with ammonia (AN).

NP
(Ammonium nitrate-based fertilizers)
Complex ammonium nitrate-based fertilizer with phosphorus content. Liquid complex fertilizers or APP liquid phosphate- and nitrogen-based fertilizer.

Apatite
A group of phosphate minerals (phosphate ore), usually referring to hydroxylapatite, fluorapatite and chlorapatite with the chemical formula Ca₅(PO₄)₃(OH, F, Cl). Apatite is the world's major source of phosphorus, found as variously coloured, glassy crystals, masses or nodules. The phosphorus content of apatite is traditionally expressed as phosphorus pentoxide (P₂O₅).

Apatite-nepheline ore
Ore containing minerals of apatite and nepheline.

By-product
Material, other than the principal product, that is generated as a consequence of an industrial process.

Concentrate
Material that is the result of beneficiation of an ore and which has a higher concentration of mineral values than the mineral values originally contained

in the ore. Concentrates are produced in beneficiation plants.

Crushing
A mechanical method of reducing the size of rock.

Deposit
An area of reserves identified by surface mapping, drilling or development.

Diammonium phosphate or DAP
A type of multi-nutrient fertilizer containing nitrogen and phosphorous. Production of DAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating.

Downstream
The processing of apatite concentrate, natural gas, sulphur and potash into usable products such as mineral fertilizer, industrial and feed phosphates.

Drillhole
A circular hole made in rock, often in conjunction with a core barrel, in order to obtain a core sample.

EBITDA
Calculated as operating profit adjusted for depreciation and amortisation.

Emission
Pollution discharged into the atmosphere from smokestacks, other vents at commercial or industrial facilities and from transportation exhaust systems.

End product
Commercial product other than those used internally to produce other types of commercial products. For PhosAgro, end products are phosphate-based fertilizers, nitrogen fertilizers, feed and industrial phosphates, and sulphate of potash.

Exploration
The search for minerals. Prospecting, sampling, mapping, diamond drilling and

other work involved in the search for mineralisation.

Feed phosphates
Inorganic feed phosphates are a high-quality phosphorus source for animal feed. Most inorganic feed phosphates are derived from phosphate rock, which is chemically treated to make phosphorus available for animals in the form of quality feed phosphates. The main inorganic feed phosphates are calcium, magnesium, calcium-magnesium, ammonium and sodium phosphates. These phosphates are constant in composition, low in impurities and considered to be the best available sources of phosphorus for animals. An adequate supply of inorganic feed phosphates in animal feed is essential for animals' well-being.

Grade of mineral fertilizer
The relative quality or percentage content of useful components.

Key performance indicator (KPI)
Performance indicators of a division (company) that help the Company to evaluate the implementation of plans and make decisions regarding management remuneration.

K₂O
Universal means of storage of potassium (potash) in potassium-containing products.

MER or 'minor element ratio'
The sum of the iron, aluminium and magnesium content divided by the P₂O₅ content.

Monoammonium phosphate or MAP
A type of multi-nutrient fertilizer containing nitrogen and phosphorous. Production of MAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating. Monoammonium phosphate is often used in the blending of dry agricultural fertilizers.

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

Nepheline
A mineral containing aluminium oxide (Al₂O₃).

Netback price
Revenue net of costs associated with shipping goods from the production site to the buyer.

Nitrogen or N
One of the primary plant nutrients essential for plant growth and a universal way of storing nitrogen in nitrogen-containing products.

NPK
A multi-nutrient fertilizer containing nitrogen, phosphorus and potassium.

NPS
A multi-nutrient fertilizer containing nitrogen, phosphorous and sulphur.

Open-pit mine
A mine working or excavation that is open to the surface and where material is not put back into the mined-out areas.

Phosphate rock
Phosphate rock (apatite concentrate or phosphorus concentrate) is an imprecise term that includes both unprocessed phosphorus-containing ore and beneficiated concentrates. Practically all production of phosphate fertilizers is based on phosphate rocks containing some form of the mineral apatite.

Phosphates
A salt or ester of phosphoric acid or a fertilizer containing phosphorus compounds.

Phosphoric acid
Mineral (inorganic) acid having the chemical formula H₃PO₄.

P₂O₅ (phosphoric pentoxide)
A term used to express the content of phosphorus in a substance.

Phosphorous or P
One of the primary plant nutrients essential for plant growth.

PKS
A multi-nutrient fertilizer containing phosphorous, potassium and sulphur.

Potash or K
One of the primary plant nutrients essential for plant growth.

Rare earth elements/resources
A group of 15 elements with atomic numbers ranging from 57 to 71: lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium and lutetium.

Sedimentary
Formed by the deposition of solid fragmental material that originates from the weathering of rocks and is transported from a source to a site of deposition.

Shaft
A mine working (usually vertical) used to transport miners, supplies, ore or capping.

Sulphate of potash or SOP
A non-chloride potash fertilizer.

Sulphuric acid
A strong sulphur-based inorganic mineral acid with the chemical formula H₂SO₄.

Tailing
The fluid slurry that is left after treatment and extraction of an economically extracted mineral.

Trenches
Lines excavated to a predetermined depth to establish the geological structure of a deposit.

Urea

An organic compound of carbon, nitrogen, oxygen and hydrogen. It is the most widely used and highest-concentration nitrogen-based fertilizer formed by reacting ammonia with carbon dioxide at a high pressure.

Waste

Rock lacking sufficient grade and/or other characteristics of ore to be economical.

Upstream

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

Waste water

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

Other terms

Basel Convention

The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal was adopted on 22 March 1989 by the Conference of Plenipotentiaries in Basel, Switzerland. The overarching objective of the Basel Convention is to protect human health and the environment against the adverse effects of hazardous wastes. Its scope of application covers a wide range of wastes defined as “hazardous wastes” based on their origin and/or composition and their characteristics, as well as two types of wastes defined as “other wastes” – household waste and incinerator ash.

The Department for Environment, Food and Rural Affairs (Defra)

Defra is the government department responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities in the United Kingdom.

The International Plant Nutrition Institute (IPNI)

The IPNI is a global organisation with initiatives addressing the world’s growing need for food, fuel, fibre and feed.

Environmental assessment (EA)

A process where the breadth, depth and type of analysis depend on the proposed project. An EA evaluates a project’s potential environmental risks and impacts in its area of influence and identifies ways to improve project design and implementation by preventing, minimising, mitigating or compensating for adverse environmental impacts and by enhancing positive impacts.

FAO

Food and Agriculture Organization of the United Nations.

Feasibility study

A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to determine the technical and economic viability of a project and to support the search for project financing.

Fertecon/Argus—FMB/CRU

Fertilizer Economic Market Analysis and Consultancy, UK.

Group/Company/PhosAgro

Refers collectively to PJSC PhosAgro and its subsidiaries.

Helsinki Convention

The Helsinki Convention was signed in 1974 by the then-seven Baltic coastal states, and made all the sources of pollution around the entire sea subject to a single convention. The 1974 Convention entered into force on 3 May 1980. A new convention was signed in 1992 by all the states bordering on the Baltic Sea and the European Community in light of political

changes and developments in international environmental and maritime law. After ratification, the Convention entered into force on 17 January 2000. The Convention covers the whole of the Baltic Sea area, including inland waters as well as the water of the sea itself and the seabed. Measures are also taken in the whole catchment area of the Baltic Sea to reduce land-based pollution.

IFA

International Fertilizer Association, France.

ISO

International Organization for Standardization, the world’s largest standards development organisation. Between 1947 and the present day, the ISO has published more than 19,000 international standards, ranging from standards for activities such as agriculture and construction through mechanical engineering and medical devices to the newest information technology developments.

LSE

London Stock Exchange.

Moscow Exchange

Russia’s MICEX and RTS stock exchanges were merged into one entity, MICEX—RTS, in December 2011 and rebranded as the Moscow Exchange in May 2012.

Risk assessment

Qualitative and quantitative evaluation carried out in an effort to determine the risk posed to human health or the environment by the presence or potential presence and use of specific pollutants.

Names of legal entities used in this report

PJSC PhosAgro

PhosAgro

JSC PhosAgro-Cherepovets

PhosAgro-Cherepovets

JSC Apatit

Apatit

Balakovo branch of JSC Apatit

Balakovo branch of Apatit or BMF

JSC Metachem

Metachem

OJSC NIUIF

NIUIF

PhosAgro-Trans LLC

PhosAgro-Trans

PhosAgro-Region LLC

PhosAgro-Region

Mining and Chemical Engineering LLC

Mining and Chemical Engineering or MCE

Smart Bulk Terminal LLC

Smart Bulk Terminal

Phosagro Asia Pte Ltd

Phosagro Asia

Phosint Trading Limited

Phosint Trading

Data on ore reserves presented in this report are prepared on the basis of:

- Data from the approved state register as of 01.01.2016;
- Data from Form 70-TP “Information on Mineral Extraction During Production”, which contains data on mined volumes (extracted from the subsoil) and losses during mining (regulatory, actual, excess);
- Information on changes in reserves for the 2016reporting period: mining, losses during mining, reserves remaining at year end (as of 01/01/2017), reflected in the statistical reporting form 5-GR “Information on the state of and changes to solid mineral reserves”;
- Approved Rosnedra protocols for deposits.

Calculations and recalculations for approved reserves are compliant with normative documents:

- Order No. 40 of the Ministry of Natural Resources of the Russian Federation dated 7 March 1997 “On Approval of Classifications of Mineral Reserves” (together with “Classification of Reserves of Deposits and Potential Resources of Solid Minerals”, “Classification of Currently Mined Reserves and Forecast Groundwater Resources”);
- Order of the Ministry of Natural Resources of the Russian Federation of 5 June 2007 No. 37-R “On Approval of Methodological Recommendations for Application of Classification of Reserves of Deposits and Potential Resources of Solid Minerals”.

Ensuring the completeness of geological exploration, rational use and preservation of subsoil is carried out in accordance with the law Russian Federation law No. 2395-1 “On Subsoils” dated 21 February 1992.

The information in this Report related to mineral resources as of 1 January 2017 is based on information compiled by the Geology Service Department of Apatit and authorised by Mr Sergey Glubokiy, Chief Geologist of Apatit.

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