



Integrated Report 2014

Moving closer to key markets...





PHOSAGRO®



PHOSAGRO®

Headquartered in Russia, PhosAgro is today one of the world's leading phosphate-based fertilizer producers with a sustainable cost advantage supported by the unique high quality of our phosphate raw material. With a wide selection of 28 fertilizer grades, PhosAgro offers farmers throughout the world ready solutions for their crop nutrient needs. We also produce some of the purest and safest fertilizers thanks to the exceptional quality of the high-grade phosphate ore that we mine.

About this report

Weare working hard to bring our reporting in line with generally accepted best practice: last year we published our first sustainability report, and this year we have taken the next step with our first integrated report. The purpose of this integrated report is to bring together all of 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 and the long-term sustainability of our business.

We have set a high bar for ourselves: we aimed to achieve GRI G4, which marks a major step up from previous years. This process involves not only evolving the way we report externally, but also adapting the way we view our business internally in order to ensure we consider the full spectrum of issues as part of our decision-making process.

Our aim with this integrated report is to explain our business and strategy, how we work with our stakeholders, and how we manage the material issues.

Sustainability

PhosAgro enjoys a sustainable low-cost advantage in the global phosphate-based fertilizers industry, and our development strategy aims to strengthen further our position. At the same time, in order to secure the long-term sustainability of our business and operations in Russia, we take a broader view of our interaction with stakeholders and material issues that affect our business. In this report, we discuss how we grow our people, how we support the local communities where we operate, and what we are doing to manage our impact on the environment, as well as how we maintain relationships with other key stakeholders.



For further information, please visit our website www.phosagro.com



Our Vision

We seek to enhance our sustainable competitive advantages through investments in upgrading or modernising existing capacities to make them more efficient, building new production capacities using the best available technologies to increase further PhosAgro's production flexibility and internal processing of our own phosphate rock into value-added finished products.

At the same time, we are constantly seeking ways to move closer to our customers by improving our logistics and sales flexibility in order to ensure that we can provide the right mix of nutrients that farmers need, whether in Brazil, Indonesia, Russia or France.

Providing high-quality, ready solutions to farmers in a cost-efficient way helps us to build further sustainable value for our shareholders, improve the environmental profile of our business, and maintain our position as a major employer and responsible business in the communities where we operate.





Our Purpose

We help the world feed itself by helping farmers to increase the productivity of their land.

PhosAgro produces high-quality fertilizers that provide essential nutrients for crops to farmers in over 100 countries. These nutrients help farmers grow more on every acre in order to meet the growing global demand for food.

By 2050, global population is expected to expand up to 9.6 billion people[1], which implies a 60%[2] increase in demand for soft commodities just to feed the increased population. Other factors, such as changing diets and alternative uses for soft commodities like ethanol fuels, add to this already impressive growth in demand.

We believe that, by implementing our strategy aimed at strengthening our core sustainable advantages, we will build a business that best serves the local communities where we work and the farmers all over the world who use our products, as well as our investors and other stakeholders.



1 UN News: World population projected to reach 9.6 billion by 2050, 13 June 2013, UN Department of Economic and Social Affairs, New York.

2 World Agriculture towards 2030/2050: the 2012 revision, Nikos Alexandratos and Jelle Bruinsma, Global Perspective Studies Team, ESA Working Paper No. 12-03, June 2012, FAO Agricultural Development Economic Division.



...bringing farmers ready solutions

With 28 grades of fertilizer, we offer farmers the right nutrient mix for nearly any crop anywhere in the world. We are also constantly looking for ways to better serve our customers' needs. And if demand for a new crop nutrient mix arises, our in-house R&D enables us to respond by rapidly developing and launching production of new products, as we did with the new PKS line launched in February 2015.



For more information about our solutions for farmers, please see the special feature inside

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Highlights at a glance

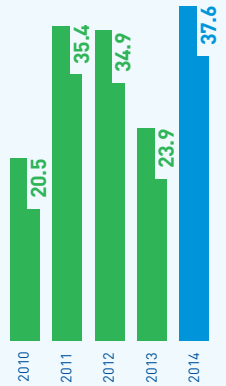
Financial highlights

Revenue and EBITDA in 2014 hit their highest levels since our IPO, reaching RUB 123.1 billion and RUB 37.6 billion, respectively. PhosAgro continues to generate solid cash flows, with cash flow from operating activities of RUB 27.5 billion for the year.

SALES, RUB BLN



EBITDA, RUB BLN

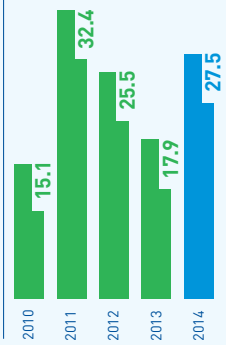


2014 PAYOUT RATIO*, %

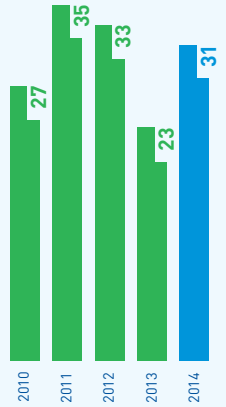


* In 2014 payout ratio was calculated for net profit adjusted for unrealized fx loss.

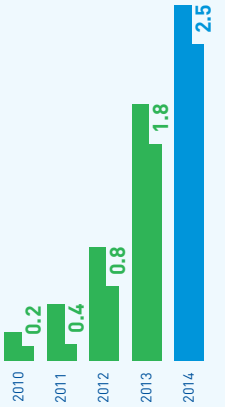
CASH FLOW FROM OPERATING ACTIVITIES, RUB BLN



EBITDA MARGIN, %



NET DEBT/EBITDA

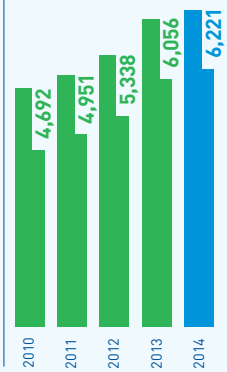


SEE THE FINANCE REVIEW ON PAGES 40-45 FOR FURTHER INFORMATION

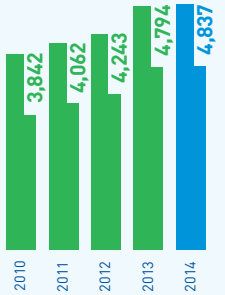
Operational highlights

Total fertilizer production and sales increased year-on-year in 2014 by 3.7% and 2.7%, respectively. While some producers had to curtail production in the face of higher input costs, we benefited from the sustainable cost advantage that our high-quality resources and vertical integration give us, and PhosAgro operated at near 100% capacity throughout the year.

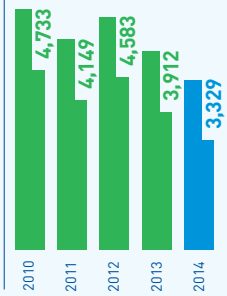
DOWNSTREAM SALES VOLUMES, KT



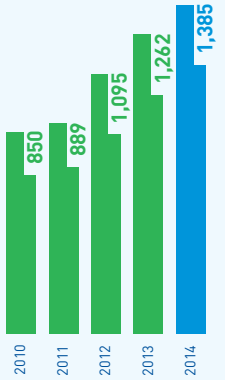
PHOSPHATE-BASED FERTILIZERS, MCP AND STPP SALES VOLUMES, KT



UPSTREAM SALES VOLUMES OF APATITE-NEPHELINE ORE PRODUCTS, KT



NITROGEN FERTILIZERS SALES VOLUMES, KT

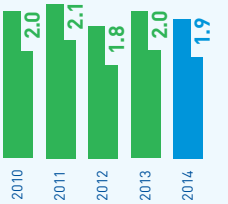


SEE THE OPERATIONAL REVIEW ON PAGES 36-39 FOR FURTHER INFORMATION

Sustainability highlights

We are investing in upgrades and new production technologies, as well as in leading-edge workplace health and safety solutions.

EMISSIONS INTO THE AIR, PER UNIT OF PRODUCTION, KG/T



LOST TIME INJURY FREQUENCY RATE (LTIFR), PER 200,000 HOURS WORKED



SEE PAGES 46-59 FOR MORE ABOUT OUR SUSTAINABILITY

Creating shareholder value by delivering on our strategic commitments



> Consolidation will help to increase shareholder value by increasing income attributable to the shareholders of OJSC PhosAgro.

We passed several strategic milestones in 2014 and proved once again that PhosAgro is an exceptionally strong and sustainable global leader in the phosphate-based fertilizers industry. In addition to continued steady growth in production and sales volumes, we enjoyed significant growth in financial performance supported by a strong external pricing environment and improved cost position.

2014 Performance and dividends

PhosAgro completed a key milestone in its strategic development during 2014 with the consolidation of 100% of shares in subsidiary PhosAgro-Cherepovets. This marks the completion of one of the strategic goals we had set for the Company during the IPO. Consolidation will help to increase shareholder value by increasing income attributable to the shareholders of OJSC PhosAgro. To this end, we also merged Balakovo Mineral Fertilizers into Apatit during 2014.

We are continuing the streamlining process in 2015, with the decision to merge Agro-Cherepovets, PhosAgro AG and Nordic Rus Holding into PhosAgro-Cherepovets announced in February 2015. This will enable us to simplify further our corporate governance, improve transparency and optimise costs by removing some duplicate administrative functions.

PhosAgro's shareholders are benefiting from a strong year as a result of strong fertilizer prices. The Company has sufficient financing and strong cash flows to fund its ongoing investment programme, while at the same time reducing debt levels and returning cash back to shareholders. On 28 April 2015, the Board recommended a final 2014 dividend of RUB 15 per share for approval by the AGM, and it approved a change in the dividend policy that will increase the share of profits eligible to be distributed as dividends to 30%-50%, up from the current 20%-40% range.



New strategy to 2020

After delivering successfully on all strategic fronts since PhosAgro's IPO in 2011, the Board launched a strategic review that was completed in 2014. Together with management, we presented the results to investors in November of last year at Capital Markets Day events in Moscow and London.

In line with the theme of this report, the new strategy to 2020 also focuses on bringing PhosAgro closer to our customers with ready solutions for farmers nearly anywhere in the world.

We plan to do this by expanding our flexible production capacities and by cutting out middlemen between the Company and its end customers, thus strengthening our sustainable low-cost advantage. We are already offering new ready solutions to our customers: in February 2015, we launched a new PKS fertilizer line in Volkhov with a capacity of 100 ths tonnes/year. These fertilizers enjoy strong demand in Brazil, where we expect to sell a significant share of the two new PKS grades and one new NPS grade that PhosAgro began to manufacture in 2014.

PhosAgro's new strategy to 2020 focuses on strengthening PhosAgro's sustainable low-cost advantage through full vertical integration.

In January 2014, the Company signed a USD 440.6 million loan agreement, securing long-term financing for the new 760 ths tonnes/year ammonia production line due to come online in 2017. This new ammonia facility will be the most efficient in Russia, and will significantly increase our self-sufficiency for future growth in internal processing of phosphate rock for value-added fertilizer production capacity.

We are also investing in logistics to help further reduce costs, with a new terminal at Ust Luga, which we expect will handle around 48% of our export shipments in 2015.

FOR MORE DETAILS, SEE THE CEO STATEMENT ON PAGES 14-17

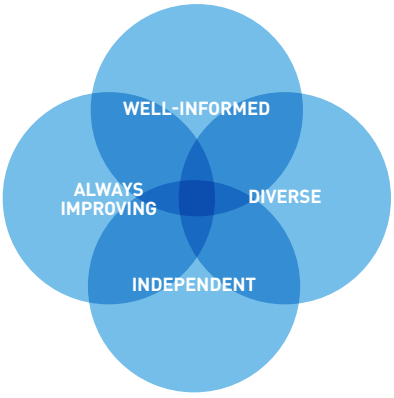
Key milestones:

- Signed a USD 440.6 million loan agreement to finance the new ammonia production line, due to come online in 2017
- Consolidated 100% of shares in our PhosAgro-Cherepovets subsidiary
- Merged Balakovo Mineral Fertilizers into Apatit
- New terminal at Ust Luga to handle export shipments in 2015
- The Board completed a strategic review, which was launched in November 2014
- The Board has proposed paying out 43% of 2014 IFRS net profit adjusted for unrealised foreign exchange loss

2020 STRATEGY

FOR MORE DETAILS, SEE OUR STRATEGY SECTION ON PAGES 24-29

Our corporate governance system is aligned to global best practice and incorporates the following key principles, which are discussed in this statement:



FOR MORE DETAILS, SEE THE CORPORATE GOVERNANCE REPORT ON PAGES 68-83

Corporate governance milestones

I think that PhosAgro has made excellent progress on developing a corporate governance system that in many ways adheres to global best practice since its IPO, and we have several important developments to report on from 2014. The strength of PhosAgro's Board of Directors lies in several key principles:

We are well-informed: PhosAgro's management and Board have access to up-to-date information on financial and operating performance across the Group, which helps guide informed decision-making. The Board members also have good access to key senior management, which also enables us to get regular feedback on performance and strategy.

We are independent: three of the Board's eight members are independent by both Russian and international standards. This level of independence gives minority shareholders the assurance that their interests are represented and have an equal share of the voice at Board meetings.

We are diverse: the Board of Directors is an international group of experienced professionals with a diverse set of backgrounds; each of us brings important knowledge and experience to all of our discussions and decision-making processes. We are also geographically diverse, with Board members hailing from Russia, Norway, the UK and Singapore. This diversity of experience and world view helps us to take a more comprehensive approach to the decision-making process, and we view increasing diversity on our Board as a positive development.

We are always improving: in 2014, the Board took several important decisions that will affect PhosAgro's corporate governance system going forward. The main two that I would highlight are the new anti-corruption policy adopted in April 2014, and the creation of a new Board-level Risk Management Committee in September 2014. We go into both of these in greater detail later in this report.

Focus on sustainability

We view PhosAgro as a sustainable business in many respects. First and foremost, we contribute to sustainability at a global level by supporting food security: our crop nutrients enable farmers to produce more food on every square foot of arable land they harvest, thus helping to ensure global demand is met.

As a competitor in the global fertilizer market, PhosAgro has a sustainable low-cost advantage thanks to the unique high quality of its resources and constant efforts by management to upgrade and modernise our production assets and improve PhosAgro's self-sufficiency in key inputs.

I think that PhosAgro has made excellent progress on developing a corporate governance system that in many ways adheres to global best practice since its IPO, and we have several important developments to report on from 2014.

After producing our first ever sustainability report last year, we have taken the next step to integrated reporting this year in order to better reflect the full set of considerations we look at when reviewing PhosAgro's performance, or when making decisions about the Company's future.

PhosAgro's Board of Directors looks closely not only at financial and operating considerations, but at our commitments to our people, our communities and the environment, which reflects our desire to build value by being closer to our customers and key stakeholders.

Outlook

Despite challenges related to economic and political factors affecting PhosAgro's domestic Russian market, I am very optimistic about our prospects as we continue to grow production capabilities, while extending our reach internationally to bring ready crop nutrient solutions closer to farmers around the world.

With a new strategy to 2020 now in place, we have provided PhosAgro management with the challenging task of successfully implementing multiple large-scale investment projects in parallel, while continuing to deliver strong results and maintain a solid financial position. I am confident, however, that the current team has the skills and experience to do the job, and together we will continue to build a profitable, sustainable business.

We understand the cyclical nature of this industry, and believe that PhosAgro is among the best positioned to perform well throughout the cycle by benefiting from vertical integration and self-sufficiency in key inputs.

The Company's new strategy to 2020 will see PhosAgro grow value for its shareholders and other stakeholders by expanding production, which, combined with a further-improving low cash cost position, should translate into increased shareholder returns.



Sven Ombudstvedt

Chairman of the Board of Directors

Expanding our global presence

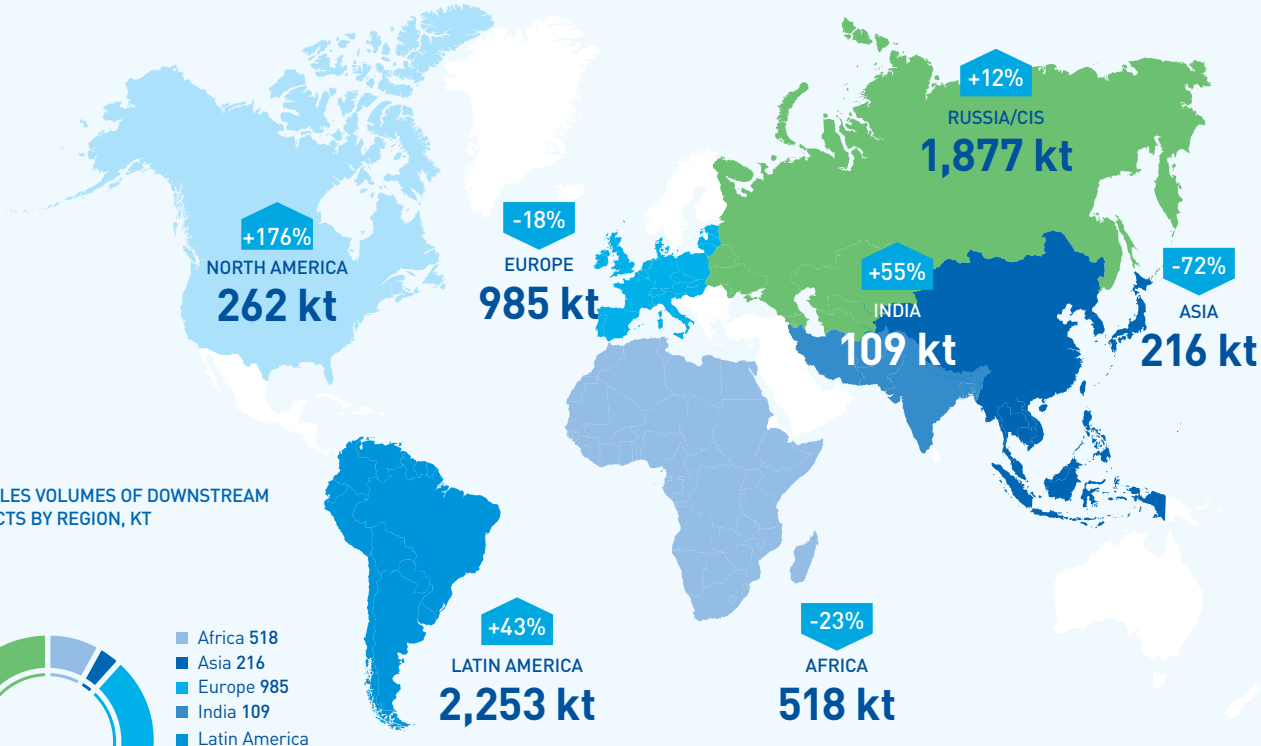
We are one of the world's leading and lowest-cost producers of phosphate-based fertilizers.

Domestic sales

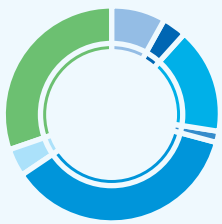
Our domestic and CIS sales volumes in 2014 increased by 195 ths tonnes, or by 12% year-on-year, to 1.9 million tonnes. This growth was primarily due to higher NPK fertilizer volumes. Domestic demand for PhosAgro's NPK fertilizers was driven by favourable conditions on Russia's grain and industrial crop markets, as well as by lower production and sales by several other domestic fertilizer producers. PhosAgro took first place for domestic sales volumes among Russian fertilizer producers in 2014, with a market share of 20%, according to the Russian Association of Fertilizer Producers.

Export sales

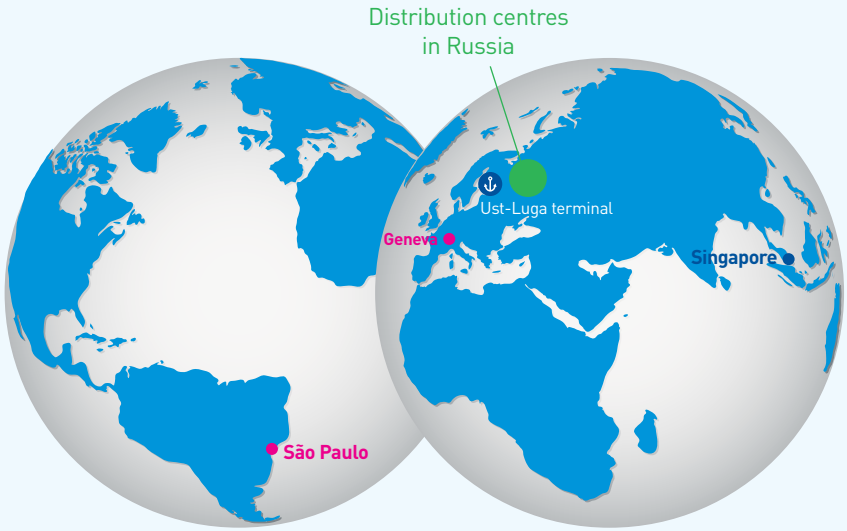
Our sales to Latin America increased to 2.3 million tonnes in 2014, a year-on-year increase of 681 ths tonnes, or 43%. Sales to Brazil saw especially strong growth. The higher volumes were primarily due to favourable conditions on the soy and maize markets, especially in the first half of the year. Downstream products' sales to North America also increased in 2014 to 2.8 times, to 262 ths tonnes as a result of curtailed production of MAP/DAP by several American companies. PhosAgro's sales to other less profitable markets like Asia and Africa decreased year-on-year in 2014.



2014 SALES VOLUMES OF DOWNSTREAM PRODUCTS BY REGION, KT



- Africa **518**
- Asia **216**
- Europe **985**
- India **109**
- Latin America **2,253**
- North America **262**
- Russia/CIS **1,877**



While we already sell directly to farmers and major agricultural holdings in Russia through our domestic distribution network, we are also moving closer to our customers in other key markets. This not only helps us to increase value for our shareholders through greater vertical integration – it helps us to increase value for our customers by making it easier for us to work directly with them and to respond quickly to demand in the regions where we are present.

In 2013, we opened PhosAgro Asia in Singapore, and in 2015 we plan to open trading offices in Geneva, Switzerland and Sao Paulo, Brazil.

INTERNATIONAL SALES OFFICES

- New sales offices
- Existing sales offices

DISTRIBUTION CENTRES IN RUSSIA

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

Moving closer to the key markets by bringing farmers ready solutions

This section provides highlights and samples of common fertilizer application techniques used for crops commonly found in different regions of the world. For the purposes of deciding actual fertilizer application methods and nutrient mixes, farmers should use established sources such as the IPNI 4R or Defra guidelines.

Europe: Premium quality fertilizers with low impurity levels

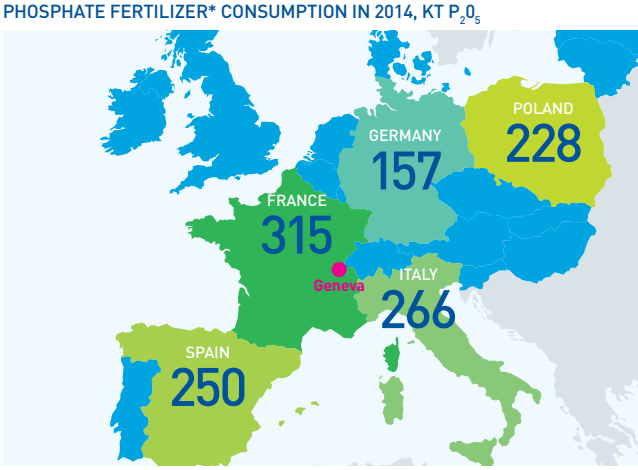


Widespread high intensity farming in Europe creates significant risks related to the build-up of dangerous heavy metals in the soil resulting from application of low-quality fertilizers. Restrictions on cadmium content in phosphate-based fertilizers, for example, reflect increasing concern over contamination of soil from fertilizers containing dangerous heavy metals. We see this as an opportunity, as our fertilizers contain the lowest levels of cadmium and other dangerous elements like arsenic and lead. The high quality of our fertilizers comes from the purity of the igneous apatite-nepheline ore that we mine at Apatit on the Kola Peninsula.

Largest phosphate fertilizer consumers in Europe by country

We view increasing sales of our high-purity fertilizers to European customers as a strategic priority, and we plan to open a trading office in Geneva, Switzerland in 2015 to bring us closer to our customers in the region.

PHOSPHATE FERTILIZER* CONSUMPTION IN 2014, KT P_2O_5



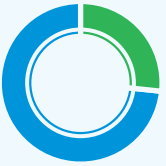
* DAP/MAP/TSP

Largest phosphate fertilizer consumers in Europe by crops

		RECOMMENDED APPLICATION RATES, KG/HA*	SOLUTIONS	RECOMMENDATIONS
 Wheat	N	40-210	NPK(S) 15:15:15 (10)	Base dressing
	P	45-110	Urea 46:0:0	Top dressing
	K	40-130		
 Barley	N	30-160	NPK(S) 15:15:15 (10)	Base dressing
	P	45-110	Urea 46:0:0	Top dressing
	K	40-130		
 Rape seed	N	50-150	NPK(S) 15:15:15 (10)	Base dressing
	P	30-90	Urea 46:0:0	Top dressing
	K	20-80		
 Maize	N	20-150	DAP 18:46:0	Base dressing
	P	20-115	Urea 46:0:0	Side dressing
	K	110-205	MOP 0:0:60	Side dressing
 Grape	N	20-60	NPK(S) 15:15:15 (10)	Base dressing
	P	40-110	SOP 0:0:50	Side dressing
	K	80-220		

* Source: Defra, 8th edition, June 2010, Fertilizer manual – Spring sown (in nutrients: N - nitrogen; P - phosphorus in P_2O_5; K - potassium in K_2O)

PHOSPHATE FERTILIZER PRODUCTION/CONSUMPTION BALANCE, MLN T P_2O_5



- Production **0.8**
- Consumption **2.2**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION BY COUNTRY, KT P_2O_5



- France **315**
- Italy **266**
- Spain **250**
- Poland **228**
- Germany **157**
- Other **961**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION BY CROP, %



- Wheat **22**
- Barley & other cereals **15**
- Maize **14**
- Rapeseed, other oilseeds **10**
- Grapes and other fruits **8**
- Other **31**

Source: IFA

Latin America: Specially developed fertilizer grades

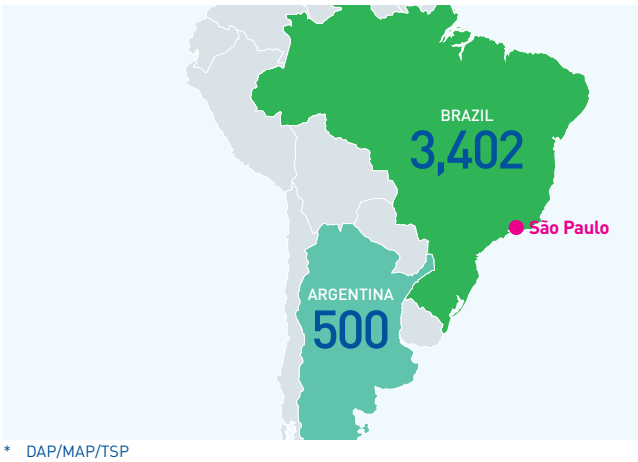


Presence in the fast-growing Latin American market is a strategic priority for PhosAgro, and we are dedicating significant attention to ensuring we are responsive to our customers' needs. In response to the ever growing number of acres being planted with soy, we have launched a new PKS fertilizer with minimal nitrogen content. Soy does not require significant amounts of nitrogen, we can offer Brazilian farmers the nutrients they need without making them pay for nitrogen as well.

Largest phosphate fertilizer consumers in Latin America by country

Later in 2015 we also plan to open a new trading office in São Paolo, which will enable us to work directly with customers in Brazil.

PHOSPHATE FERTILIZER* CONSUMPTION IN 2014, KT P_2O_5



* DAP/MAP/TSP



Largest phosphate fertilizer consumers in Latin America by crops

		RECOMMENDED APPLICATION RATES, KG/HA*	SOLUTIONS	RECOMMENDATIONS
 Soy bean	N	0-5	PKS 20:20:5	Base dressing
	P	15-32	MOP 0:0:60	Top dressing
	K	0-83		
 Sugar cane	N	110-120	MAP 12:52:0	Base dressing
	P	17-20	Urea 46:0:0	Side dressing
	K	50-116	MOP 0:0:60	Side dressing
 Maize	N	100-150	MAP 12:52:0	Base dressing
	P	20-28	Urea 46:0:0	Side dressing
	K	0-42	MOP 0:0:60	Side dressing
 Grape	N	80	NPK(S) 15:15:15 (10)	Base dressing
	P	26	SOP 0:0:50	Side dressing
	K	66	Urea 46:0:0	Side dressing
 Wheat	N	80-120	NPK 10:20:20	Base dressing
	P	20-26	Urea 46:0:0	Top dressing
	K	0-42		

* Source: IPNI (in nutrients: N - nitrogen; P - phosphorus in P_2O_5; K - potassium in K_2O)

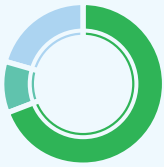
PHOSPHATE FERTILIZER PRODUCTION/CONSUMPTION BALANCE, MLN T P_2O_5



- Production **1.5**
- Consumption **4.9**

Source: CRU

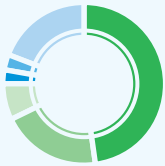
PHOSPHATE FERTILIZER CONSUMPTION BY COUNTRY, KT P_2O_5



- Brazil **3,402**
- Argentina **500**
- Other **1,006**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION BY CROP IN BRAZIL, %



- Soybeans **48**
- Maize **20**
- Sugarcane **7**
- Wheat **3**
- Grapes & other fruits **3**
- Other **19**

Source: IFA

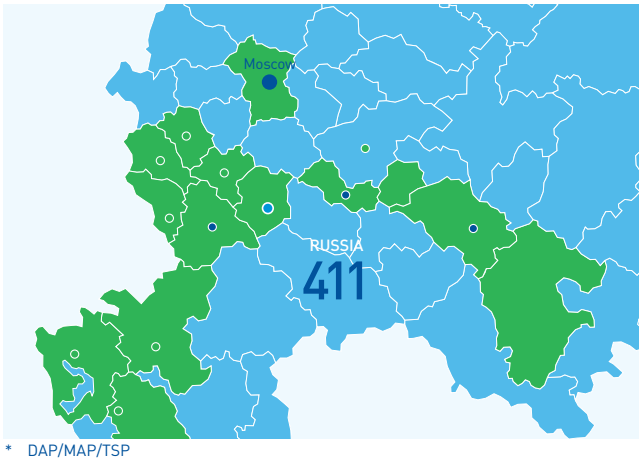
Russia: Distribution development



In 2014 PhosAgro became Russia's largest fertilizer supplier. Our domestic sales rose by 22% year-on-year following a major effort to strengthen our position on the market. We invested RUB 425 million into our domestic sales network in 2014, increasing warehouse and other finished goods storage space by 14% year-on-year to 242 ths sqm, and renovating or refurbishing 21% of our warehouse space.

During 2014 we also opened two new distribution centres and three branch offices, making PhosAgro's mineral fertilizer distribution network one of the largest in Russia.

PHOSPHATE FERTILIZER* CONSUMPTION IN 2014, KT P_2O_5



- Top regions of MAP/NPK consumption
- Distribution hubs
- Distribution hubs opened in 2014
- New branches opened in 2014

* DAP/MAP/TSP



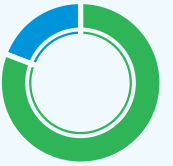
Largest phosphate fertilizer consumers in Russia by crops

		RECOMMENDED APPLICATION RATES, KG/HA*	SOLUTIONS	RECOMMENDATIONS
 Wheat	N	60-120	NPK(S) 13:19:19 (6) or	Base dressing
	P	20-90	MAP 12:52:0	
	K	20-90	Urea 46:0:0 or	Top dressing
			AN 34:0:0	
 Sugar beet	N	60-150	MAP 12:52:0	Base dressing
	P	60-150	AN 34:0:0	Base dressing
	K	60-150	MOP 0:0:60	Base dressing
 Sunflower	N	20-60	NPK(S) 15:15:15 (10)	Base dressing
	P	30-60		
	K	20-60		
 Cabbage	N	120-180	NPK 10:26:26	Base dressing
	P	150-160	MOP 0:0:60	Base dressing
	K	160-180	Urea 46:0:0 or	Side dressing
			AN 34:0:0	
 Potato	N	90-180	NPK(S) 13:19:19 (6) or	Base dressing
	P	120-140	NPK 10:26:26	
	K	120-180	MOP 0:0:60	Base dressing
			AN 34:0:0	Side dressing

* Source: IPNI (in nutrients: N - nitrogen; P - phosphorus in P_2O_5; K - potassium in K_2O)



PHOSPHATE FERTILIZER PRODUCTION/CONSUMPTION BALANCE, MLN T P_2O_5



- Production **1.7**
- Consumption **0.4**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION IN CIS COUNTRIES, KT P_2O_5



- Russia **411**
- Other **344**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION BY CROP, %



- Wheat **40**
- Sugar beet **16**
- Sunflower and other oilseed **8**
- Cabbage and other vegetables **3**
- Other **33**

Source: IFA

Asia: Offering fertilizer grades for every farmer

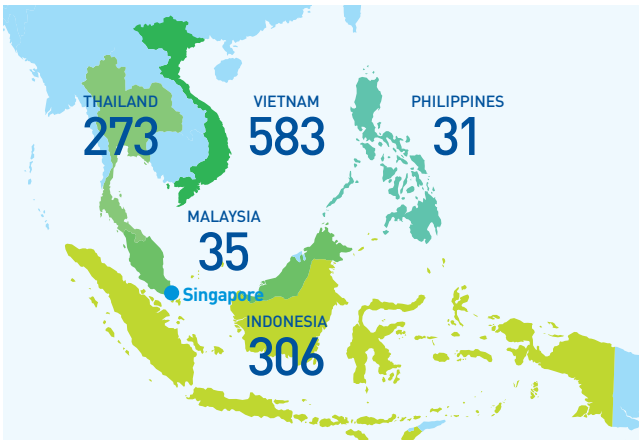


Asia is a diverse region with many different soil types, crops and climates. PhosAgro produces and sells 28 grades of nitrogen and phosphate-based fertilizers, which means that we can offer ready crop nutrient solutions for nearly any farmer across the region. With our own in-house R&D capabilities, we are ready and able to respond quickly by launching new grades of fertilizers if and when we see demand arise.

Largest phosphate fertilizer consumers in Southeast Asia by country

We opened our own trading office in Singapore in 2013 to bring us closer to our customers across Asia.

PHOSPHATE FERTILIZER* CONSUMPTION IN 2014, KT P_2O_5



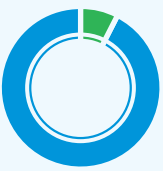
* DAP/MAP/TSP

Largest phosphate fertilizer consumers in Southeast Asia by crops

		RECOMMENDED APPLICATION RATES, KG/HA*	SOLUTIONS	RECOMMENDATIONS
 Rice	N	100-130	DAP 18:46:0	Base dressing
	P	13-26	Urea 46:0:0	Top dressing
	K	30-50	MOP 0:0:60	Top dressing
 Maize	N	80-105	NPK(S) 13:13:21 (9)	Base dressing
	P	25-32	Urea 46:0:0	Side dressing
	K	33-70		
 Sugar cane	N	110-120	DAP 18:46:0	Base dressing
	P	26-52	Urea 46:0:0	Side dressing
	K	50-100	MOP 0:0:60	Side dressing
 Palm oil	N	90	NPK(S) 15:15:15 (10)	Base dressing
	P	25	Urea 46:0:0	Side dressing
	K	165	MOP 0:0:60	Side dressing
 Coconut	N	49	NPK(S) 15:15:15 (10)	Base dressing
	P	16	Urea 46:0:0	Side dressing
	K	115	MOP 0:0:60	Side dressing

* Source: IPNI, van der Vossen et al. (2007) – for coconut, (in nutrients: N - nitrogen; P - phosphorus in P_2O_5; K - potassium in K_2O)

PHOSPHATE FERTILIZER PRODUCTION/CONSUMPTION BALANCE IN SE ASIA, MLN T P_2O_5



- Production **0.1**
- Consumption **1.2**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION IN SE ASIA BY COUNTRY, KT P_2O_5



- Vietnam **583**
- Indonesia **291**
- Thailand **273**
- Malaysia **35**
- Philippines **31**
- Other **6**

Source: CRU

PHOSPHATE FERTILIZER CONSUMPTION IN SE ASIA BY CROP, %



- Rice **40**
- Oil palm **20**
- Maize **8**
- Sugarcane **5**
- Other **27**

Source: IFA

Overview of the fertilizer market

The International Fertilizer Industry Association (IFA) estimates that global demand for mineral fertilizers in 2014 grew by 0.5% compared with 2013. Increased consumption from Africa and South America was balanced by lower demand in southern Asia, primarily due to the effects of India's ineffective subsidy system. Fertilizer consumption in eastern Asia, Europe and North America remained static.

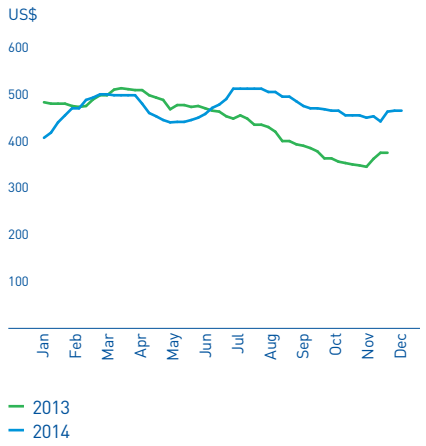
Phosphate-based fertilizers

The average price for DAP in 2014 was USD 472/tonne FOB Tampa and the average price for MAP was USD 469/tonne FOB Baltics/Black Sea – compared with average prices of USD 442 and USD 453, respectively, in 2013.

Global DAP prices in the first three months of 2014 rose by USD 100 to USD 500/tonne FOB Tampa[1], while MAP prices grew by USD 100-130, reaching their maximum level of USD 505/tonne FOB Baltics[2] in late February-early March. The strong price growth was primarily due to high levels of demand from Brazil, Western Europe and Australia, as well as strong domestic demand in the USA combined with curtailed supply from non-integrated and high-cost producers. Technical and production issues in Morocco, Saudi Arabia and Tunisia also constrained supply.

In the second quarter of 2014, prices declined, averaging USD 458/tonne for DAP and USD 454 for MAP. The decrease in prices was primarily due to increased competition between phosphate-based fertilizer producers and lower seasonal demand from the Northern Hemisphere. Prices were also under pressure because China significantly lowered export duties for phosphate-based fertilizers and the subsequent increase in exports from this country.

DAP WEEKLY PRICES, FOB TAMPA



Source: Argus-FMB

In the third quarter, prices grew, reaching their maximum levels for 2014 in August. DAP increased to USD 505/tonne and MAP went to USD 515/tonne. This was primarily driven by seasonal demand from Brazil and Asia. Import demand from the USA also increased, partly due to the shutdown of phosphate-based fertilizer production at one of PotashCorp's factories.

Late in the third quarter and throughout the fourth quarter of 2014, the market was mainly influenced by the end of seasonal demand in Asia and South America combined with falling prices for soft commodities as a result of record corn and soy crops, as well as high inventories of nearly all cereals. The influence of these factors was balanced by lower supply from the USA. In November, MissPhos filed for bankruptcy, while Mosaic and OCP announced they would curtail capacities due to high prices for ammonia and sulphur.

AVERAGE PRICE FOR DAP FOB TAMPA IN 2014

$472

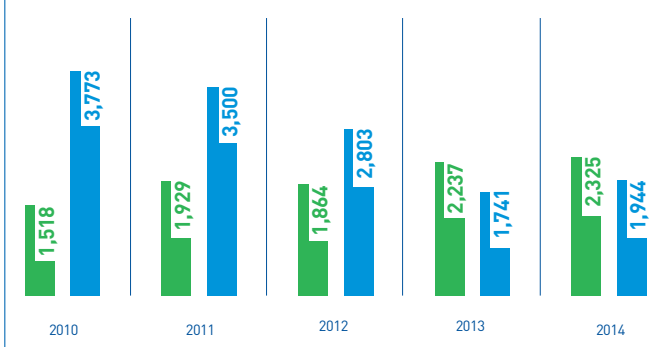
BRAZILIAN IMPORTS OF NPK FERTILIZERS

+37%

1 All DAP prices are presented as FOB TAMPA.

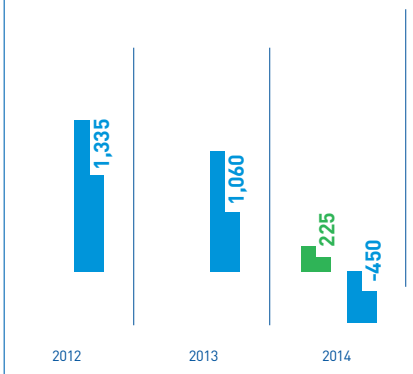
2 All MAP prices are presented as FOB Baltics.

DAP/MAP/TSP IMPORT DYNAMICS IN BRAZIL & INDIA, KT P_2O_5



Source: CRU

CHANGE IN CHINA AND MOROCCO PHOSPHORIC ACID CAPACITY, KT P_2O_5



Source: CRU

Supply-demand balance for phosphate-based fertilizers

Demand

Global consumption of phosphate-based fertilizers in 2014 was 41.6 million tonnes of P_2O_5, a year-on-year decrease of 1.3%, according to IFA estimates.

This was primarily due to weak demand from India, where DAP imports remain under 4.0 million tonnes for a second consecutive year: 3.6 million tonnes in 2014 and 3.5 million tonnes in 2013, according to the Fertilizer Association of India. Low subsidy levels for complex phosphate-based and potash-based fertilizers, combined with a high price differential with urea, are the main reasons for this. The negative effect of low demand from India was balanced by active consumption in North and South America. According to Brazilian customs data, annual imports of MAP, which is the main phosphate-based fertilizer used in Brazil, in 2014 totalled 3.0 million tonnes, an increase of 0.5 million tonnes, or 20% year-on-year. This was primarily due to continued increases in sowing of soy crops, Brazil's main agricultural crop. Brazilian imports of NPS and NPK fertilizers also grew year-on-year, by 25% to 1.5 million tonnes and by 37% to 0.6 million tonnes, respectively.

The supportive market environment enabled PhosAgro to significantly increase its sales to priority markets, and to Latin America in particular.

Supply

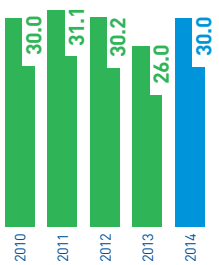
Global production of DAP/MAP in 2014, which accounts for 70% of total global phosphate-based fertilizer supply, was 27.9 million tonnes of P_2O_5, which is just 0.3 million tonnes higher than in 2013. Global trade in DAP/MAP was 10.9 million tonnes of P_2O_5, up 10% year-on-year, primarily due to strong growth in Brazilian MAP imports.

In 2014, new phosphoric acid and phosphate-based fertilizer capacities were limited to new phosphoric acid lines in Morocco in the second half of 2014 (450 ths tonnes of P_2O_5) and in Jordan (475 ths tonnes of P_2O_5) as part of a joint venture with an Indian company.

China

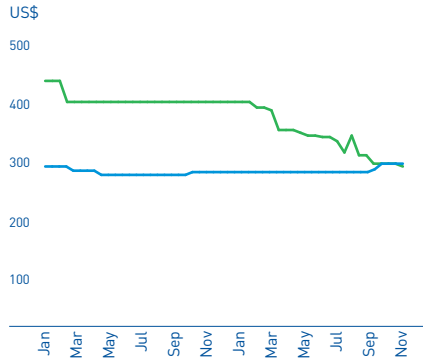
Prices were also under pressure due to China significantly lowering export duties for phosphate-based fertilizers and a subsequent increase in export activities. The DAP/MAP export duty during the so-called export window (from mid-May to mid-October) was lowered to RNB 50/tonne (approximately USD 8), compared with a progressive scale in 2013 (starting from 5% depending on the export price). As a result of the lower export duties, annual exports of phosphate-based fertilizers (DAP, MAP, NP, TSP) from China increased by 52% year-on-year in 2014 to 8.9 million tonnes (according to China Fertilizer Market Weekly).

PHOSPHATE ROCK WORLD TRADE, MLN T



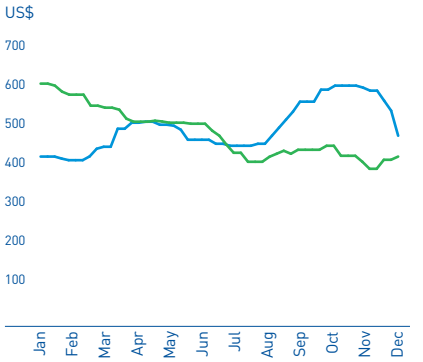
Source: IFA

POTASH WEEKLY PRICES, FOB BALTICS



Source: Argus-FMB

AMMONIA WEEKLY PRICES, FOB YUZHNIY



Source: Argus-FMB

Total phosphoric acid capacity in China, according to CRU, decreased by about 0.4 million tonnes of P_2O_5 in 2014 due to the closure of small, unprofitable phosphate-based fertilizer factories combined with minimal new capacities being brought online. Phosphoric acid and phosphate-based fertilizer capacities in the USA also declined in 2014, down by 0.7 million tonnes and 1.2 million tonnes of P_2O_5, respectively, following the MissPhos bankruptcy and closure of part of PotashCorp's capacities.

Supply and demand outlook

Global consumption of phosphate-based fertilizers in 2015 is expected to increase to 42 million tonnes of P_2O_5 (up 0.4 million tonnes of P_2O_5), according to IFA forecasts. Higher demand is expected to come primarily from Southern Asia (India) and Southeast Asia, as the regions will need to compensate for significantly lower application of phosphorus in previous years.

According to CRU, Morocco plans to further increase its phosphate-based fertilizer industry in 2015, with the launch of two integrated phosphate-based fertilizer facilities with annual capacities of 1.0 million tonnes each. This could put pressure on prices for phosphate-based fertilizers in the second half of 2015.

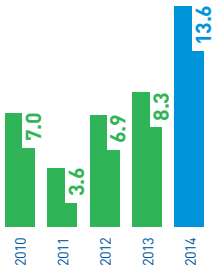
Phosphate rock

Global trade in phosphate rock increased significantly in 2014, up 15% year-on-year to 30 million tonnes, primarily due to imports by the USA, Indonesia, Brazil and India. Positive pricing for phosphate-based fertilizers combined with increased imports brought phosphate rock prices up from USD 106/tonne FOB Morocco (32% P_2O_5) to USD 123/tonne at the end of 2014.

Potash

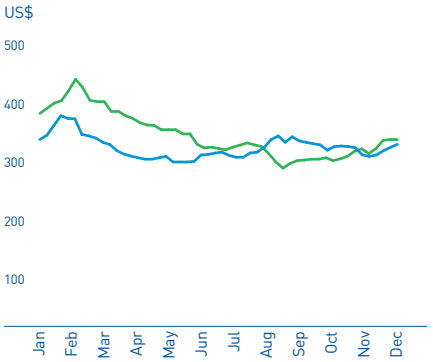
The aftermath of the breakup of the Belarus Potash Corporation in 2013 continued to affect the global potash market in early 2014, with increased supply leading to lower prices. The contract price for the supply of potash to China in 2014 was USD 305/tonne CFR, which is almost USD 95 lower than the contract price in 2013. Contract prices in India for the 2014-2015 season were USD 322/tonne CFR.

UREA CHINA EXPORT, MLN T



Source: CFMW

UREA WEEKLY PRICES, FOB YUZHNIY



Source: Argus-FMB

Ammonia

Global production of ammonia increased by just 1% year-on-year in 2014 to 172 million tonnes, according to IFA. While production in China grew, this was balanced by lower output from Ukraine, Egypt and Central America.

Global trade in ammonia grew by approximately 0.5 million tonnes in 2014, reaching 18.7 million tonnes. The most significant factors affecting ammonia prices in 2014 were a nearly twofold decline in ammonia exports from Ukraine to just 0.6-0.7 million tonnes, combined with technical problems and interruptions in natural gas supplies in 15 countries that produce ammonia (including key suppliers such as Trinidad, Egypt, Canada, Australia and Oman). Interruptions to production made the global ammonia market significantly more volatile, with prices in November reaching USD 610/tonne FOB Yuzhniy, which is nearly USD 200 higher than the minimum prices seen in the first quarter of 2014. The average price for ammonia in 2014 was USD 495/tonne FOB Yuzhniy, compared with USD 482/tonne in 2013.

Nitrogen fertilizers

Global urea trade was significantly influenced by much higher exports from China, which were partially balanced by lower urea exports from Egypt and Ukraine.

China Fertilizer Market Weekly estimates that Chinese urea exports in 2014 amounted to 13.6 million tonnes, a year-on-year increase of nearly 5 million tonnes, or 65%. Total exports from Egypt and Ukraine in 2014 decreased by approximately 2.0 million tonnes, according to Fertecon.

Urea export prices peaked in late January-early February 2014 at USD 365/tonne FOB Baltics, driven by seasonal demand in the USA and Europe, as well as Central and South America, combined with low levels of exports from China due to high export duties. As demand decreased on the more liquid markets of the Western Hemisphere and Chinese exports increased, prices floated around USD 280-305/tonne FOB Baltics during the second quarter. In the third quarter, seasonal demand from Brazil kicked in, which combined with a small decrease in competition for this market from Middle Eastern producers (due to seasonal sales to the USA) to bring prices back up to USD 325-335/tonne FOB Baltics. Downward pressure on prices renewed in the fourth quarter due to the lack of seasonal demand from most key markets.

Ammonium nitrate price trends were nearly identical to urea prices.

Global trade in urea, based on IFA estimates, was 45.1 million tonnes in 2014, a year-on-year increase of just 0.2 million tonnes. Higher import demand from the USA and Brazil, as well as a small increase from Europe, was balanced by lower demand from key markets in Asia (India, Thailand).

Producing some of the highest-quality fertilizers in the world



> We are responding to our customers' needs by bringing our crop-ready nutrient solutions closer to farmers by expanding our production flexibility and increasing the fertilizer grades we offer.

This was a good year for the fertilizer industry and PhosAgro benefited from its sustainable low-cost position among global peers, maintaining a solid 31% EBITDA margin as well as 100% capacity utilisation.

Strategic performance

We undertook a strategic review (for more details, see the Strategy section on pages 24-29) at the end of 2013 and in 2014, which entailed management developing detailed plans for PhosAgro's growth to 2020 for review by the Board of Directors. In November 2014, we held a Capital Markets Day for investors, where we presented our new strategy, which focuses on the following areas:

- Updated sales strategy: we see significant potential in moving closer to our customers in priority markets of Latin America, Europe and Asia, where there is a structural P_2O_5 deficit and we can achieve fair pricing for our products. In order to secure a sustainable position in these regions, we are establishing our own local trading operations. PhosAgro Asia was launched in Singapore in 2013, and we plan to open trading offices in Sao Paulo, Brazil and Geneva, Switzerland in 2015.

In our Russian domestic market, we became the largest supplier of crop nutrients in 2013, and continue to grow our market share. We renovated 21% of our existing storage facilities, expanding them by 8% by building new warehouse space. We intend to continue investing in PhosAgro-Region, through which we sell our fertilizers directly to Russian farmers, and offer other services such as packaging of fertilizers.



- Increasing production capacity: construction of our new 760 ths tonnes per year ammonia plant and a new 300 ths tonnes per year ammonium sulphate line will provide us with the inputs we need to increase nitrogen fertilizer production with our new 500 ths tonnes per year urea line, as well as to increased DAP/MAP/NPK production. Overall we plan to grow total end-product output by 25% from 6.5 million tonnes in 2014 to 8.1 million tonnes per year by 2017.

  We are also introducing new types of fertilizers to the market: in 2014, we were preparing for the launch of a new PKS fertilizer production facility in Volkhov with a capacity of 100 thousand tonnes per year, which was launched in February 2015.

- Improving operational efficiency: Apatit holds the key to our sustainable low-cost advantage, with phosphate raw material that is exceptionally high in nutrient content and exceptionally low in impurities. The strategy to 2020 calls for underground mining to account for up to 80% of total extraction by 2016. In 2015, with the launch of Main shaft №2, Kirovskiy mine capacity will increase to 14 million tonnes of ore per year, with subsequent increases to 16-16.5 million tonnes of ore per year planned.

  In our downstream operations we are investing in new, efficient production capacities using the latest technologies – enabling us to decrease further the use of raw materials and energy for each unit of production, and to minimise our environmental impact.

FERTILIZER PRODUCTION

+3.7%

We are also investing in improving the efficiency of our logistics and are joint venture partners in a new terminal in Ust-Luga that will be able to handle up to 2 million tonnes of bulk and container shipments of fertilizer, enabling us to redirect volumes from more distant ports, while avoiding more expensive shipments via St. Petersburg ports. We expect this to strengthen further our low-cost position, increasing netback margins, from 2015.

- Consolidation: in 2014, we finished the consolidation of 100% ownership of PhosAgro-Cherepovets, marking the completion of one of our key post-IPO strategic goals. Achieving 100% ownership in all of our production facilities has enabled us to increase the profit attributable to shareholders of PhosAgro.

  Going forward, we plan to further streamline and simplify the Group structure. We have already merged Balakovo Mineral Fertilizers into Apatit, and in 2015 we announced plans to merge Agro-Cherepovets, Nordic Rus Holding and PhosAgro AG into PhosAgro-Cherepovets. Longer-term, we are considering fully merging all of our production subsidiaries into a single legal entity.

We believe that successful implementation of this strategy to 2020 will create significant value not only for shareholders, but also for all of our stakeholders.

SALES INCREASE IN DOWNSTREAM PRODUCTS

+2.7%

Moving closer with ready solutions

We are bringing our ready crop nutrient solutions closer to farmers by expanding our production flexibility and increasing the fertilizer grades we offer. The PKS production line we launched in early 2015, for example, is the only one of its kind in our domestic Russian market, and we have already signed supply contracts with Brazilian customers.

We launched two new PKS grades and one new NPS grade, bringing the total number of NPKS fertilizers that PhosAgro offered farmers in 2014 from 16 up to 19, and the total number of fertilizer grades to 28.

We are getting better at knowing what our customers need by moving closer to them – opening sales offices in Latin America and Europe in 2015. These offices will enable us to react faster to our customers' needs, better understand local markets, and to promote the unique high quality of our products more effectively. Latin America and Europe were identified as priority markets due to the long-term structural P_2O_5 deficit, as well as logistics considerations, that we believe represents an opportunity to achieve premium prices for years to come. In 2014, these two markets already accounted for 71% of our export sales of downstream products, and we are confident that our share will increase in the future.

FOR MORE DETAILS, SEE OUR OPERATING REVIEW ON PAGES 36-39

We focused on strengthening our economic sustainability by investing in vertical integration in 2014. This marked the start of a major initiative to achieve greater vertical integration and self-sufficiency for PhosAgro's long-term development as an economically sustainable business.

On our domestic market, sales volumes of downstream products increased by 22%, thanks to investments in PhosAgro's distribution network in Russia. We significantly increased our capital expenditure on distribution from RUB 337 million in 2013 to RUB 425 million in 2014. As a result of these investments, we now have a modern warehouse system and supporting infrastructure.

Operating performance

Our modernisation and debottlenecking efforts enabled us to increase fertilizer production by 3.7% year-on-year to 6.1 million tonnes in 2014, while sales were up 2.7% to 6.1 million tonnes. Production of phosphate-based fertilizers and feed phosphates in 2014 increased by 3.2% to 4.8 million tonnes, while production of nitrogen-based fertilizers increased by 5.2% year-on-year to 1.4 million tonnes.

Another successive year of increased production volumes meant that we once again maintained near-100% capacity utilisation. While some producers were forced to shutter capacities after prices for key inputs such as ammonia and sulphur increased faster than fertilizer prices, PhosAgro's low-cost position, vertical integration and high level of self-sufficiency in key inputs meant we could continue operating at full capacity.

Financial performance

Our financial performance in 2014 was driven by supportive fertilizer market conditions combined with our successful work on decreasing cash costs and the significant devaluation of the Russian rouble against the US dollar.

On the back of higher fertilizer sales and strong prices, revenue in 2014 increased by 18% year-on-year to RUB 123.1 billion. Export sales accounted for 71% of total revenue, which meant Russia's rouble depreciation had a positive effect on our results at the operating profit and EBITDA levels due to the fact that our significant fx revenues grew relative to our primarily rouble costs, although we also saw exceptionally high exchange rate losses (mainly unrealised) on our long-term USD-denominated debt.

Sustainability

PhosAgro takes a long-term view on our sustainability practices and how our activities affect all of our stakeholders because we know that these relationships will impact our business for many years to come.

We focused on strengthening our economic sustainability by investing in vertical integration in 2014: we secured funding and launched construction of a new 760 thousand tonne per year ammonia plant, which will provide a key input for increased production of nitrogen and phosphate-based fertilizers. This marked the start of a major initiative to achieve greater vertical integration and self-sufficiency for PhosAgro's long-term development as an economically sustainable business.

In 2015, we plan to complete the headcount optimisation programme launched in 2012, which has helped to reduce PhosAgro's costs, while also taking into account the economic stability of the regions where we are a major employer. We invest in people from early stages, helping schoolchildren with programmes to support sports and healthy lifestyles, as well as investing in school programmes to encourage the study of chemistry and other sciences. At the college and university level, we provide scholarships and professional career tracks, as well as direct investments in vocational colleges in the regions where we work. These programmes support our long-term sustainability by helping to ensure we are able to hire qualified workers at our production sites.

For our employees, we seek to ensure a safe workplace and fulfilling career opportunities, as well as fair social benefits for them and their families. In 2014, with the help of DuPont Sustainable Solutions, we launched a workplace health and safety pilot project for select production lines at our plants. In 2015, we plan to apply these new practices across all of our production sites.

For members of the communities where we are present, we work with local governments to guarantee the stability of our workforce, pay taxes, and invest in priority areas such as infrastructure, education, sports and health.

DOMESTIC
INCREASE IN NPK
CONSUMPTION

+30%

DOMESTIC
INCREASE IN MAP
CONSUMPTION

+5%

Market environment

The global fertilizer market was stable in 2014 after a year of volatility in 2013, with total demand for fertilizer nutrients increasing by 0.5% year-on-year, according to IFA. Global demand for P_2O_5 actually decreased by 1.3% year-on-year.

The fact that PhosAgro's production and sales increased at the rate of 3.7% and 2.7%, respectively, demonstrates the advantages of our low cash-cost position, integrated business model, and flexible production and sales.

We saw a solid increase in average prices for our products during the year: DAP averaged USD 472/tonne FOB Tampa in 2014, compared with USD 442/tonne in 2013. Brazil, one of the world's largest consumers of mineral fertilizers, increased imports of phosphate-containing fertilizers by over 10%; India also showed promising signs, with imports up 4% year-on-year, though still remaining at the lowest consumption and application rates in the past seven years.

PhosAgro's domestic market demonstrated the best growth rates in consumption of phosphate-containing fertilizers, with a more than 30% increase in NPK consumption and 5% growth in MAP.

FOR MORE INFORMATION ON THE GLOBAL FERTILIZER MARKETS, SEE THE MARKET REVIEW SECTION ON PAGE 10-13

While 2014 was a good year for fertilizers, it was a challenging year for the shareholders of nearly all Russian companies due to political and economic factors. While we were not immune to these factors, I think that PhosAgro's share performance is another illustration of what a unique company we are. PhosAgro's shares and GDRs have not experienced such a dramatic drop as many other Russian companies, which I believe is recognition of the fact that we have built a truly sustainable business that is first and foremost exposed to the global fertilizer market.

Finally, looking at the decline in oil prices, we also believe that we stand to benefit from cheaper oil, as lower fuel prices will give farmers more flexibility in their budgets to invest in crop nutrients to increase harvests.

Outlook

Looking forward to 2015, we believe demand will be solid again, with probably the most significant growth rates in India, which has been significantly underapplying P_2O_5 for the past two years. Growth rates in Brazil are likely to be slower, given that cereal prices at the moment are at their lowest levels in six years.

When considering Brazil, however, it is important to factor in the fact that devaluation has decreased farmers' local currency costs, which gives a significant cost advantage relative to producers whose costs are primarily USD-denominated. In addition, substantially lower USD fuel prices have made it possible for Brazilian farmers to invest more into fertilizers in order to increase crop output.

As the global cash cost leader, we are optimistic about the Company's outlook in terms of financial performance.

In closing, I would like to thank our employees for helping us to achieve the excellent set of operating, financial and strategic results in 2014; I would also like to thank our shareholders for their continued belief in our Company.

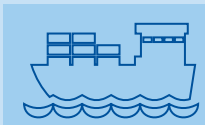


Andrey A. Guryev

Chief Executive Officer and
Chairman of the Management Board

A vertically integrated producer of quality phosphate-based fertilizers

PhosAgro is a vertically integrated producer of phosphate-based fertilizers – our control of the business from mining of raw materials to trading and direct sales is the key to our sustainable low-cost advantage. Vertical integration enables us to capture value at every stage of the process, from mining to fertilizer sales. This also gives us the advantage of minimising our exposure to price volatility for many of the key inputs we use to produce our fertilizers.



DISTRIBUTION AND SALES MOVING CLOSER TO OUR CUSTOMERS

- We seek to move closer to fertilizer producers in priority markets by setting up our own trading operations. In 2013, we set up PhosAgro Asia is Singapore, and in 2015 we plan to open offices in Sao Paulo, Brazil and Geneva, Switzerland.
- PhosAgro became Russia's largest supplier of mineral fertilizers to the domestic market in 2014, and our subsidiary PhosAgro-Region operates Russia's largest domestic fertilizer sales network by market share.
- Full vertical integration in our domestic market keeps value inside PhosAgro through direct sales to farmers and large agriculture holdings.



DOWNSTREAM FERTILIZERS, FEED AND INDUSTRIAL PHOSPHATES

- Our fertilizer, feed and industrial phosphates production capacities are located in Cherepovets, Balakovo and Volkhov.
- We produce 28 grades of fertilizers.
- Every tonne of phosphate rock we use enables us to produce more fertilizers due to the high P_2O_5 content (39%), as well as use less energy and other inputs due to low levels of impurities.



UPSTREAM MINING AND BENEFICIATION

- Apatit in the Murmansk region: unique, high-quality apatite-nepheline ore is extracted and processed into phosphate rock with low levels of impurities and a high P_2O_5 content (39%).
- Apatit's high-quality apatite-nepheline ore reserve amount to over 2 billion tonnes.
- More phosphate rock is produced than can be processed internally; the remainder is sold to international and domestic customers.



RESOURCES AND CAPITAL

NATURAL RESOURCES AND CAPITAL

Our sustainable low-cost position among global producers of phosphate-based fertilizers is supported by our unique domestic access to all key inputs. In addition, we control the production of the majority of these inputs.

OUR OWN RESOURCES

APATITE-NEPHELINE ORE

The premium apatite-nepheline ore that we extract and process into phosphate rock at Apatit is unique in its purity, and enables us to produce phosphate rock with one of the highest P_2O_5 contents in the world (39%).

AMMONIA

By manufacturing our own ammonia, we have better control over costs and are less exposed to fluctuations in market prices (see "Overview of the fertilizer market" on page 10)

FOR MORE INFORMATION, PLEASE SEE MARKET OVERVIEW ON PAGES 10-13

FOR MORE INFORMATION, PLEASE SEE OPERATING REVIEW ON PAGES 36-39

Value created

We seek to create value for all of our stakeholders

FOR MORE INFORMATION ABOUT STAKEHOLDER ENGAGEMENT, SEE PAGES 30-35

SHAREHOLDERS AND INVESTORS
DIVIDENDS FOR 2014
RUB 7.8 bln

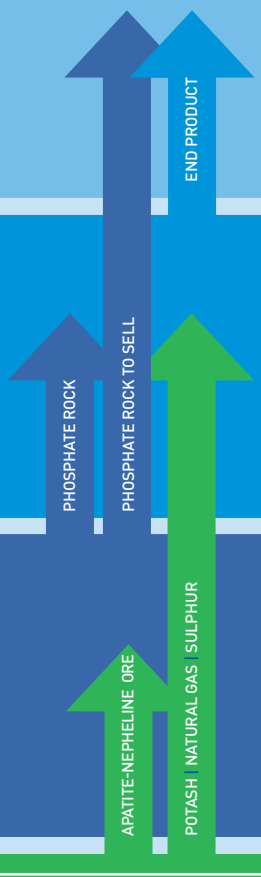
GOVERNMENTS AND COMMUNITIES
TAXES PAID INTO LOCAL AND REGIONAL BUDGETS
RUB 6.0 bln

EMPLOYEES
PEOPLE EMPLOYED
19,633

TRADE UNIONS
equal and fair working conditions for employees

FARMERS
tailored, high quality products

CHARITY DONATIONS AND SOCIAL PROGRAMMES IN 2014
RUB 0.7 bln



DISTRIBUTION CENTRES IN RUSSIA
10

INTERNATIONAL TRADING OFFICES
1+2

SELF-SUFFICIENCY IN AMMONIA IN 2014
82%

SELF-SUFFICIENCY IN ELECTRICITY IN 2014
40%

SELF-SUFFICIENCY IN PHOSPHATE ROCK IN 2014
100%

INTERNAL USE OF PHOSPHATE ROCK IN 2014
68%

LOGISTICS

- PhosAgro-Trans subsidiary operates a fleet of over 6,500 railcars that are used primarily for transportation of phosphate rock to our fertilizer production facilities, and for moving finished goods to the domestic distribution network. Our own railcar fleet enables us to control transportation costs as well as to ensure the reliability and timelines of deliveries.
- For export sales, we are investing in the construction of a new terminal in Ust Luga with a capacity of 2 million tonnes of bulk and container shipments per year.

RAILCARS
6,500

OWN SHIPMENT TERMINAL CAPACITY
2 mln t

THIRD PARTY RESOURCES

POTASH
PhosAgro is conveniently located between two of the world's largest potash producers, meaning we pay the minimum export prices for this input.

NATURAL GAS
Russia is one of the world's largest natural gas producers, meaning we have secure, long-term access to this key input at competitive prices.

SULPHUR
Russia is also one of the largest producers of sulphur, giving PhosAgro convenient access to this resource without significant logistics costs.

FINANCIAL CAPITAL

We have a wide international shareholder base and are recognised as one of Russia's most reliable publicly owned borrowers by all three international credit rating agencies.

HUMAN AND SOCIAL CAPITAL

By investing in the development of our employees, training for the staff reserve and recruitment of high-potential graduates, PhosAgro can count on its team to successfully achieve the challenging goals that have been set for us.

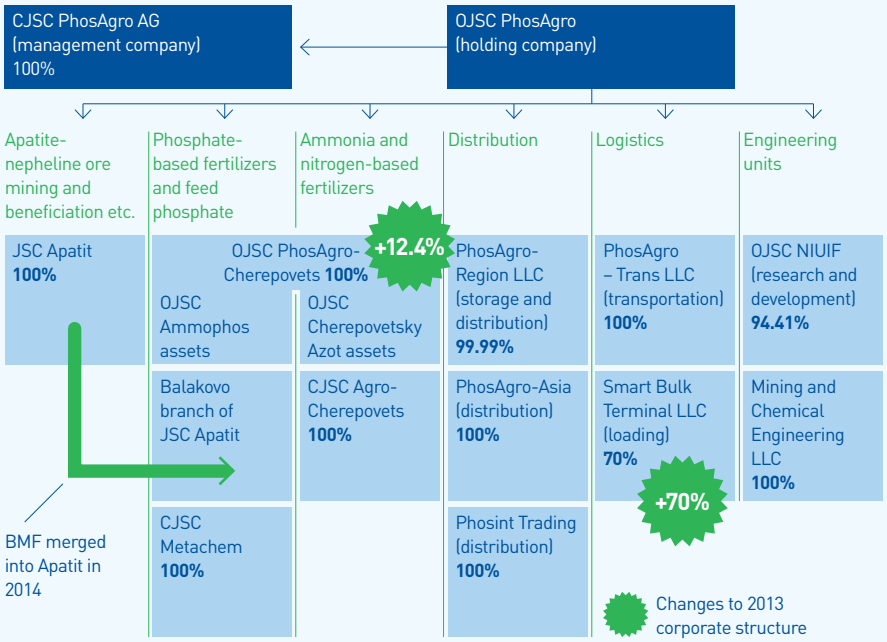
INTELLECTUAL CAPITAL

We have in-house engineering capabilities, which enable us to quickly develop production of new products on existing or new capacities, and allows us to control costs by ensuring all stages of our investment projects are overseen by our own experts.

Consolidating our assets and strengthening our access to priority markets

We reached a key strategic milestone with the consolidation of 100% ownership of PhosAgro-Cherepovets in 2014, bringing our ownership in all of our key production facilities to 100%. Going forward, our consolidation efforts will focus on further streamlining of the corporate structure like the merger of Nordic Rus Holding, Agro Cherepovets and PhosAgro AG into PhosAgro-Cherepovets.

Corporate structure as of 31 December 2014



UPSTREAM CAPACITIES



Apatit

- Mining of apatite-nepheline ore
- Production of phosphate rock
- Production of nepheline concentrate

PHOSPHATE ROCK
7.5 mln t

NEPHELINE CONCENTRATE
1.7 mln t

DOWNSTREAM CAPACITIES



PhosAgro-Cherepovets

Production of phosphate-based fertilizers, nitrogen fertilizers, sulphuric and phosphoric acids and ammonia.

MAP/DAP/NPK
3.2mln t

UREA
980 kt

APP
140 kt

AMMONIA
1,155 kt

AN
450 kt



Balakovo branch of Apatit

Production of phosphate-based fertilizers, feed phosphate, sulphuric and phosphoric acid.

MAP/DAP/NPS
1.3 mln t

MCP
250 kt



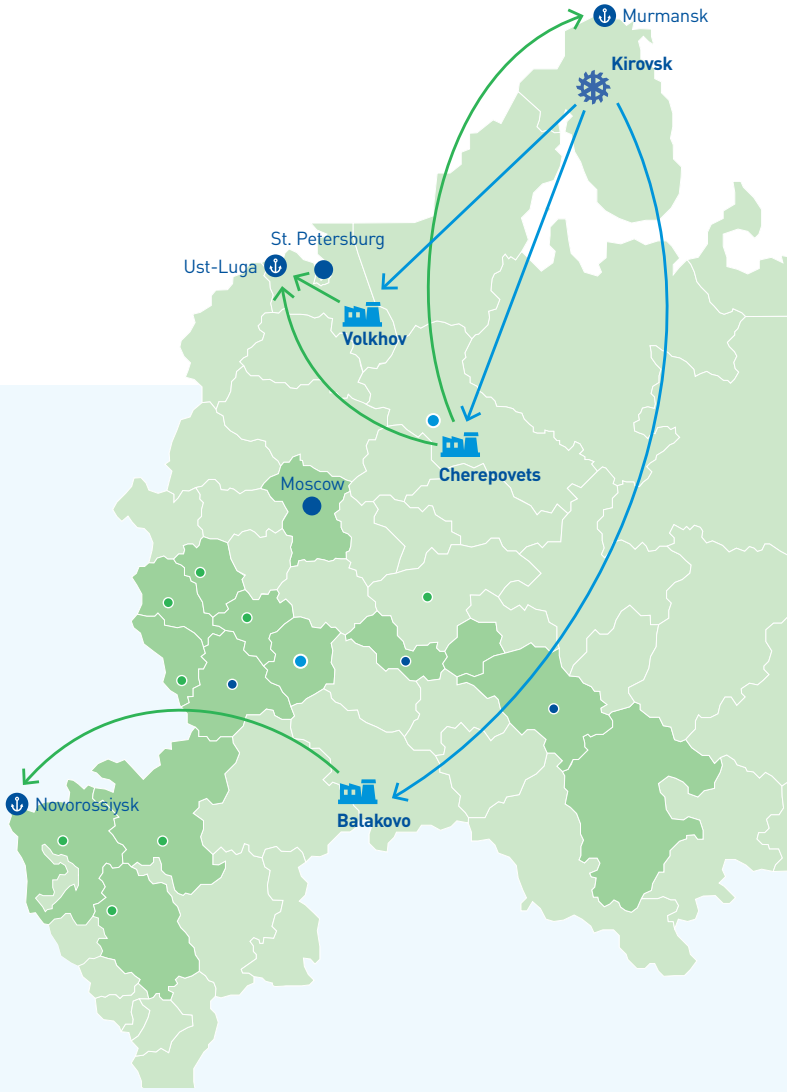
Metachem (Volkhov)

Production of PKS, SOP, STPP, sulphuric and phosphoric acid.

PKS
100 kt

STPP
130 kt

SOP
30 kt



Strengthening logistics advantage

We aim to ship 48% of our export volumes through our new terminal in Ust-Luga in 2015. This new terminal can handle up to 2 million tonnes of bulk and container shipments, and we expect to achieve sustainable cost savings of around USD 8 per tonne compared with more expensive shipments through St. Petersburg terminals or transportation to more distant ports such as Muuga, Kotka and Vyborg.

Distribution network

We have the largest market share in our domestic Russian market, supported by PhosAgro-Region, which is one of the largest regional distribution networks in the country. In 2014, PhosAgro-Region consisted of 10 regional sales companies operating and 3 branches in major agricultural regions of Russia. Domestic sales of fertilizers through PhosAgro-Region increased 22% in 2014 to 1.6 million tonnes.

- Phosphate rock
- Fertilizers
- Top regions of MAP/NPK consumption
- Upstream production
- Downstream production
- Export ports
- Distribution hubs
- Distribution hubs opened in 2014
- New branches opened in 2014

DISTRIBUTION AND SALES



PhosAgro-Region

Russia's largest distributor of fertilizers, with ten distribution centres and three branches in close proximity to Russia's major agricultural regions.

PhosAgro trading

With an existing office in Singapore (PhosAgro Asia) and plans to open two new offices in Brazil and Switzerland in 2015, we are extending our vertical integration into priority export markets.

DISTRIBUTION CENTRES IN RUSSIA	INTERNATIONAL TRADING OFFICES
10	1+2

LOGISTICS



PhosAgro-Trans

Handles domestic freight rail operations, with over 6,500 railcars (primarily mineral hoppers) in operation.

Smart Bulk Terminal

Construction and operation of container and bulk terminal in Ust-Luga, with capacity of 2 million tonnes/year.

RAILCARS	OWN SHIPMENT TERMINAL CAPACITY
6,500	2 mln t

We control a high-quality, premium phosphate resource

We are the world's largest producer of high-grade phosphate rock and Europe's largest producer of phosphate fertilizers. We control a high-quality, premium phosphate resource and we leverage this exceptional asset through our vertically integrated, flexible fertilizer production model to deliver a wide range of tailored crop nutrients to farmers in Russia and across the globe. Our sustainable low-cost advantage sets us apart from our peers and offers our stakeholders unique value that other phosphate-based fertilizer producers cannot offer.



Quality resource base with low impurities

We use our own high-quality raw materials from igneous phosphate ore (phosphate rock with high phosphate content and low levels of impurities). Companies that use high-quality phosphate rock benefit from lower processing costs for the manufacture of end products, which enables them to achieve higher profits on mineral fertilizer sales.

We also believe that national regulators and farmers in Europe and other intensive farming regions will be increasingly concerned with issues related to the quality and purity of crop nutrients used to produce food products – concerns over cadmium and other soil pollutants are on the rise.

Vertical integration

We are one of the most vertically integrated companies in our industry, with high levels of self-sufficiency in key feedstocks. This, combined with the high quality of our apatite-nepheline ore, secures our sustainable position at the bottom of the cash cost curve. For more information on our vertical integration, see Our Business Model on pages 18-19.

Flexible production and sales

We have flexible production and sales models that enable us to focus on producing exactly what our customers want, and to sell what we have produced nearly anywhere in the world in order to achieve a fair netback price for PhosAgro.

PHOSAGRO CADMIUM CONTENT IN PHOSPHATE ROCK

<0.1 ppm

PhosAgro's flexible production lines are capable of switching between production of DAP, MAP and complex NPK or NPS fertilizers in just two shifts, meaning we can react quickly to changing demand in order to sell the products that earn us the highest netback income. This is further enhanced by a flexible sales model, which enables us to sell our product nearly anywhere in the world at competitive prices and in volumes ranging from 800 kg big-bags for domestic shipments to 29-tonne containers and entire bulk ships for export.

Customer focus

Our strategy to 2020 aims to strengthen our sustainable low-cost position among global peers, while building greater value through further vertical integration, enabling us to offer PhosAgro's ready crop nutrient solutions to customers by moving closer to them in priority markets. Following completion of the Board's strategic review in 2014, we maintain our core focus on building shareholder value through more efficient use of our unique resources and greater vertical integration.

In-house R&D

Our research and development employees are highly skilled and support and facilitate decision-making related to our investments in construction by developing feasibility studies, supervising construction and designing projects.

During 2014, for example, the Y. Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF) played a key role in the development and fine-tuning of our new PKS-100 line in Volkhov.

Wide range of best-quality fertilizers

Our knowledge of the market, combined with PhosAgro's in-house R&D, enables us to quickly develop and start production of new fertilizer grades to meet demand. We presently produce 28 grades of fertilizer, including recently-launched grades of PKS.

Value for our stakeholders

With a mining asset that will last for over seven decades, we are in the phosphate-based fertilizer business for the long term. This means that we must take a long-term view not only of how we develop our production assets, logistics operations or sales network. Our sustainable business also depends on creating value in all of our relationships with a full range of stakeholders, from our employees to investors and shareholders. We invest in the communities where we operate in coordination with local governments and administrations, as well as trade unions and educational institutions. By helping these communities to develop, we are addressing a whole range of issues that could affect our business in the long term, from the supply of healthy and qualified personnel to work at our plants to ensuring we are recognised by residents and officials for making a positive impact.

FOR MORE INFORMATION, SEE DELIVERING A SUSTAINABLE STRATEGY ON PAGES 24-29

WORLD'S PREMIUM PHOSPHATE RESOURCE BASE

Location[1]	PhosAgro	Morocco	USA	Jordan	China	Tunisia
World phosphate rock reserves, bln t	2.05	50	1.4	1.5	3.7	0.1
Ore type	Igneous	Sedimentary	Sedimentary	Sedimentary	Sedimentary	Sedimentary
AL_2O_3 content	13.0-14.0% High	Very low	Very low	Very low	Very low	Low to moderate
Minor Element Ratio (MER)[2]	0.02-0.04	0.02-0.04	0.05-0.1	0.02-0.03	More than 0.05	0.05
Cadmium content[3]	Less than 0.1	15-40	9-38	5-6	2	40
Level of radioactivity	Very low	Moderate	Moderate to high	Low to moderate	Low to moderate	Moderate
Hazardous metals content	Very low	Moderate	Moderate to high	Low	Low to moderate	Low to moderate

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.

A strategy for sustainable growth through 2020

Bringing our 2020 strategy into focus

While we have made good progress on all strategic priorities, the Management Board and Board of Directors recognise the need to ensure that PhosAgro's long-term strategy reflects the latest market trends, enables the Company to build value for our stakeholders and further strengthens its sustainable low-cost position.

The strategic review, completed in 2014, also set specific goals for the period to 2020, based on management's detailed analysis of PhosAgro's opportunities and forecasts for the global fertilizer market.

The key priority areas are:

1. Direct access to priority markets

Our long-term strategic focus is on bringing our fertilizer solutions closer to our customers in priority markets by establishing our own distribution centres in these markets. By opening sales offices in Latin America and Europe in 2015, we will be able to speak directly with our customers about what they want, react faster to changes in demand, gain a better understanding of the local markets, and be able to provide customers with information about the high quality of our finished products.

2. Production capacity growth and enhanced self-sufficiency

As the global low-cost producer with a best-in-class phosphate resource base, we see significant opportunity to expand our production of value-added fertilizers in order both to meet growing global demand and take market share from higher-cost producers.

3. Increased operating efficiency

- Upstream: we aim to increase underground mining up to 80% of total apatite-nepheline ore extraction at Apatit by 2016. In 2015, with the launch of Main Shaft №2, Kirovskiy mine capacity will increase to 14 million tonnes of ore per year, with subsequent increases to 16-16.5 million tonnes of ore per year planned.
- Downstream: the new ammonia plant and other new capacities are at the heart of our downstream efficiency drive – we are using the latest technologies available for these projects, ensuring that they are efficient and help to minimise environmental impact as we grow our total output.
- Logistics: to improve further our netback earnings through vertical integration into a terminal in Ust-Luga near St. Petersburg.

4. Consolidation

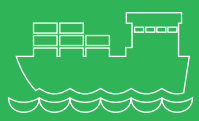
In 2014, we completed phase I of one of the core elements of our post-IPO strategy with the consolidation of 100% ownership of PhosAgro-Cherepovets. This marked the final step in a multi-year, complex process of privatisations, mandatory buyout offers, squeeze-outs and other procedures that enabled us to gain 100% ownership of all of our production subsidiaries.

Going forward, we plan to continue streamlining and simplifying our corporate structure. In the longer term, we are considering fully consolidating our production assets into a single legal entity.

FOR MORE INFORMATION, PLEASE SEE PAGES 25-29


2
Production capacity growth and greater self-sufficiency
FOR MORE INFORMATION PLEASE SEE PAGE 27
1
Direct access to priority markets
FOR MORE INFORMATION PLEASE SEE PAGE 26
2020 STRATEGY
To secure PhosAgro's sustainable low-cost position, expand flexible, value-added fertilizer production capacities, and bring our ready solutions closer to our customers in priority regions.
3
Increase operating efficiency
FOR MORE INFORMATION PLEASE SEE PAGE 28
Consolidation
FOR MORE INFORMATION PLEASE SEE PAGE 29
4

1 Direct access to priority markets



Opportunity:

Increase share of sales to premium markets where PhosAgro can achieve fair netback prices for our products

Why this is our priority:

Brazil, Asia and Europe were identified as priority regions/premium markets for exports based on:

- P_2O_5 nutrient deficit forecast to increase
- PhosAgro can achieve fair netback prices for its fertilizers
- European customers are potentially sensitive to impurities such as cadmium, giving PhosAgro an advantage over other phosphate-based fertilizer producers

Domestic market growth will be driven by PhosAgro's end-to-end vertical integration, which enables us to capture value all the way to the end customer

WHAT WE DID IN 2014	WHAT WE AIM TO DO IN 2015	WHERE WE WANT TO BE IN 2020
• Identified Europe and Latin America as priority markets • PhosAgro increased domestic sales volumes of downstream products by 22% year-on-year	• Open sales office in Sao Paulo, Brazil to cover Latin American markets • Open sales office in Geneva, Switzerland to cover Northern and Eastern Europe	Increase sales volumes vs 2014: • Ammonia: 300 kt • Urea: 500 kt

Related risks:

Strategic risks: Ineffective strategic planning

Operational, regulatory, reputational and financial risks

FOR MORE INFORMATION ON RISKS, PLEASE SEE PAGES 60-67

2 Production capacity growth and greater self-sufficiency



Opportunity:

Build new downstream capacities to produce ammonia and ammonium sulphate in order to ensure self-sufficiency while increasing fertilizer production volumes and maintaining vertical integration

Why this is our priority:

Ammonia and ammonium sulphate are key inputs that PhosAgro requires to expand its fertilizer output while maintaining self-sufficiency, which has driven our decisions to construct:

- 760 ths tonnes/year ammonia plant
- 300 ths tonnes/year ammonium sulphate line

With these key inputs secured, we will be able to expand downstream end products' production capacities to achieve a 25% increase from where we are today in total fertilizer capacity in 2020 through modernisation of existing capacities and new construction:

- 500 ths tonnes/year of granulated urea capacity (new capacity)
- 500 ths tonnes/year of MAP/DAP/NPK production (modernisation)
- 300 ths tonnes/year of commercial ammonia (following launch of new 760 ths tonnes/year ammonia plant)

WHAT WE DID IN 2014	WHAT WE AIM TO DO IN 2015	WHERE WE WANT TO BE IN 2020
• Began construction of new 760 ths tonne/year ammonia plant at PhosAgro-Cherepovets • Increased production of NPKS by 20 thousand tonnes per month at PhosAgro-Cherepovets • Launched a belt filter in phosphoric acid production facilities, which increased processing of phosphate rock from 2 million to 2.2 million tonnes per year at the Balakovo branch of Apatit	Launch new 100 ths tonnes/year PKS line at Metachem (done). Continue construction of new 760 ths tonnes/year ammonia plant. Start construction of: • new 500 ths tonnes/year granulated urea line • new 300 ths tonnes/year ammonium sulphate capacity	• Launch of new 500 ths tonnes/year granulated urea line at PhosAgro-Cherepovets in 2017 • Increase production of nitrogen fertilizers and modernisation of MAP/DAP/NPK production lines, bringing PhosAgro's total end products' sales to 8.1 mln tonnes/year – an increase of 25% from 2014 • 100% self sufficiency in ammonia • 100% self sufficiency in ammonium sulphate

Related risks:

Strategic risks

Production risks: environmental risks

Operational risks: failure to deliver within the budget or timeline for capital construction projects, supply of low-quality equipment

Regulatory and reputational risks

FOR MORE INFORMATION ON RISKS, PLEASE SEE PAGES 60-67

3 Increase operating efficiency

Opportunity:

Further strengthen our sustainable low-cost position through optimisations and by reducing logistics costs

Why this is our priority:

The key to our competitive advantage is maintaining 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 2014	WHAT WE AIM TO DO IN 2015	WHERE WE WANT TO BE IN 2020
• Continued construction of Main Shaft #2 at Apatit's Kirovsky underground mine • Commissioned emulsion explosives plant to be run by Orica at Apatit • Launched LLC Smart Bulk Terminal, which will manage construction and operation of new bulk terminal at Ust-Luga	• Complete construction of Main Shaft №2 • Ship 48% of export volumes through Ust-Luga terminal	• Reduce mining cash costs by increasing share of underground mining up to 80% • Achieve sustainable cost savings (approximately $8 per tonne) by shipping up to 2 million tonnes/year of fertilizer export volumes through Ust-Luga port

Related risks:

Strategic risks: social and HR risks

Production risks: production process and environmental impact risks

Operational risks: projects risks, business process risks, economic risks

Regulatory risks

FOR MORE INFORMATION ON RISKS, PLEASE SEE PAGES 60-67

4 Consolidation

Opportunity:

Reduce duplicate functions and increase transparency

Why this is our priority:

Consolidating and streamlining our corporate structure has increased income attributable to the shareholders of PhosAgro.

WHAT WE DID IN 2014	WHAT WE AIM TO DO IN 2015	WHERE WE WANT TO BE IN 2020
• Achieved strategic goal with consolidation of 100% of PhosAgro-Cherepovets • Merged Balakovo Mineral Fertilizers into Apatit	• Merger of Nodic Rus Holding, Agro-Cherepovets and PhosAgro AG into PhosAgro-Cherepovets	• Under consideration: all PhosAgro production subsidiaries to be merged into a single legal entity

Related risks:

Strategic risks: inefficient strategic planning

Operational, regulatory and reputational risks

FOR MORE INFORMATION ON RISKS, PLEASE SEE PAGES 60-67

Mutually beneficial cooperation

We are committed to creating value by building relationships with stakeholders. Engagement with the various groups affected by our business is a pillar upon which we build and manage our business sustainably. Strategic and effective engagement enables us to gather and appropriately respond to the evolving expectations of our stakeholders – particularly those that can influence the future of our business.

	Why we engage	How we engage
1 **Shareholders and investors**	• Improving corporate culture and quality of corporate governance • Build the long-term value of the Company • Explain and gain support for the Company's development strategy • Educate new investors about the Company with the goal of supporting liquidity and share price	• Roadshows • Investor conferences • One-on-one meetings with investors • Capital Markets Day • Financial and operating results conference calls • Regulatory press releases and other documents • Ongoing engagement with analysts • AGM and formal reporting • Corporate website • Site visits to production facilities for analysts and investors
2 **Regional governments and local communities**	• Development of socio-economic agreements • Promotion of socio-economic development of regions • Maintaining an awareness and understanding of evolving government policies or proposed regulatory changes that could have an impact on our business • Implementation of programmes to support youth, education and sports • Addressing community needs and social or environmental concerns	• Developing terms of agreements with regional governments based on what is most appropriate to the region • Meetings with government and community representatives • Supporting local social and sporting organisations • Sponsoring PhosAgro classes to support chemistry education for schoolchildren • Introducing university scholarship and recruitment programmes aimed at encouraging chemistry



PhosAgro Investor Day in London.



Russian Federation Minister of Education and Science D. Livanov and PhosAgro CEO A. Guryev.



Leningrad region leadership and PhosAgro management meet with students of PhosAgro Classes at Volkhov School №1.

2014 engagement activities	How we create value
• Capital Markets Day in Moscow and London to present new strategy to 2020 • Six non-deal roadshows • Hosted a field trip for analysts to PhosAgro-Cherepovets • Five conference calls with analysts and investors about operating and earnings results • Dedicated investor relations team maintained constant dialogue with key investors and analysts • Disclosure of 63 press releases via UK regulatory news service • 142 Russian Federation mandatory information disclosures via corporate information disclosure centre and Interfax	• We over-deliver on our dividend policy • We completed a strategic review to develop PhosAgro's growth strategy to 2020
• Russian Federation Minister of Education and Science Dmitriy Livanov discussed the development of the Cherepovets Chemistry Technical College at an external session of the State Council held in the Vologda region • PhosAgro-Region and the Tatarstan Ministry of Agriculture signed a cooperation agreement • PhosAgro-Region and the Stavropol region Ministry of Agriculture signed an agreement for the purchase of 110 ths tonnes of mineral fertilizers	• We contribute to the sustainability and well-being of the communities where we operate, helping to ensure we have a healthy and well-educated workforce at our production facilities • We pay taxes into local (and federal) budgets • Through cooperation with local governments on programmes aimed at improving housing, public utilities and municipal services, we help to improve the comfort and quality of life of community residents

FOR MORE INFORMATION, SEE THE COMMUNITY INVESTMENT REVIEW ON PAGE 56

	Why we engage	How we engage
3 **Employees and trade unions**	• Creating conditions for the professional growth and social well-being of employees • Improvement in employee motivation • Responsible approach to use of human resources • Social support for current and retired employees • Establishing an effective corporate culture • Maintaining productive relationships with trade unions • Responsible and effective use of manpower	• Participation of trade unions in developing PhosAgro's workplace health & safety programmes including surveying compliance with safety instructions • Collective agreements reached following negotiations with representative trade unions incorporating conditions and compensation for employees (usually of three-year terms, entered into with each of our production entities) • Ongoing engagement with trade unions, including joint working groups, negotiations and meetings • Collaboration with trade unions to create sporting and cultural programmes and joint participation in workplace health & safety committees, nomination of workplace health & safety representatives and annual participation in workplace health & safety workshops • Employee development programmes, including our Staff Reserve Programme • Employee surveys, presentations, bulletin boards, intranet • Meetings with general directors of production sites and management responsible for social and HR issues together with trade union representatives, dedicated email addresses for complaints, telephone hotlines for inquiries about social issues, reporting violations and questions asked though corporate newspapers
4 **Farmers**	• Ensuring that we are able to provide ready and relevant solutions to the end consumers of our products • Providing the most efficient and effective mix of nutrients based on the crop, soil and other factors	• In our domestic market: through feedback from our distribution network, which works directly with Russian farmers and agricultural holdings • Participate in the Russian Association of Fertilizer Producers • International markets: – establishing own trading operations in priority markets, bringing us closer to farmers – membership in industry organisations such as the International Plant Nutrient Institute and the International Fertilizer Association

2014 engagement activities	How we create value
• Weekly engagement with representatives of the primary trade union organisations. Participation in labour dispute committees • Adoption of local regulations and workplace health & safety promotions • Trade unions, with the support of PhosAgro, arrange the following events annually: – PhosAgro Stars Festival – Company-wide sporting competitions – Professional skills competitions (including in welding, lathe turning, and electrical work) • General directors and management responsible for HR and social issues at production facilities, together with trade unions, regularly meet in person with employees; every corporate newspaper provides contact information for feedback, and in the event of violation of Company rules employees are encouraged to call dedicated hotline numbers	• We provide fulfilling careers that reward, engage, recognise, motivate and develop our people • We deliver training and leadership programmes to help employees to meet their personal career goals • We engage in fair employment practices that meet the needs of employees, while enabling the Company to develop profitably FOR MORE INFORMATION ON OUR PEOPLE, PLEASE SEE PAGES 46-51
• We introduced two new grades of PKS fertilizers and one new grade of NPS fertilizer • Joined the International Plant Nutrition Institute (IPNI) • 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 • Distribution of marketing materials, cooperation with key clients and end customers	• Our strategy to 2020 is aimed at bringing us closer to farmers • We offer customers 28 fertilizer grades after introducing two new PKS grades and one new NPS grade in 2014. We continue investing in further enhancing our product offering • Our fertilizers have some 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

	Why we engage	How we engage
5 **The general public and media**	• Improving the Company's image and business reputation • Secure support for Company initiatives in the production of mineral fertilizers, mining and support in improving global food security • Support in resolving production and social issues	• 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
6 **Business partners**	• Creating a business relationship built on trust and respect. Mutual understanding of obligations and expectations of the relationship • Consumer health • Understanding of and contributions to major issues affecting the fertilizer and mining industries	• Contracts and agreements • Conferences • Joint submissions on issues affecting our industry • Support for international applied research and sustainability projects • Negotiations with consumers and publications, and distribution of advertising materials • Membership in industry associations

2014 engagement activities	How we create value
• Publication of a weekly corporate newspaper at the Company's production sites • Production of a monthly corporate newspaper • PhosAgro and its key subsidiaries issued 195 press releases • Over 20,000 Russian and foreign media publications mentioned PhosAgro • PhosAgro's CEO met regularly with leading Russian and foreign media, including the Financial Times, Bloomberg, Reuters, Dow Jones, Vedomosti, Kommersant, Interfax, RIA Novosti, and RBC; he provided expert comments on important events for the Company and the sector; six interviews, including with Russia-24, RIA Novosti, Reuters, Bloomberg, CNBC and Valor • Conferences and briefings were organised for journalists and major events, including the St. Petersburg International Economic Forum, the International Chemicals and Chemistry Exhibition, as well as during ceremonial signings of agreements with regional leaders where PhosAgro operates • PhosAgro CEO attended the World Economic Forum in Davos, where he met with leading journalists, business people and opinion formers from around the world	• We protect the reputation of our Company and make sure the public is informed about our activities
• Attended approximately 10 international and local industry conferences • Participated in domestic and international professional associations • 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 • Under their long-term cooperation agreement, PhosAgro and UC RUSAL signed contracts for the supply of aluminium fluoride and raw materials for its production • Apatit and Severstal Aviation agreed to expand cooperation on management of the Khibiniy airport and increasing the number of flights to Moscow and St. Petersburg	• 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

A flexible production and sales model to meet our customers' needs



"During 2014, we were ramping up the PKS fertilizer production line with a capacity of 100 ths tonnes per year that was officially launched in early 2015.

Mikhail Rybnikov
Chief Operating Officer

Upstream

CAPACITY BY PRODUCT

Phosphate rock	Nepheline
7.5 mln t	**1.7** mln t

Phosphate segment

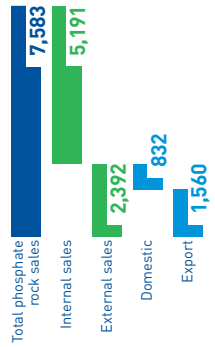
The upstream operations in our phosphate segment take place at Apatit, which mines apatite-nepheline ore that is processed into phosphate rock and nepheline concentrate.

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

Phosphate segment – highlights

- Phosphate-based fertilizer production up 3.2% year-on-year to 4.8 million tonnes
- Phosphate-based fertilizer sales up 0.8% year-on-year to 4.7 million tonnes
- Internal use of own phosphate rock increased to 68.5% of total production volume

PHOSPHATE ROCK SALES IN 2014, KT



Source: PhosAgro

Phosphate segment – upstream

In 2014, we extracted 26.1 million tonnes of apatite-nepheline ore, slightly less than in 2013 (26.7 million tonnes). We produced 7.5 million tonnes of phosphate rock, 2.8% less than the 7.7 million tonnes we produced in 2013.

Phosphate rock intra-Group sales increased to 68.5% (5,191 kt) of our total phosphate rock sales in 2014, up from 62.0% (4,765 kt) in 2013. This growth was primarily due to the increase in our own phosphate-based fertilizer production in 2014.

PRODUCTION AND SALES VOLUMES – APATIT

	Production volumes			Sales volume[1]		
	2014 kt	2013 kt	Change y-o-y, %	2014 kt	2013 kt	Change y-o-y,%
Phosphate rock	7,500.5	7,713.0	(2.8%)	2,392.4	2,920.5	(18.1%)
Nepheline concentrate	940.3	990.6	(5.1%)	936.4	991.5	(5.6%)

1 Excluding intra-Group sales.

In 2014, 11.0% of the phosphate rock we produced was sold to domestic external customers and 20.6% to international customers, compared with 21.8% and 16.2%, respectively, in 2013. Prayon (Belgium) and Yara (Norway) accounted for most of the exports. A decline in domestic sales volumes was due to higher internal use and lower sales to a significant Russian customer.

Nepheline concentrate production and sales decreased by 5.1% and 5.6% year-on-year, respectively, in 2014. We sell all of our nepheline concentrate to Basel Cement Pikalevo, which decreased its nepheline concentrate processing in 2014.

PHOSAGRO'S ORE RESOURCES AS AT 1 JANUARY 2015

Deposit	Resources, kt (Categories A+B+C1)	Average P_2O_5 content, %
Kukisvumchorr	407,453	14.67
Yukspor	522,320	14.16
Apatitovy Cirque	111,149	14.26
Plateau Rasvumchorr	330,069	12.99
Koashva	596,697	16.88
Njorkpahk	61,180	13.25
Iyolitovy otrog	1,298	16.1
Total	**2,030,166**	**14.85**

PhosAgro's upstream subsidiary Apatit holds five mining licences and one exploration licence, which allow it to conduct exploration and mining activities at four apatite-nepheline ore mines, and to conduct exploration activities at one deposit. During 2012-2014, several mining licences expired and were extended in accordance with established procedures. In 2014, four licences were extended, and a new licence for exploration of Iyolitovy otrog was received.

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 the A and B categories and also reserves allocated in complex deposits in which the ore distribution cannot be reliably determined even by a very dense grid.

Downstream

PHOSPHATE SEGMENT CAPACITY BY PRODUCT

MAP/DAP/ NPK/NPS	Feed phosphate
4.5 mln t	**250 kt**
APP	PKS
140 kt	**100 kt**
Phosphoric acid	STTP
2.1 mln t	**130 kt**

PRODUCTION AND SALES VOLUMES PHOSPHATE-BASED FERTILIZERS AND FEED PHOSPHATES (MCP)

	Production volumes			Sales volume		
	2014 kt	2013 kt	Change y-o-y, %	2014 kt	2013 kt	Change y-o-y, %
DAP/MAP	2,366.7	2,134.1	10.9%	2,364.1	2,139.0	10.5%
NPK	1,725.2	1,628.4	5.9%	1,680.4	1,666.9	0.8%
NPS	248.4	459.1	(45.9%)	250.0	486.6	(48.6%)
APP	89.7	98.6	(9.0%)	89.9	79.6	12.9%
MCP	252.1	247.2	2.0%	250.3	245.2	2.1%
PKS	58.5	0.0	–	45.5	0.0	–
SOP	29.7	52.8	(43.8%)	27.5	54.8	(49.8%)

Phosphate segment

We increased our production and sales of phosphate-based fertilizers by 3.2% and 0.8%, 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 10.9% and 10.5% year-on-year, respectively, in 2014.

Production of NPK fertilizers increased by 5.9% to 1.7 million tonnes, while sales remained stable at 1.7 million tonnes in 2014. NPS production and sales decreased by 45.9% and 48.6% (to 248 ths tonnes and 250 ths tonnes, respectively).

During 2014, we were ramping up the PKS fertilizer production line with a capacity of 100 ths tonnes per year that was officially launched in early 2015. Production and sales of fertilizers from this line in 2014 amounted to 59 kt and 46 kt, respectively.

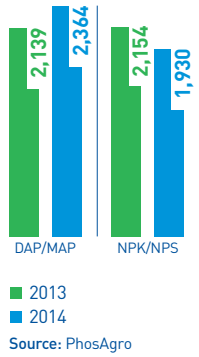
Production and sales volumes of SOP in 2014 decreased by 43.8% and 49.8%, respectively, to 30 kt and 27.5 kt. This decline was primarily due to a transition of certain production capacities for use with the new PKS line.

Due to our production flexibility, we were also able to maintain 100% capacity utilisation throughout 2014.

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 2014, we managed to increase production of NPKS by 20 thousand tonnes per month, which will have an impact from 2015 onwards
- The launch of a belt filter in our phosphoric acid production facilities at Balakovo will enable us to increase processing of apatite from 2 million to 2.2 million tonnes per year.

DAP/MAP VS NPK/NPS SALES, KT



Source: PhosAgro

In-house R&D. Playing a key role in PhosAgro's growth

In 2014, our in-house R&D subsidiaries played key roles in launching the new 100 ths tonne per year PKS capacity we commissioned in early 2015 at Metachem: the technology for producing this new fertilizer grade was developed by NIUIF, while Mining and Chemical Engineering developed the documentation and engineering for the new line.

Our in-house R&D capabilities develop new types of fertilizer as well as conduct planning and engineering work for our new production capacities.

The Y. Samoylov Scientific and Research Institute for Fertilizers and Insectofungicides (NIUIF) is the only research institute in Russia specialising in research and development in phosphate-based processing technologies and the production of phosphoric and sulphuric acid, phosphorus and nitrogenous mineral fertilizers and complex mineral fertilizers, including fertilizers with micronutrients.

NITROGEN SEGMENT CAPACITY BY PRODUCT

Ammonia
1,155 kt

Urea
980 kt

AN
450 kt

PRODUCTION AND SALES VOLUMES – NITROGEN FERTILIZERS

	Production volumes			Sales volume		
	2014 kt	2013 kt	Change y-o-y, %	2014 kt	2013 kt	Change y-o-y, %
Urea	966.0	903.1	7.0%	1,016.6	872.5	16.5%
NP	120.5	109.1	10.4%	120.3	110.0	9.4%
AN	291.4	297.4	(2.0%)	247.6	279.7	(11.5%)

Nitrogen segment

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

Highlights

- Nitrogen fertilizer production increased 5.2% year-on-year to 1.4 million tonnes
- Nitrogen fertilizer sales increased 9.7% to 1.4 million tonnes
- Construction of new 760 ths tonnes/year ammonia plant on track
- Project documentation and engineering work contract signed for new 500 ths tonnes/year granulated urea plant
- Contract signed for construction of 300 ths tonnes/year ammonium sulphate line.

Performance

Overall sales volumes of nitrogen fertilizers increased by 9.7% year-on-year in 2014, primarily as a result of higher urea production volumes.

Urea production and sales volumes were up compared to 2013, with production increasing 7.0% to 966 kt, and sales up 16.5% with 1,017 kt in 2014.

78% of our urea exports in 2014 were attributed to long-term urea sales contracts with Trammo AG (Switzerland), which we signed for the period from July 2013 to June 2015, and with Ameropa AG (Switzerland) for the period from October 2013 to September 2014 (in October 2014 this contract was extended to September 2015). 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 2014, ammonia production increased by 12.6% compared with 2013 as a result of debottlenecking of ammonia production facilities. This helped to increase our self-sufficiency in ammonia from 76% in 2013 to 82% in 2014. Most of the ammonia we produced was consumed within the Group to support higher phosphate-based fertilizers and urea production volumes in 2014.

In 2014, production and sales of ammonium nitrate (AN) decreased by 2.0% and 11.5%, respectively, primarily as a result of our increased use of internally produced ammonia for the production of urea and NP. The focus on urea and NP instead of AN production was driven by the higher margins these products earned compared with AN.

Outlook

- New ammonia plant due to come online in 2017, adding 760 ths tonnes/year of capacity and increasing self-sufficiency to over 100%
- New urea plant due to come online in 2017
- Construction of ammonium sulphate line with capacity of 300 ths tonnes/year due to start in 2015, with completion planned for 2017.

Solid revenue growth and successful cost optimisation

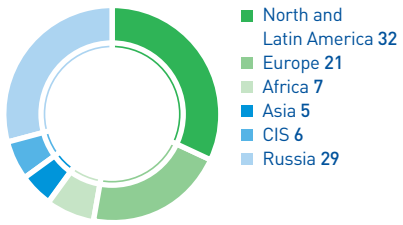
Statement of comprehensive income

Revenue

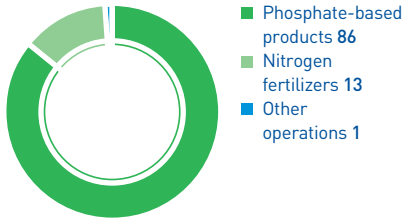
During 2014, PhosAgro's revenue and sales volumes benefited from the Company's strategy of enhancing production flexibility, combined with strong global demand: total fertilizer production and sales volumes grew year-on-year by 4% and 3%, respectively. Revenue in 2014 was 18% higher year-on-year, supported by year-on-year increases of over 27% and 17% in average realised prices for export DAP/MAP and NPK, respectively.

In 2014 revenue from export sales accounted for 71% of our consolidated revenue, compared to 68% in 2013.

2014 REVENUE STRUCTURE BY REGION, %



2014 REVENUE STRUCTURE BY SEGMENT, %



KEY FINANCIAL PERFORMANCE INDICATORS

RUB million	2014	2013	Change y-o-y, %
Revenue	**123,124**	104,566	18%
Cost of sales	**(68,821)**	(68,139)	1%
Gross profit	**54,303**	36,427	49%
Gross profit margin	**44%**	35%	9 p.p.
Operating profit	**29,596**	16,142	83%
Operating profit margin	**24%**	15%	9 p.p.
Loss/Profit for the year	**(13,395)**	8,576	(256%)
Loss/Profit margin	**(11%)**	8%	(19 p.p.)
EBITDA	**37,609**	23,934	57%
EBITDA Margin	**31%**	23%	8 p.p.
Net debt	**93,137**	43,818	113%
Net debt/EBITDA ratio	**2.48x**	1.83x	

KEY OPERATIONAL INDICATORS

Sales volume	2014	2013	Change y-o-y, %
Phosphate-based products	**4,836.5**	4,793.8	1%
Nitrogen fertilizers	**1,384.5**	1,262.2	10%
Apatit mine and beneficiation plant	**3,328.8**	3,912.0	(15%)
Other products	**220.6**	191.3	15%

REVENUE STRUCTURE BY REGION

RUB million	2014	2013	Change y-o-y, %
North and Latin America	**39,477**	20,821	90%
Europe	**25,491**	24,174	5%
Africa	**8,799**	7,974	10%
Asia	**6,193**	10,478	(41%)
CIS	**6,882**	7,409	(7%)
Russia	**36,282**	33,710	8%
Total	**123,124**	104,566	18%

SEGMENT REVENUE STRUCTURE

RUB million	2014	2013	Change y-o-y, %
Phosphate-based products	**105,832**	91,065	16%
Nitrogen fertilisers	**16,626**	12,810	30%
Other operations	**666**	691	(4%)
Total	**123,124**	104,566	18%

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

Gross profit increased by 49% year-on-year and totalled RUB 54.3 billion in 2014 from RUB 36.4 billion in 2013 with gross margin increasing from 35% in 2013 to 44% in 2014.

Operating profit for the period was RUB 29.6 billion, up 83% from RUB 16.1 billion in 2013. As a result, our operating margin increased from 15% in 2012 to 24%.

EBITDA was RUB 37.6 billion in 2014, 57% higher year-on-year. Our EBITDA margin increased to 31%, compared to 23% in 2013. Significant RUB depreciation led to increase in revenue for the year by 18% year-on-year to RUB 123.1 billion, compared to RUB 104.6 billion for 2013. EBITDA margin increased to 31% for 2014 compared to 23% in 2013. Together with increased revenue the other factor of operating profit and EBITDA increase was optimization of personnel resulting in immaterial increase of cost of sales by RUB 0.7 billion.

The significant Rouble depreciation resulted in an unrealised foreign exchange loss of RUB 31.5 billion and loss from operations with derivative financial instruments of RUB 7.3 billion. These two factors caused the company to report a net loss for 2014. The 2014 net loss amounted to RUB 13.4 billion, compared to a net profit of RUB 8.6 billion in 2013.

Statement of financial position

Gross debt at 31 December 2014 amounted to RUB 123.8 billion, compared to RUB 52.8 billion at 31 December 2013.

Cash and cash equivalents stood at RUB 30.7 billion as at 31 December 2014, compared to RUB 8.9 billion as at 31 December 2013.

Net debt at 31 December 2014 stood at RUB 93.1 billion, up from RUB 43.8 billion at 31 December 2013. Most of the Company's debt is denominated in USD as a natural hedge against primarily USD-denominated sales. The depreciation of the Russian Rouble against the US Dollar was the primary reason for the increase of PhosAgro's net debt in RUB terms.

The Company's net debt to EBITDA ratio increased to 2.48 as of 31 December 2014, from 1.83 as of 31 December 2013.

Phosphate-based products segment

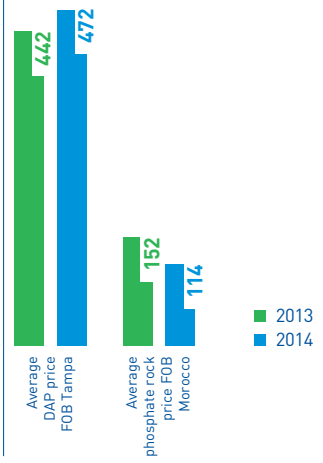
Phosphate-based products segment revenue increased by 16% year-on-year and totalled RUB 105.8 billion in 2014. PhosAgro increased sales volumes of phosphate-based products by 1% year-on-year in 2014.

The phosphate-based products segment's gross profit for 2014 increased by 48% year-on-year to RUB 46.5 billion, resulting in a gross profit margin of 44%, compared to a 35% margin in 2013, which was the result of higher sales denominated in roubles and decreased cost of goods sold.

2014 Phosphate-based fertilizer market conditions

- The average price for DAP in 2014 was USD 472/tonne FOB Tampa, up from USD 442 in 2013, an increase of 7%.
- Overall P_2O_5 consumption in 2014 can be characterised by two significant factors: another year of very low P_2O_5 consumption in India, where DAP imports were around 3.6 million tons; and another record year for P_2O_5 consumption in Brazil, driven by increased soybean production, with total imports of phosphate-based fertilizers increasing by over 11%.
- The increase in demand and prices for phosphoric acid and fertilizers pushed up the price of phosphate rock. Positive pricing for phosphate-based fertilizers combined with increased import demand brought phosphate rock prices up from USD 106/tonne FOB Morocco (32% P_2O_5) to USD 123/tonne at the end of 2014.

PHOSPHATE MARKET BENCHMARK PRICES, $US



PHOSPHATE-BASED PRODUCTS SEGMENT

Result	2014	2013	Change y-o-y, %
Revenue	**105,832**	91,065	16%
Cost of goods sold	**(59,285)**	(59,588)	(1%)
Gross profit	**46,547**	31,477	48%
Gross profit margin	**44%**	35%	9 p.p.

In 2014, 85% of the phosphate-based products segment revenue came from the sale of MAP/DAP/NPK/NPS, MCP and phosphate rock.

The increase in phosphate-based fertilizer sales volumes was primarily due to favourable market conditions and higher demand, which enabled the Company to achieve a sustainable increase in sales of both concentrated fertilizers and NPKs to Latin America and Russia.

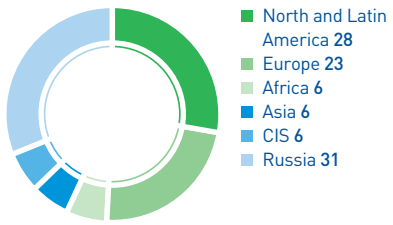
- Revenue from DAP/MAP sales increased by 36% year-on-year, from RUB 31.2 billion in 2013 to RUB 42.7 billion in 2014, representing a 10% year-on-year increase in sales volumes and a 24% increase in DAP/MAP average revenue per tonne denominated in roubles.
- Revenue from NPK/NPS sales increased by 8% year-on-year, from RUB 25.6 billion in 2013 to RUB 27.8 billion in 2014, representing a 10% year-on-year decrease in sales volumes, which was offset by a 21% increase in NPK/NPS average revenue per tonne denominated in roubles.
- Revenue from MCP sales increased by 15% year-on-year, from RUB 4.6 billion in 2013 to RUB 5.3 billion in 2014, representing a 2% year-on-year increase in sales volumes, which was underpinned by a 13% increase in MCP average revenue per tonne denominated in roubles.

REVENUE AND SALES VOLUMES FOR PRINCIPAL PHOSPHORIC-BASED PRODUCTS

Item	Revenues, RUB mln			Sales volume		
	2014	2013	Change y-o-y, %	**2014 kt**	2013 kt	Change y-o-y, %
Phosphate rock	**14,393**	16,887	(15%)	**2,392.4**	2,920.5	(18%)
DAP/MAP	**42,654**	31,264	36%	**2,330.0**	2,114.1	10%
NPK/NPS	**27,770**	25,631	8%	**1,931.4**	2,153.5	(10%)
MCP	**5,262**	4,574	15%	**250.3**	245.2	2%

Sales volumes for phosphate rock and nepheline concentrate decreased in 2014 compared to 2013 by 18%, due to higher internal consumption of phosphate rock by PhosAgro production sites and lower phosphate rock production volumes as a result of the optimisation of mining operations. Thus, phosphate rock sales decreased by 15% year-on-year to RUB 14.4 billion in 2014, with revenue supported by a 4% increase in phosphate rock average revenue per tonne denominated in roubles.

2014 PHOSPHATE-BASED SEGMENT REVENUE STRUCTURE BY REGION, %



PHOSPHATE-BASED SEGMENT REVENUE BY REGION

Region	**2014 RUB mln**	2013 RUB mln	Change y-o-y, %
North and Latin America	**30,026**	15,058	99%
Europe	**23,732**	23,392	1%
Asia	**6,191**	9,507	(35%)
Africa	**6,326**	5,337	19%
CIS	**6,877**	7,409	(7%)
Russia	**32,680**	30,362	8%

Nitrogen fertilizers segment

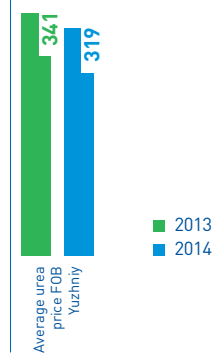
Nitrogen segment revenue increased by 30% year-on-year to RUB 16.6 billion in 2014 from RUB 12.8 billion in 2013. Sales volumes of nitrogen fertilizers increased by 10% year-on-year in 2014.

Nitrogen segment gross profit during 2014 increased by 125% year-on-year to RUB 6.5 billion, mainly as a result of the significant revenue growth caused by the devaluation of the Rouble against the US Dollar, resulting in a gross profit margin of 39%, compared to 22% in 2013.

2014 Nitrogen fertilizer market conditions

- The average price for urea in 2014 was USD 319/tonne FOB Yuzhniy, a decrease of 6% from USD 341/tonne in 2013.
- Global urea trade for the second consecutive year was significantly influenced by much higher exports from China, which was partially balanced by lower urea exports from Egypt and Ukraine.

NITROGEN MARKET BENCHMARK PRICE, $US



NITROGEN FERTILIZERS SEGMENT

Result RUB mln	**2014 RUB mln**	2013 RUB mln	Change y-o-y, %
Revenue	**16,626**	12,810	30%
Inter-segment revenues	**8**	99	(92%)
Cost of goods sold	**(10,180)**	(10,036)	1%
Gross profit	**6,454**	2,873	125%
Gross profit margin	**39%**	22%	17 p.p.

REVENUE AND SALES VOLUMES FOR PRINCIPAL NITROGEN FERTILIZERS

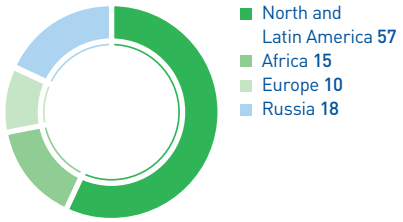
Item	Revenues, RUB mln			Sales volume[1]		
	2014	2013	Change y-o-y, %	**2014 kmt**	2013 kt	Change y-o-y, %
Urea	**12,250**	9,104	35%	**1,016.6**	872.5	17%
AN	**2,499**	2,620	(5%)	**247.7**	279.7	(11%)

In 2014, 89% of nitrogen segment revenue came from the sale of urea and AN.

Nitrogen segment sales volumes increased by 10% year-on-year as a result of higher production volumes of ammonia after the modernisation of ammonia production facilities in Cherepovets.

- Revenue from urea sales increased by 35% year-on-year, from RUB 9.1 billion in 2013 to RUB 12.3 billion in 2014, representing a 17% year-on-year increase in sales volumes and a 15% increase in urea average revenue per tonne denominated in roubles.
- Revenue from AN decreased by 5% year-on-year, from RUB 2.6 billion in 2013 to RUB 2.5 billion in 2014, due to an 11% decrease in sales volumes, which was balanced by an 8% increase in revenue per tonne.

2014 NITROGEN SEGMENT REVENUE STRUCTURE BY REGION, %



NITROGEN SEGMENT REVENUE BY REGION

Region	**2014 RUB mln**	2013 RUB mln	Change y-o-y, %
North and Latin America	**9,450**	5,762	64%
Africa	**2,474**	2,637	(6%)
Europe	**1,759**	782	125%
Asia	**1**	972	(100%)
CIS	**5**	0	100%
Russia	**2,937**	2,657	11%

Cost of sales

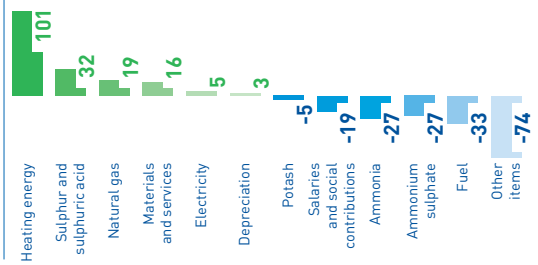
PhosAgro's cost of sales increased by just 1% year-on-year in 2014, to RUB 68.8 billion, while overall fertilizers sales volumes increased by 3%. This cost of sales performance was primarily due to the following factors:

- An increase of RUB 3.5 billion, or 16%, year-on-year in the cost of materials and services due to price inflation of 6% (PPI 2014 vs 2013), together with a 4% increase in production volumes and the outsourcing of certain functions, which was balanced by a significant decrease in personnel costs.
- A 19%, or RUB 2.3 billion, year-on-year decrease in personnel costs as a result of the staff optimisation programme.
- A year-on-year decrease in expenditure on purchased ammonia of RUB 1.2 billion, or 27%, from RUB 4.7 billion in 2013 to RUB 3.4 billion in 2014. This was due to year-on-year declines in purchase volumes by 28% partially offset by a 2% increase in prices. PhosAgro was able to decrease purchases from third parties after the modernisation of its ammonia production facilities in Cherepovets, which helped to increase ammonia production by 132 ths tonnes, or by 13% year-on-year in 2014.
- A year-on-year increase in expenditure on natural gas of RUB 1.2 billion, or 19%, to RUB 7.5 billion in 2014. Natural gas is required primarily for the production of ammonia. The price per cubic metre of natural gas rose by 8%, while natural gas consumption increased by 11% year-on-year. The price increase was due to a 15% tariff increase in the second half of 2013. The 11% growth in volumes of gas purchased was due to a 13% year-on-year increase in ammonia production.
- A year-on-year decrease in expenditure on potash by 5%, or RUB 0.2 billion, to RUB 3.9 billion in 2014. This was mainly due to an 18% decrease in potash purchase prices, which was balanced by a 16% increase in potash purchase volumes as a result of an 6% year-on-year increase in NPK production.
- A year-on-year decrease in expenditure on fuel by RUB 1.4 billion, or 33%, from RUB 4.2 billion in 2013 to RUB 2.8 billion in 2014. This was in line with the 35% decrease in fuel consumption resulting from the replacement of heating oil purchases with direct purchases of heating energy, as well as decreased open-pit mining.
- The decline in production of NPS/NPK grades with a high nitrogen content led to a decrease in purchases of ammonium sulphate by RUB 0.3 billion, or 27%, year-on-year.
- Heating energy expenses increased by RUB 0.6 billion year-on-year, from RUB 0.6 billion in 2013 to RUB 1.2 billion in 2014, as a result of the replacement of heating oil, which is consumed in boilers generating heating energy at Apatit, with direct purchases of heating energy, providing significant savings on fuel.

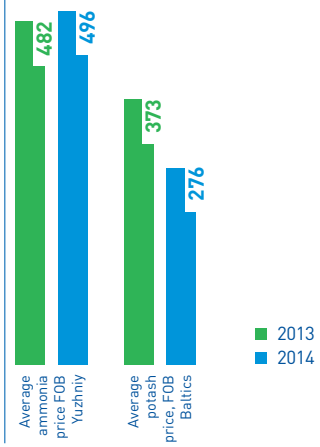
COST OF SALES

Item	2014		2013		Change y-o-y, %	
	RUB mln	**% of cost sales**	RUB mln	% of cost sales	RUB	%
Materials and services	**24,532**	**36%**	21,084	31%	3,448	16%
Salaries and social contributions	**9,754**	**14%**	12,022	18%	(2,268)	(19%)
Natural gas	**7,505**	**11%**	6,300	9%	1,205	19%
Depreciation	**7,332**	**11%**	7,147	10%	185	3%
Sulphur and sulphuric acid	**4,522**	**7%**	3,428	5%	1,094	32%
Potash	**3,915**	**6%**	4,114	6%	(199)	(5%)
Electricity	**3,650**	**5%**	3,478	5%	172	5%
Ammonia	**3,423**	**5%**	4,671	7%	(1,248)	(27%)
Fuel	**2,791**	**4%**	4,161	6%	(1,370)	(33%)
Heating energy	**1,161**	**2%**	579	1%	582	101%
Ammonium sulphate	**839**	**1%**	1,157	2%	(318)	(27%)
Other items	**14**	**–**	53	–	(39)	(74%)
Change in stock of WIP and finished goods	**(617)**	**(1%)**	(55)	–	(562)	1,022%
Total	**68,821**	**100%**	68,139	100%	682	1%

CHANGE IN COST OF SALES BY ITEM, %



CHANGE IN KEY FEEDSTOCK PRICES, $US



- An increase in expenditure on sulphur and sulphuric acid by RUB 1.1 billion, or 32%, year-on-year from RUB 3.4 billion in 2013 to RUB 4.5 billion in 2014. This was driven by a 4% increase in volumes consumed due to higher production of phosphate-based fertilizers and feed phosphates, and by a 27% increase in purchase prices. The increase in average sulphur purchase price was in line with the growth in world sulphur prices.

Selling, general and administrative expenses

Administrative expenses rose by 8% year-on-year to RUB 9.1 billion in 2014 primarily due to the following reasons:

- An increase in payroll expenses by 7%, or RUB 0.4 billion, as result of restructuring of the Group's administrative personnel and their relocation to Cherepovets, as well as implementation of the new management KPI incentive system, which led to increased bonuses to key management as result of overall EBITDA growth.
- An increase in professional services by 60%, or RUB 0.4 billion.

Selling expenses rose by 39% year-on-year, from RUB 8.4 billion in 2013 to RUB 11.6 billion in 2014. This was primarily due to the following changes from 2013 to 2014:

- A 6% increase in the Russian Railways infrastructure tariff and operators' fees from RUB 4.3 billion to RUB 4.6 billion. An increase in container shipments, combined with a 22% increase in domestic fertiliser sales (largely shipped on a CPT basis), led to higher use of rail freight transport.
- A 104% increase in freight, port and stevedoring expenses from RUB 2.6 billion to RUB 5.2 billion, mainly due to increased shipments through ports by 9% and an increase in port tariffs.

STATEMENT OF CASH FLOWS

RUB million	2014	2013	Change y-o-y, %
Cash flows from operating activities	**27,509**	17,925	53%
Cash flows used in investing activities	**(20,210)**	(15,604)	30%
Cash flows used in/from financing activities	**8,401**	(3,542)	(337%)
Net (decrease)/increase in cash and cash equivalents	**15,700**	(1,221)	(1,386%)

Statement of cash flows

Cash flows from operating activities

Net cash flow from operating activities increased by 53% year-on-year to RUB 27.5 billion in 2014. This decrease was primarily due to favourable market conditions and the rouble devaluation.

Cash flows used in investing activities

Net cash used in investing activities totalled RUB 20.2 billion in 2014. The 30% increase was primarily due to higher capital expenditure, as investments in main ore shaft № 2 at the Kirovsky underground mine (Please see Strategy on pages 24-29), as well as the construction of new storage facilities for liquid ammonia at Balakovo branch of Apatit.

Cash flows used in financing activities

Net cash from/(used) in financing activities amounted to RUB 8.4 billion in 2014, compared to RUB (3.5) billion in 2013. This 337% decrease was primarily due increased debt financing in 2014.

Capital expenditure

Our capital expenditure, which consists of all additions to property, plant and equipment, amounted to RUB 18.6 billion in 2014. Capital expenditure focused on construction of the main ore shaft № 2 at the Kirovsky underground mine, the new 760 ths tonnes/year ammonia plant at PhosAgro-Cherepovets as well as the construction of new storage facilities for liquid ammonia at Balakovo.

CAPITAL EXPENDITURE

RUB million	2014	2013	Change y-o-y, %
Phosphate-based products/ mining and beneficiation	**6,984**	8,451	(17%)
Phosphate-based products/ fertilisers facilities	**5,079**	5,227	(3%)
Nitrogen fertilisers	**4,664**	2,192	113%
Other	**1,848**	1,792	3%
Total capital expenditures	**18,575**	17,662	5%

Our people are crucial to our success



Our 19,633 employees are crucial to our success and key to delivering on our promise of quality to our shareholders, our communities and our customers. To meet our goal of being a long-term business, we must ensure we recruit appropriately, and that our employees are motivated, work with a united culture and enjoy a healthy and safe working environment. In addition, we must equip our employees with the skills to enable them to meet our business goals, satisfy their personal career aspirations and ensure succession planning.

Last year, we introduced a new KPI system that translates Company goals into individual goals for managers. These KPIs include financial performance targets as well as workplace health and safety goals.

NUMBER OF MINOR INJURIES DECREASED BY

50%



Management approach

Since our IPO, we have been in a strategic process of consolidating our ownership in key subsidiaries and simplifying the organisational structure of our business. In parallel, we have introduced new policies to integrate and centralise our management, including making personnel policies consistent across the entire business.

At the top level, the KPI system we introduced last year has set uniform standards linking top executive remuneration to a number of factors including health and safety performance at PhosAgro's main production sites, management company, logistics company and several other subsidiaries. During 2014, we further developed the KPI system so that it could be introduced at other PhosAgro subsidiaries in 2015. We plan to complete implementation of the KPI system across all PhosAgro companies in 2016.

When issues arise, we also maintain numerous channels for communication, including Q&A in the corporate newspaper, staff 'town meetings' with management, and an anonymous whistleblower hotline.

We have also continued to roll out additional benefits to our employees, both through more career opportunities created by our Staff Reserve Programme and more broadly, for example through our housing schemes. In undertaking these activities, we will be an employer of choice, attracting the best and brightest applicants and ensuring we have a strong pipeline of talent for the future.

Headcount optimisation

In line with our strategic aim of streamlining our business, we continued with the outsourcing of non-core services and re-engineering of business processes in 2014, which was combined with expansion of job responsibilities and consolidation of service functions at the Group-wide level.

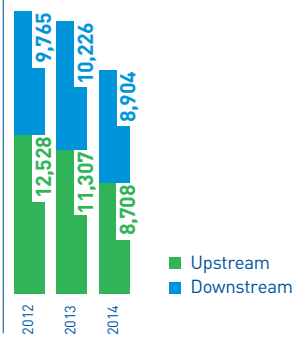
In 2014, average headcount in upstream production decreased by 23% from 11,307 in 2013 to 8,708 in 2014. The average headcount in downstream production decreased by 13% from 10,226 in 2013 to 8,904 in 2014. The overall effect on productivity, measured in tonnes of output per capita, has been significant: upstream productivity increased 27% year-on-year to 969 tonnes of phosphate rock per capita, while downstream productivity increased 19% year-on-year to 705 tonnes of downstream products per capita.

HEADCOUNT

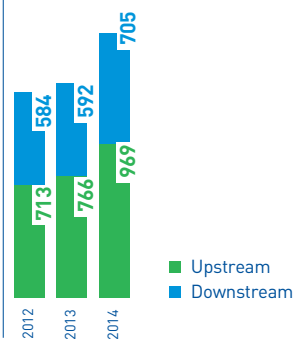
	2014	2013	2012
Upstream division	**8,708**	11,307	12,528
Downstream division	**8,904**	10,226	9,765
Storage and distribution	**532**	443	413
Logistics	**75**	85	82
Engineering units	**425**	461	303
Other[1]	**989**	746	592
Total	**19,633**	23,268	23,683

1 Includes employees at the Company, management company CJSC PhosAgro AG and certain other companies within the Group.

AVERAGE NUMBER OF EMPLOYEES



EMPLOYEE PRODUCTIVITY, TONNES PER CAPITA



We highly value the social and economic stability of the regions where we work, which is why we sought to combine headcount reductions with outsourcing of non-core services to businesses that hired former PhosAgro employees to similar positions, and we also provided fair compensation to those leaving the workforce as a result of redundancy programmes.

Safety and security

PhosAgro management is committed to the health and safety of employees because protecting people from injury and reducing illness levels help to ensure the sustainability of our business. If PhosAgro is not seen to protect its own people, this can affect the work of individual production lines or an entire plant.

We create a clear culture that embraces personal responsibility for health, safety and care for fellow employees. Training on hazard mitigation and safe work practices is provided to all new employees, with regular annual updates. We also conduct annual safety workshops and work to embed an awareness of site-specific hazards and appropriate work practices.

As part of our culture of safety, we strongly encourage employees to report all concerns regarding possible violations or potentially dangerous situations at our production sites, and any issues relating to health and safety.

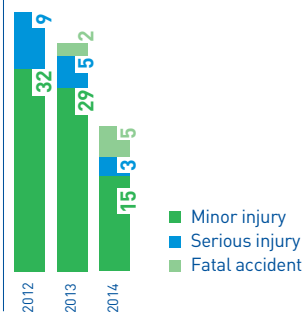
All production sites have a health and safety services representative who is responsible for safety inspections and incident investigations, working to disseminate any learning from near misses or incidents causing an injury or fatality – and works to mitigate any identified risks.

In 2014, we worked with DuPont Sustainability Solutions to implement leading edge safety management practices and tools. This "Improving the effectiveness of workplace health and safety management" project was developed for all of PhosAgro's production sites. In addition to implementing new practices, we developed a strategy and action plan to improve workplace health and safety management, and to help develop a culture of safety at PhosAgro.

Our cooperation with DuPont in 2014 led to the introduction of the following initiatives in our HSE practices:

- Internal investigations of every accident are now conducted in addition to the investigations carried out by government officials
- We approved "golden rules" for workplace health and safety that every PhosAgro employee and subcontractor must follow. The golden rules of safety aim to protect the life and well-being of employees, lower injury rates, ensure adherence to legal requirements and maintain a healthy environment. Violation of these rules may lead to penalties including dismissal
- We also created a workplace health and safety division, as well as a team for development of workplace safety management. This team is responsible for developing and improving existing internal procedures and practices in the areas of workplace health and safety
- PhosAgro has introduced pilot programmes for integrated health, safety and environmental risk management for certain production lines at each of our production facilities.

INJURIES AND FATALITIES DUE TO WORKPLACE ACCIDENTS*



As a result of our work with DuPont, we achieved a 50% decrease in minor injuries.

At the same time, the number of serious injuries remains stable. In order to reduce the number of serious accidents, we plan to expand implementation of our integrated HSE risk management system from the pilot production lines to all of PhosAgro's production facilities. In addition, we expect to achieve a decrease in accidents through an off-site educational programme titled "Basics of Safe Behaviour".

We regret that in 2014 PhosAgro was not able to achieve a zero fatality rate at our production sites.

For 2015, our aim is to have zero fatalities and zero group accidents across all PhosAgro production sites.

Developing skills for the future

Our long-term success depends on creating a pipeline of talented individuals who are capable of moving into leadership and/or more technically challenging roles. Ensuring we develop our people also limits the risk of a shortage of talent, particularly in regions where the availability of suitably skilled people can be limited. We are taking steps to integrate recruitment and training to encompass schools, universities and our own staff programmes.

PhosAgro Classes

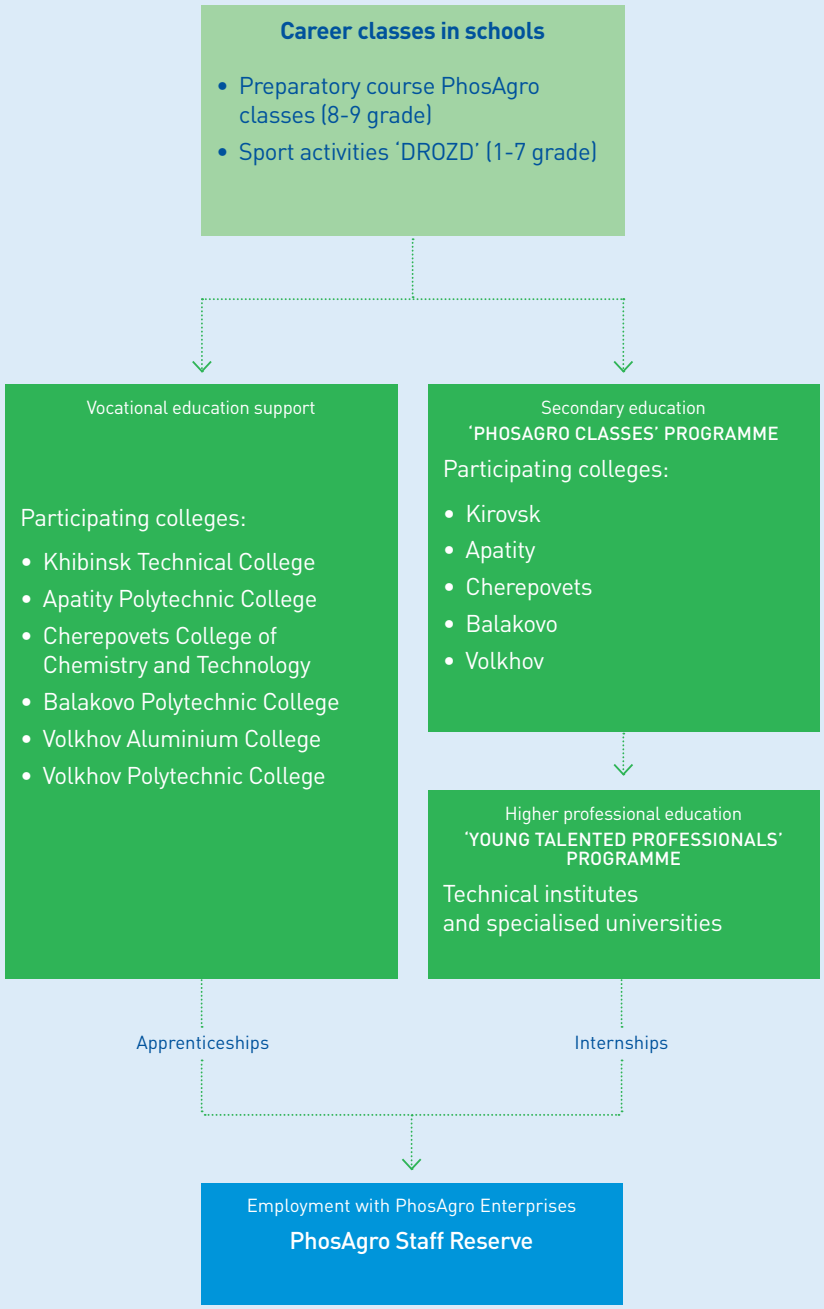
At the school level, we encourage the study of applied sciences including chemistry through the PhosAgro Classes programme. In 2014, enrolment in PhosAgro Classes doubled to 250 students, who were selected for their strong achievements and interest in studying chemistry, physics, mathematics and computer science. PhosAgro invests RUB 17 million every year in supporting this programme.

High Potential Graduates

At the university level, we recruit students based on recommendations from our partner universities through the High Potential Graduates programme. Each one of the High Potential Graduates was offered a competitive salary, relocation and housing support, and was assigned a mentor at PhosAgro. We hired 45 recent graduates under this programme in 2014, bringing the total number of graduates joining PhosAgro since its beginning (2012-2014) to 113. Today, 103 of the graduates are still with PhosAgro, pursuing careers in areas such as mineralogy, geology, hydraulic engineering, chemistry, chemical technologies, rail transport, open pit and underground mining, and environmental protection.

As of December 2014, 43% of the participants in the High Potential Graduates programme still working with PhosAgro had been promoted and/or had entered the staff reserve, and 82% had completed individual projects they were given upon hiring.

Developing Our Human Resources



Staff Reserve

Our Staff Reserve Programme helps PhosAgro to identify and provide additional training for talented employees capable of both expanding their roles and stepping into more senior positions. Management training programmes cover a wide range of business skills, including decision-making, leadership and delegation, conflict management, project management, communication skills and staff mentoring.

In 2014, 340 employees were added to the Staff Reserve. PhosAgro invested a total of RUB 57 million in the personal and professional development of its employees, of which RUB 12 million was devoted to special programmes for 517 current and future leaders from PhosAgro's staff reserve.

Subsidiary	Number of employees added
Apatit	147
PhosAgro-Cherepovets	39
Balakovo branch of Apatit	99
Metachem	12
PhosAgro AG	43
Total	**340**

This includes employees who passed the review as candidates for management positions and were added to the staff reserve.

Subsidiary	Number of staff reserve members – candidates for management positions	% of staff reserve
Apatit	68	46
PhosAgro-Cherepovets	18	90
Balakovo branch of Apatit	5	36
Metachem	8	67
Total	**99**	**52**

Management skills development
Our management development programmes train groups of 14-16 people on topics such as:

- Forward-looking thinking
- Business approaches
- Results-oriented thinking
- Inter-departmental cooperation
- Influence and relationship-building
- Organisations and controls
- Mentoring

During 2014, 345 employees in management positions and 360 members of the staff reserve, from floor managers to line managers (area managers, shift managers, senior engineers, engineers), participated in training courses to help develop management competencies

	Employee participants	
Subsidiary	Current managers	Staff reserve
Apatit	102	83
PhosAgro-Cherepovets	97	174
Balakovo branch of Apatit	97	64
Metachem	49	39
Total	**345**	**360**

Equal opportunity
As part of our goal of reporting to GRI G4 standards, we are moving towards greater disclosure around PhosAgro's equal opportunity practices. Equal opportunity is important because it contributes to PhosAgro's position as an employer of choice.

Our approach to equal opportunity is quite straightforward: we seek to appoint the best person for a given job, regardless of gender, religion, ethnicity or race. We also comply fully with Russian federal and regional laws governing a business's obligations to society and its employees. This includes a ban on child or forced labour, the right to exercise freedom of association and collective bargaining.

Reward and recognition
Developing and motivating our people helps us to reach the quality standards we have set for ourselves, and means we can fulfil our strategic goals. It is our team of talented people that enables us to maximise the value of our unique mining and production assets, led by our Board of Directors operating to the highest standard of corporate governance.

We introduced a new system of bonuses for levels N3 and N4 at our Cherepovets business, linking key targets such as long-term sustainability and efficiency of invested capital to employee compensation. We plan to spread this system to other PhosAgro subsidiaries in 2015-2016.

We provide competitive wages and pensions, medical support and good on-site conditions, including nutritious food, appropriate housing and good opportunities for rest and recreation, including regular sporting and cultural events.

Outlook for 2015
The headcount optimisation programme is due to be completed in 2015, and will help us to secure our position as an efficient cost leader in the global phosphate-based fertilizer sector.

On the HSE front, we will be implementing the strategy and plan developed together with DuPont Sustainable Solutions in 2014, and we are also in the process of esta.

Our human resources management strategy has long-term targets to 2020, aimed at securing further the vertical integration of our recruiting and training process. We aim to have 125 students annually participating in the PhosAgro Class programme in five schools in five cities. We hope that by 2020 we will be able to recruit over 50% of these students. We aim to recruit 10% of new hires (approximately 130 people) from among the graduates of the colleges we sponsor, while also attracting highly skilled workers from the High Potential Graduates programme.

Embedding a culture of respect for our environment

High-quality processes and advanced technology enable PhosAgro to efficiently use finite resources. Adhering to best practices in environmental management helps us to reduce our impact on the environment as much as possible – balancing our obligations to all our stakeholders and meeting our goal of being a long-term sustainable business.



CONSOLIDATED AIR EMISSIONS DECLINED BY

8%

DECREASE IN SOLID WASTE

23%



We must constantly work across our business to reduce our environmental footprint – a key factor in our ability to continue operations and protect our reputation. The environmental impacts we must mitigate and/or prevent include the discharge of pollutants into the atmosphere and the discharge of waste water.

We manage these impacts with a variety of tools, processes and technologies. These include: measuring and understanding our environmental impacts; adherence to Russian and international regulations; environmental audits; continually seeking new technologies and processes that reduce our use of finite resources and energy; reducing and recycling waste; and embedding a culture of respect for the communities and environment in which we operate.

Air quality and emissions

In 2014, consolidated emissions into the air by PhosAgro's production subsidiaries declined by 2.4 thousand tonnes, or 8%, year-on-year to 27.4 thousand tonnes. The largest reduction in emissions was achieved by PhosAgro-Cherepovets, with a decline of 12% year-on-year. Our subsidiary Apatit, which creates the largest volume of emissions into the air among our production facilities, managed to reduce its emissions by 3% year-on-year in 2014. Emissions into the air per unit of production declined to 1.9 kg/tonne, down 6% year-on-year.

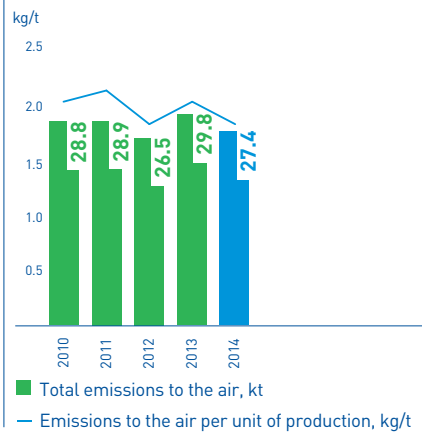
The decrease in emissions into the air was primarily possible due to our investments in modernisation of our production facilities. Sulphur dioxide emissions, for example, declined sharply as a result of the modernisation of our sulphuric acid production equipment.

Water purification and water use

PhosAgro's subsidiaries use the very latest available technologies when using water in the production process, maximising use in cycles to reduce wastewater volumes. The Balakovo branch of Apatit (formerly Balakovo Mineral Fertilizers), for example, uses a closed cycle process that produces no wastewater – something that is not used anywhere else in Russia or its neighbouring countries.

Apatit and PhosAgro-Cherepovets are responsible for the majority of PhosAgro's water withdrawal and discharge. Together, these subsidiaries account for 88% of PhosAgro's overall surface water withdrawal, and 99% of the Group's wastewater discharges.

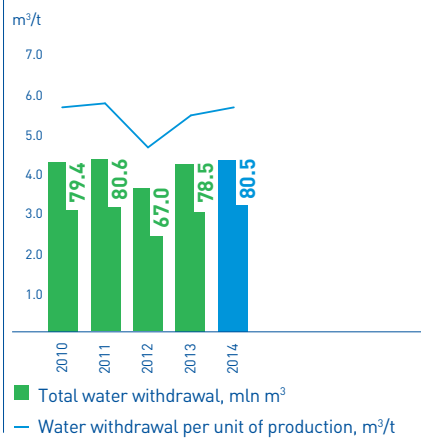
AIR QUALITY AND EMISSIONS



In 2014, PhosAgro's total consumption from surface water sources increased by 3% year-on-year to 83.4 million m^3. Water consumption per unit of production increased by 6% year-on-year to 5.7 m^3 per tonne of output.

Water discharges by PhosAgro's production sites amounted to 184.3 million m^3 in 2014, an increase of just 0.5% over 2013. Apatit is responsible for 95% of PhosAgro's total water discharges. PhosAgro-Cherepovets decreased water discharges by 20% year-on-year in 2014, due to the conversion of part of the cooling cycle for phosphoric acid evaporation to use clarified cooling water.

WATER WITHDRAWAL



Disposal and use of solid waste

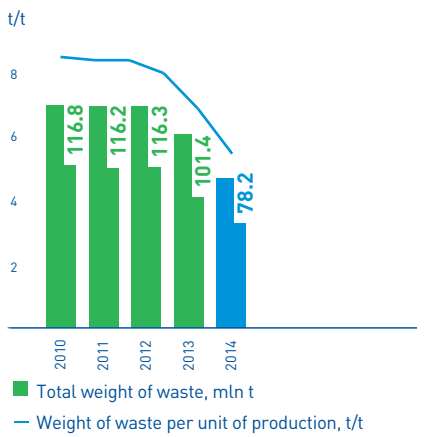
As PhosAgro continually modernises its production facilities, one of our goals is to reduce the volume of solid waste produced, including through recycling. We also seek to reduce the danger the solid waste we produce poses for the environment. At our production facilities, some types of solid waste are used as raw materials in the production process. One of the key areas where we are working on recycling of solid waste is in the development of new technologies for reprocessing of phosphogypsum.

In 2014 the total volume of solid waste produced was 78.2 million tonnes. Approximately 90% of this volume was produced by Apatit. This represented a 23% year-on-year decrease from 2013.

The decrease in solid waste produced by Apatit was primarily due to the increased share of underground mining, which resulted in significantly lower volumes of overburden.

At our chemical production sites, the volume of solid waste increased by 8% year-on-year in 2014, primarily due to higher volumes of phosphate rock processing.

DISPOSAL OF SOLID WASTE



Energy efficiency

As a group, PhosAgro's production subsidiaries are 40% self-reliant in electricity and heating energy. This includes the use of heat generated in the sulphuric acid production process. We also continue to implement energy saving and energy efficiency programmes.

Natural gas and heating oil

In 2014, PhosAgro's natural gas consumption increased 6% year-on-year to 1,904 million m^3, while heating oil consumption declined 34% year-on-year to 146 ths tonnes.

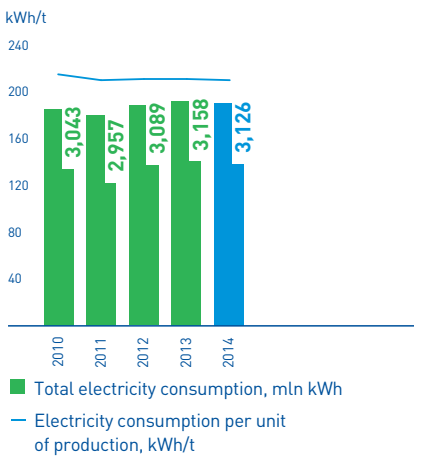
Natural gas consumption increased as a result of higher production of fertilizers and other finished products. While overall natural gas consumption increased, Metachem decreased its use of natural gas by 27% year-on-year following the sale of the subsidiary's cement production unit.

Apatit is our only consumer of heating oil. The decrease in heating oil consumption was a result of the construction of heating pipes from the Apatit Heat Electric Generating Plant to Kirovsk, and a subsequent switch to the use of purchased heat energy instead of generating our own.

Electricity

We were 40% self-sufficient in electricity in 2014, consuming 3,126 million kWh, which is in line with 2013 levels. PhosAgro-Cherepovets and Apatit are the largest consumers of electricity (more than 80% of the total for PhosAgro). Our own generation increased by 1.9% year-on-year in 2014, while external purchases decreased by 0.6%. This was primarily due to increased electricity generation at the Balakovo branch of Apatit.

ELECTRICITY CONSUMPTION



Environmental regulations, certifications and audits

In addition to our own quality standards, our approach to managing our environmental footprint is guided by the Russian Federation's environmental legislation and supporting regulations.

We are also informed by EU environmental protection directives and international agreements, including the Basel Convention and the Helsinki Convention. None of PhosAgro's enterprises uses ozone-depleting substances in production, or extinguishers or coolants. 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. We also comply with IFC standards. In general, Russian environmental law meets international standards, and utilises two main pieces of legislation: the Environmental Protection Law and the Environmental Expert Review Law. Both require Environmental Impact Assessments (EIAs) prior to the implementation of a project that may have an impact on natural resources. No construction and/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 conflict with Russian law take precedence.

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

- the issuance of permits or licences (including for water use; subsoil use – for example in mining; and forest use; air emissions; storage and treatment of waste; and the operation of hazardous industrial facilities)
- the establishment of limits with respect to the amount of environmental impact
- payment of a fine for negative impact
- payment for negative environmental impact (emissions and waste disposal)
- liability in the event of violation – up to and including criminal prosecution

In addition, permits are available for specific impacts, including air pollution (in excess of maximums), discharges into water bodies, storage and treatment of waste, and other activities having an adverse impact on the environment. Granted permits include the obligation to remediate any negative impacts. The Russian parliament has been considering a number of amendments to environmental law, and if passed these could have a significant impact on our industry, including increased financial levies.

We work together with the Russian Union of Industrialists and Entrepreneurs' (RSPP) Committee on Ecology and Nature to present our disagreement and further suggestions in respect to the Russian Government's approach.

In addition to observing Russian environmental law, we adhere to international standards relevant to our business to guide our approach – for example, BMF 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 which 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.

ENTERPRISES' CERTIFICATION

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

Building conditions for sustainable development



We seek to meet the dual needs of our business and society – for example by creating tailored programmes that enhance local education, while also meeting our need to recruit a well-educated workforce. Investing in communities where we operate in a way that has a meaningful positive impact on the health and well-being of local residents is a key to the long-term sustainability and value of our business.



WE AIM TO RECRUIT FROM THE COLLEGES WE SPONSOR

10%

PHOSAGRO INVESTMENTS IN VOCATIONAL COLLEGES IN 2014

RUB 26 mln



Management approach

We determine how we invest in local communities by working with stakeholders such as local governments and educational institutions, as well as employees and their families. PhosAgro's corporate social responsibility activities also often coincide with national priorities such as supporting sport, healthy lifestyles and education.

We have several mechanisms for investing in local communities. With local administrations, we sign cooperation agreements based on the development priorities of the governments. We work with schools and universities to support chemistry education as part of our efforts to develop a sustainable flow of qualified people to join our workforce. We also believe it is important to offer broader support for youth, which we do through the DROZD programme. For our employees and their families, we offer a wide range of social benefits aimed at ensuring they enjoy a comfortable and healthy life outside of the workplace.

Every one of our initiatives is developed based on a dialogue with the stakeholders they affect, including through negotiations with trade unions, discussions with regional governments, and feedback from educational institutions.

Meeting the goals of local and regional governments

We enhance the scale of our community contributions by working closely with regional and local authorities on the development of social infrastructure and utilities, education, cultural activities and sports – our key social priorities.

We have signed cooperation agreements with the regional and municipal governments, the highlights of which include:

Murmansk region

- In November 2014, as part of a tri-party agreement between PhosAgro, the Murmansk regional government and the Kirovsk municipal government, a new chairlift linking the northern and southern slopes of the Aikuaivenchorr mountain was launched, which will support the further development of the Bolshoi Vudyavr ski area

TAXES PAID INTO REGIONAL AND LOCAL BUDGETS, RUB MLN

	2012	2013	**2014**
Murmansk region	3,453	4,557	**3,009**
Regional budget	2,728	3,747	2,352
Local budget	725	810	657
Vologda region	4,732	1,022	**2,391**
Regional budget	4,524	852	2,132
Local budget	208	170	259
Saratov region	902	131	**338**
Regional budget	838	65	289
Local budget	64	66	49
Leningrad region[1]	–	232	**264**
Regional budget	–	172	204
Local budget	–	60	59
Total	9,087	5,942	**6,002**

1 Data for Leningrad region commences in 2013, as Metachem was consolidated into the Group in 2013.

- PhosAgro continues to invest in improving housing, public utilities, and cultural and sporting activities, as well as municipal services for the city of Kirovsk
- support for the diversification of the regional economy, including development of the sports and tourism industry

Vologda region

- in 2014, PhosAgro, Severstal and the Vologda region government signed a three-way agreement aimed at improving coordination for the economic and social development of the region. The agreement covers coordination and cooperation on a wide range of issues, including environmental protection, corporate social responsibility, best practice sharing on investment projects, and purchasing of raw materials and services, as well as rail and air logistics
- improving professional (vocational) education and the quality of human resources for the chemicals industry – aimed at addressing the need to prepare more qualified personnel to work in the chemicals sector
- agreement with the Vologda region government regarding provision of fertilizers to local agricultural producers

Leningrad region

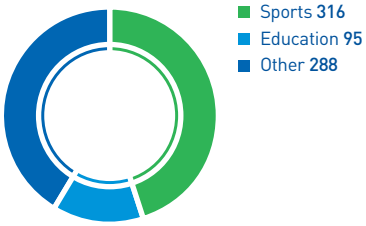
- Agreement with the Leningrad region government aimed at supporting the socio-economic development of the region and in the city of Volkhov by ensuring that Metachem's employment agreements and the plant's operational activities help local residents and manufacturers benefit from PhosAgro's activities at Metachem

Rostov region

- PhosAgro regularly renews agreements to guarantee volumes of fertilizer supplies to the Rostov region, which is one of Russia's key agricultural producing regions. Under the most recent agreement, PhosAgro has allocated over 147 thousand tonnes of fertilizers, which will be supplied to approximately 4,000 customers from the Rostov region

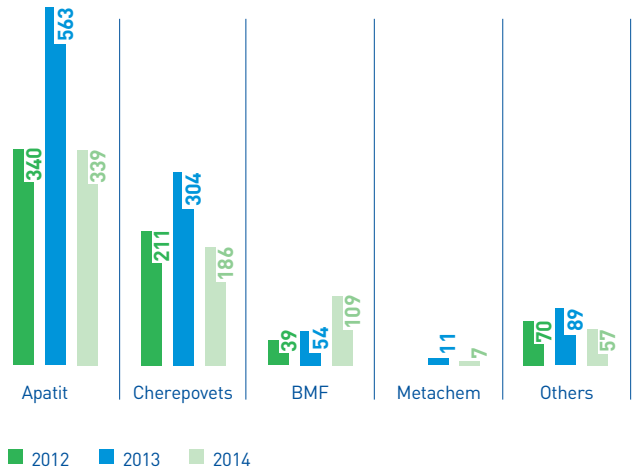
Initiative	Target group	Description	Spent in 2014
DROZD	Grades 1-7	PhosAgro initiated DROZD over a decade ago to promote education and health lifestyles for children. The organisation operates six regional sport and education centres in Cherepovets, Voskresensk, Volkhov, Kirovsk, Apatity and Balakovo. Over 15,000 children participate in DROZD on a regular basis, and at least 50,000 children are involved in various DROZD activities every year.	RUB 55 million
PhosAgro Classes	Grades 10-11	PhosAgro Classes operate in five cities: Balakovo, Volkhov, Kirovsk, Apatity and Cherepovets. This programme provides targeted support for mathematics, computer science, physics and chemistry. In the last year, the number of students participating in the PhosAgro Classes programme doubled to 250.	RUB 17 million
Vocational colleges	Professional education	We work with five colleges in the cities where we operate to support their vocational education programmes, including investing in refurbishing classrooms and laboratories and buying equipment.	RUB 26 million
Universities	Professional education and research	PhosAgro partners with the Cherepovets State University to develop new models of professional education, and have helped with the creation of a new department: Inorganic Material and Fertilizer Technologies. With the St. Petersburg State University of Mines we have cooperated closely on developing PhosAgro's new strategy and new technologies, as well as conducting scientific research for PhosAgro's subsidiaries and professional training for students planning to work at PhosAgro.	RUB 71 million
Scholarships and grants	University students	We provide scholarships and grants to university students working on chemistry or other degrees that provide skills needed at PhosAgro's production sites. In the 2013/2014 academic year, PhosAgro supported 57 students with scholarships.	RUB 6 million
High Potential Graduates Programme	Recent university graduates	The High Potential Graduates Programme is designed for recent graduates interested in a career at PhosAgro. We work with them to establish individual development plans and give them specific projects to lead, helping to set their careers on a fast track to more senior positions. For more information, see the People Review section on pages 46-51.	RUB 6 million

CHARITY DONATIONS AND SOCIAL PROGRAMMES BY PURPOSE IN 2014, RUB MLN



Source: PhosAgro

CHARITY DONATIONS AND SOCIAL PROGRAMMES BY SOURCE, RUB MLN



Source: PhosAgro

Supporting education and youth

Our business is reliant on highly skilled employees with excellent technical and engineering knowledge. Promoting education is in our interest if we are to continue to recruit talented employees. We take a long-term view of our recruitment needs and our community obligations, and extend our engagement to include primary and secondary schools in addition to higher education.

Our approach to talent management is aimed at achieving the goal of ensuring a supply of highly skilled employees at all levels of the organisation, and to attracting and developing high potential graduates and young professionals. To achieve this, we support several educational initiatives.

Working with our local communities

By supporting and creating programmes that enhance our local communities, we embed ourselves as a valued member of society and contribute to the long-term sustainability of our business. One of our priorities in working with local communities is ensuring people are well-informed about our current activities and expansion plans that involve new construction or increasing production. We do this through public hearings and consultations, through which community members have access to project, environmental and other documentation. In 2014, for example, we held public hearings ahead of the expansion of phosphogypsum dumps at the Balakovo branch of Apatit (formerly Balakovo Mineral Fertilizers).

We seek to ensure that members of communities that are affected by our activities understand both the possible impacts of expanding production, and what we do to minimise negative environmental effects.

Whenever we undertake to expand production capacities or build new facilities, we adhere to Russian regulatory standards and international best practice to manage and mitigate the impact that our production activities have on society and the environment. This includes through special training for employees to ensure they can properly operate new equipment before the launch of production.

Plans for 2015 and beyond

As part of our commitment to supporting education and providing career opportunities in the communities where we operate, PhosAgro aims to recruit 10% of its new hires from among graduates of the colleges that we sponsor. By 2020, our goal is to recruit at least 50% of pupils participating in the PhosAgro Classes programme.

In the coming three to five years, we will also be investing in a number of new capacity expansions that involve construction of new facilities or replacement of old equipment. We will also be further streamlining the structure of our business to reduce the number of legal entities we have within the Group. Both of these processes will require considerable work with local governments, communities and employees to ensure that all stakeholders are properly informed of our plans, understand how they may be affected by these changes, and have an opportunity to provide feedback or raise issues throughout the process.

Developing our risk management systems

In 2014, in the face of a widening external crisis and weakening rouble, we revamped our risk management system. With input from consultants, we changed our classification of risks, corrected the list of risks, and changed our approach to risk management. The result of our efforts to improve our system of risk management was the adoption, in December 2014, of a risk management policy.

These changes to our system of risk management can be seen in our corporate governance system. The Board of Directors established a Risk Management Committee, and a risk management department that coordinates with the Management Board has been established at the Company level. In 2014, the Risk Management Committee reviewed and approved a risk map and risk descriptions for the most significant risks facing the Company, as well as an action plan for further improvements to the Company's risk management system.

The Company's functional managers received training on the basic principles of risk management, including on identification, assessment and report monitoring.

Among the steps aimed at improving the Company's risk management system and risk minimisation, the most notable are the approval of a new anti-corruption policy, code of ethics, provisions on conflicts of interests, as well as the appointment of a director for procedure compliance, and presentation of the new strategy to investors.

Our risk management framework

BOARD OF DIRECTORS

- Overall responsibility for management of financial and non-financial risks
- Establishes and monitors performance of risk management systems
- Holds management accountable for implementation of risk management system

AUDIT COMMITTEE

- Oversight responsibility for the finance function
- Provides recommendations to the Board on changes and improvements to the financial risk management system

Risk management committee

- Regularly reviews risk management system and policies
- Provides recommendations to the Board on changes and improvements to the risk management system

INTERNAL AUDIT DEPARTMENT

- Regular assessment of the Company's internal control and risk management systems
- Oversight of compliance of PhosAgro's financial and economic operations with Russian legislation and the Company's Charter
- Development of recommendations on strategic changes to risk management system for Audit Committee and Board review

MANAGEMENT

- Implementation of and adherence to risk management policies
- Monitoring and management of risks relevant to job function
- Risk identification and reporting
- Operational risk management

Implementation of the anti-corruption policy, combined with more intensive work by PhosAgro's Internal Audit service, helped to reduce our corruption risk and to achieve qualitative improvements in our anti-corruption efforts. This was made possible primarily as the result of a clear message that was sent to employees that we have a zero-tolerance policy regarding corruption. Moreover, we decided it was necessary to include provisions in our agreements with contractors about our zero-tolerance policy regarding corruption on their part, which allowed us to require adherence to best practice by our suppliers and contractors.

The presentation for investors in November 2014 regarding our new strategy for risk management served as the basis for a number of actions aimed at reducing strategic risks, primarily due to the clear goals set for the Company's development up to 2020.

Plans for 2015 provide for the further development of the risk management system as a combination of methodological and regulatory provisions along with changes to the organisational structure and our procedures for interaction among PhosAgro's structural subdivisions.

How we see our principal risks



Strategic risks

1. Risk of inadequate strategic planning

2. Social and human resources

Production risks

3. Risks in the production process

4. Risks related to occupational health and industrial safety

5. Environmental risks

Operational risks

6. Planning

7. Risks of inefficiency and infringement of business processes

8. Risks in the area of economic security

9. Risks in the field of information security

Regulatory risks

10. Compliance with legal and regulatory requirements

11. Corruption

Reputational risks

12. Reputational risks

Financial risks

13. Credit risks

14. Currency risks

15. Marketable goods

Please see the full description of each risk in the table on pages 62-67

In conjunction with the introduction of these necessary reforms, improvements will also be made to our IT system.

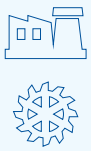
At the level of the Board of Directors and the Risk Management Committee, the formation of a risk management system will be accompanied by the following:

- adjustment of the significance and level of risks related to changes in both Russian and global markets
- the development of recommendations to improve the risk management system
- risk justification: appetite for risk and risk tolerance
- improving and, where necessary, amending the policy components of PhosAgro's risk management system based on experiences from 2014

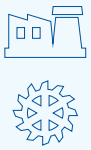
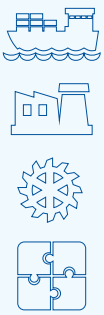
Work on the formation of a risk management system will take into account the provisions of COSO's "Enterprise Risk Management – Integrated Framework"; ISO 31000:2009, "Risk management – Principles and guidelines"; and ISO 31000:2009, "Risk management – Risk assessment techniques".

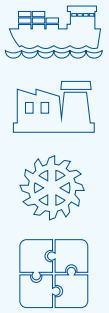
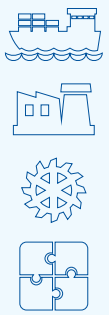
The description used later in the annual report of risks that may have an impact on the Company's activities is not exhaustive. Only the main risks are indicated in the report.

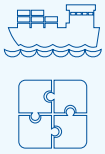
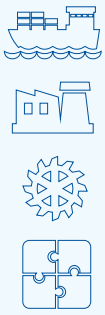
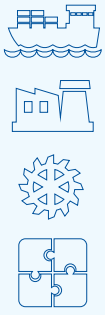
Our risk management policy classifies risks according to the following main groups: strategic, operational, production, planning, regulatory, reputational, and financial.

Risk description	Link to strategy	Methods for minimising risk	Risk level	Impact
Strategic risks				
1 **Risk of inadequate strategic planning** associated with the adoption of an erroneous 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.		✓ Monitoring technological innovations and BAT in the industry ✓ Monitoring the development of engineering infrastructure in regions of operation ● Developing a strategy for the Company's innovation and technological development ● Developing a technical policy that covers the entire cycle from the development of a concept right through to the introduction of innovative technologies in industrial production		• Loss of competitive advantages associated with the level of technological development of production and the constraints of external infrastructure • Failure to reach the target values of key strategic indicators
2 **Social and human resources** covers risks associated with hiring, as well as the development and retention of employees, as well as risks in relations with local communities and the risk of the advent of adverse social situations in regions of operation.		✓ Regular training and skills development for staff ✓ The conclusion of collective agreements with the administration of the Company's industrial enterprises ✓ The implementation of cooperation programmes with institutions of higher learning, and hiring skilled young people ✓ The establishment of reserve staff ✓ Conducting an annual survey on staff loyalty ● The development and introduction within the Company of a unified system of grading and qualification requirements ● The development of a unified human resources policy		• Discrepancies between the number of staff members and their qualifications and the Company's needs
Production risks				
3 **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, accidents, incidents and accidents at production facilities and related to industrial infrastructure, failure to meet planned production volumes.		✓ Scheduling of preventive maintenance and major overhauls, full implementation of planned work for the maintenance and inspection of equipment ✓ Compulsory insurance for production facilities and property belonging to Company enterprises ● The introduction of a unified database of negative events for all Company enterprises ● The introduction of a unified database of production risks ● The introduction of a database of reliable contractors ● The use of best practices for equipment repair, operation, and maintenance ● The selection of reliable contractors and the use of a range of construction and installation works on the basis of existing standards and regulations		• Accidents and incidents at production facilities, the loss of production output, setbacks in economic indicators, damage to or loss of equipment • Accidents and incidents at facilities related to energy infrastructure
4 **Risks related to occupational health and industrial safety** are risks of injury, occupational illnesses, accidents and incidents at hazardous production facilities, as well as risks associated with discrepancies between the occupational health and industrial safety elements of the risk management system and the legal requirements.		✓ Production oversight to ensure compliance with the requirements for occupational health and industrial safety ✓ Training for staff as well as checking their knowledge of the requirements related to occupational health and safety in the workplace ✓ The inclusion of requirements related to occupational health and industrial safety i n agreements with contractors ● Determination of the root causes of injuries on the basis of statistics related to accidents and minor injuries ● Regular exchange of information among enterprises in order to determine best practices ● Introduction of the OHSAS 18001 system ● Promotion of a corporate safety culture		• Occupational injuries, complete or partial loss of the capacity to work

✓ Implemented ● Under implementation

Risk description	Link to strategy	Methods for minimising risk	Risk level	Impact
Production risks (continued)				
5 **Environmental risks** cover the occurrence of potential damage to the environment as a result of activities carried out by the Company.		✓ Compilation of a complete database of environmental risks ✓ Continuous production and environmental oversight and monitoring of environmental risks ✓ The involvement of external experts when conducting assessments and analyses of environmental impacts ✓ A programme to improve energy efficiency ✓ Monitoring amendments to environmental legislation, changes to internal regulations, and analyses of environmental risks ● A system for environmental management ● Modernisation of the systems for cleaning up emissions and waste ● The introduction of a system for recycling water ● The implementation of a programme of measures to reduce negative impacts on the environment		• Non-compliance with established regulations regarding the impact on various components of the environment
Operational risks				
6 **Planning** risks of exceeding planned budgets and timelines for the completion of projects, as well as the failure to achieve efficiency targets related to projects.		✓ The distribution of project roles and the assignment of individuals responsible for implementation ✓ Quality control with respect to work carried out by contractors ✓ Oversight regarding work volumes and client obligations ● Uniform standards and approaches to project implementation and management ● Training and involvement of staff employed in capital construction ● Carrying out a price and technological audit ● Review of project documentation by enterprises' expanded technical and investment councils ● Financial penalties for low-quality/delayed implementation of tasks on the part of contractors	 	• Exceeding planned budgets and timelines for the implementation of projects involving capital construction • Poor implementation or work tasks • Exceeding established deadlines for the construction of new facilities or the modernisation of existing facilities

Risk description	Link to strategy	Methods for minimising risk	Risk level	Impact
Operational risks (continued)				
7 **Risks of inefficiency and infringement of business processes** are risks associated with a low level of efficiency or with the intentional or unintentional infringement of the set of internal procedures that make up the Company's business processes.		✓ Security services have been established at all enterprises that also take part in the conduct of tenders and procurement procedures. Audits of material assets are conducted, as are input validations ✓ Maintenance of a list of bad-faith suppliers ✓ Using different forms of payment for goods and materials depending on the reliability of the supplier ● Policies and standards with respect to the selection and evaluation of suppliers, procurement, and terms of reference ● Financial penalties for suppliers' failure to comply with the terms of contracts or the conditions for the replacement of sub-standard equipment ● An accounting of cases of delays and production failures as a result of the use of counterfeit or defective goods and materials ● Working with contractors to improve the degree of compliance with the Company's requirements. Provision of informational support ● The provision of IT support and process automation ● The use of external commercial venues ✓ Monitoring of arbitration practices, amendments in legislation, and clarifications by regulatory authorities ✓ Studying general trends in the decisions of the tax authorities and changes in the state's fiscal policy ● An approved tax strategy for the Company, as well as regulations and instructions for the preparation of tax returns and procedures for document management ● A policy on the regulation of transfer pricing within the Company ● Standardisation of the positions and approaches regarding tax and accounting policies within the Company ● Conducting internal quality control with respect to the preparation of tax returns	  	• The supply of low-quality or counterfeit raw materials, supplies and equipment • The provision of low-quality work and services or delays in the completion of work • The risk of administrative and criminal consequences as a result of violations uncovered by the tax authorities
8 **Risks in the area of economic security** are risks associated with losses caused to Company property and assets as a result of legal violations in the economic sphere committed by employees or third parties, including fraud and theft.		✓ Provision of a system to control access to enterprises' administrative and production facilities ✓ Analysis of the professional experience and reputation of the employees of enterprises, as well as verification of the authenticity of the information provided by them (including through the use of polygraph tests) ✓ The introduction of a system for the division of powers and for the multilevel approval of contracts and transactions ✓ Verification of the reliability of contractors ✓ Ensuring the functioning of mechanisms for receiving feedback from contractors and employees (hotlines) ● Conducting periodic inventories of goods and materials and of fixed assets ● Informing employees about the zero-tolerance policy for fraud and theft ● Informing employees about their potential liability in the form of fines and imprisonment for fraud and theft		• The loss of an enterprise's property as a result of illegal actions, including fraud and theft

Risk description	Link to strategy	Methods for minimising risk	Risk level	Impact
Operational risks (continued)				
9 **Risks in the field of information security** are risks associated with losses caused to Company property and assets by means of unauthorised access to its information systems or by the disclosure of confidential information.		✓ Ensuring the functioning of mechanisms for providing feedback on violations (hotlines) ✓ Conducting periodic audits in terms of compliance with regulations on the security of confidential information ✓ Establishing liability for the disclosure of confidential information in employment contracts and in civil contracts ✓ Adoption of a regulation on insider information ✓ Adoption of internal regulations on the protection of commercial secrets ● Limiting access to confidential information ● Certification of compliance with ISO/IEC 27001		• Distribution of confidential information
Regulatory risks				
10 **Compliance with legal and regulatory requirements** cover the risk of the impact on the Company's operations of amendments to or violations of legislation or regulations that could lead to an increase in the cost of doing business, the implementation of restrictive measures on the part of regulatory bodies, a reduction in investment appeal, and/or changes in the competitive environment.		✓ Monitoring the standard-setting activities of state regulatory bodies, as well as changes to procedures ✓ Preparation and submission of documents for obtaining/renewing licences and permits ✓ Interaction with the relevant legislative committees and industry associations ✓ Assessing the compliance of existing production and technical documentation with regulatory requirements ✓ Involving specialised external organisations in the drafting of expert opinions on the compliance of regulatory documentation with legal requirements ● A unified system to keep track of licences and permits ● The introduction of a system of compliance with respect to licensed activities ● A unified system to keep track of production and technical documentation ● A system of compliance with respect to production and technical documentation		• Non-compliance on the part of the Company with the requirements for licensed activities • Non-compliance of the Company's production and technical documentation with existing regulatory requirements • The publication of legal acts by federal and regional authorities of the Russian Federation that provide new burdens and restrictions for the Company in the Russian Federation
11 **Corruption** risks associated with losses resulting from penalties levied against the Company by state authorities as a result of non-compliance or inadequate compliance on the part of the Company or its employees with the requirements of applicable anti-corruption legislation.		✓ Ensuring the functioning of mechanisms for receiving feedback from contractors and employees (hotlines) ✓ Providing training for employees on combating corruption and on the basis for the application of anti-corruption legislation ✓ Informing employees about the principles of the Company's zero-tolerance policy on corruption ✓ Informing employees about their potential liability for violating anti-corruption legislation ● Conducting periodic audits with respect to compliance with anti-corruption legislation and with internal regulatory documents		• The performance of corrupt acts by the employees or contractors of Company enterprises

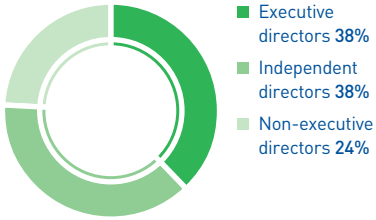
Risk description	Link to strategy	Methods for minimising risk	Risk level	Impact
Reputational risks				
12 **Reputational risks** cover damage to the Company's business reputation as a result of unauthorised disclosure in the media of information about the Company's operations, financial results, upper management etc. In addition, a reputational risk may also result from the improper use of the Company brand, low-quality production of goods and/or provision of services, and non-compliance with relevant laws, as well as violations by the Company of its commitments to its employees.		✓ Adoption of a uniform information policy within the Company ✓ Adoption of regulations on interaction with the media ✓ Regular media monitoring ✓ Adoption of regulations about the disclosure of information concerning the Company's operations ● A social media policy ● Conducting regular internal training seminars to familiarise employees with the provisions of the information policy ● The existence of a formal crisis communications programme covering all departments involved in a crisis ● Investigations into cases of so-called 'black' PR		• The unauthorised disclosure of information to the media about the Company's operations by unauthorised and/or unidentified representatives of the Company (leaks) • Public statements and actions on the part of third parties (individuals or organisations) concerning the Company that denigrate the Company's business reputation in order to have a negative impact on its operations
Financial risks				
13 **Credit** risks of financial losses caused by the failure of commercial contractors, suppliers, banks, insurance companies, clearing centres, or other financial contractors to fulfil their financial obligations to the Company completely and on time.		✓ The development of regulations on credit risks ✓ Assessing the level of credit risk related to every counterparty. Establishing payment conditions for counterparties on the basis of this assessment ✓ Selling the Company's products on the basis of prepayment in full/delivery versus payment ✓ An analysis of accounts receivable. Monitoring overdue accounts receivable ✓ The creation of a database of bad-faith/banned contractors (suppliers, banks, insurance companies) ✓ Working with suppliers of goods and services and contractors without advance payments ✓ Full or partial insurance of credit risk taking into account potential economic benefits ● Developing a policy on credit risk ● Using a portfolio approach to managing financial risks ● Developing and using a simulation model for evaluating the exposure of the Company's financial results to credit risks, evaluating counterparties ● Developing a system of limits for credit risks ● Factoring/forfeiting of the Company's accounts receivable		• Failure by clients to pay for delivered goods • Late payments by clients for delivered goods
14 **Currency** risks of financial losses caused by unfavourable changes in exchange rates with respect to the Company's base currency.		✓ Alignment of the currency structure of the Company's net income from operations with the currency structure of the net expenditures related to its financial investments ✓ Full or partial hedging of the planned net currency position ● Using a portfolio approach to managing financial risks ● Developing a policy on currency risks ● Implementing a hedging policy to manage currency risks ● Developing and using a simulation model for evaluating the exposure of the Company's financial results to currency risks		• Debt levels as reported in our main operating currency could increase as a result of unfavourable fx rate changes • Losses from derivative financial instruments • Realised and unrealised losses from revaluation of fx-denominated debt • Decrease in cash flow in our main operating currency

Risk description	Link to strategy	Methods for minimising risk	Risk level	Impact
Financial risks (continued)				
15 **Marketable goods** cover possible losses associated with unfavourable changes in market prices and sales.		✓ Identifying the Company's key suppliers of raw materials and energy services ✓ Monitoring global and local market prices, potential market volumes, and other key events ✓ Optimising the sales structure with respect to sales of fertilizer brands in accordance with the marginality of market segments ✓ Investments in improving production. The creation of a flexible production system with respect to fertilizer brands ✓ The provision of additional services upon the sale of marketable goods (storage, packaging, blending) ✓ Conducting procurement on the basis of tenders ✓ Receiving regular feedback from buyers and suppliers ● Using a portfolio approach to managing financial risks ● Developing a policy on risks related to marketable goods ● Developing regulations on risks related to marketable goods ● Developing and using a simulation model for evaluating the exposure of the Company's financial results to risks related to marketable goods ● Forecasting prices for products ● Improving the effectiveness of the mechanism for premiums and discounts concerning specifications and services related to supplied products ● Hedging price risks ● Using financing mechanisms for buyers		The critical impact on the cost of production of one or more raw materials, cost increases and worsening financial results The loss of revenue as a result of the poor choice of a product with low marginality

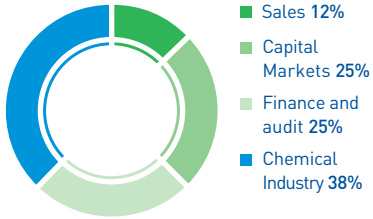
Diverse backgrounds and years of experience

The members of the Board of Directors bring a wide range of experience ranging from international audit and global chemicals businesses to investing and financial markets in Russia and abroad. This mix of backgrounds helps us to consider the issues brought to the Board from every aspect before we make a decision.

BOARD OF DIRECTORS STRUCTURE



BOARD OF DIRECTORS PROFESSIONAL EXPERIENCE



Andrey A. Guryev



Executive Director

Year appointed to Board: 2013

Committee appointments:

Recent roles:
2013-present: CEO of PhosAgro

2011-2013: Deputy CEO for Sales and Logistics of PhosAgro AG

2011-2013: Deputy CEO of PhosAgro

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.

Shares in PhosAgro:
Mr Andrey A. Guryev owns no shares in PhosAgro. According to information available to the Company, the ownership of companies holding 45.46% of PhosAgro's authorised capital, namely Adorabella Limited, Chlodwig Enterprises Limited, Fornido Holding Limited, Dubhe Holdings Limited, Miles Ahead Management Limited, and Owl Nebula Enterprises Limited, is held in trusts, the economic beneficiaries of which are Andrey G. Guryev and members of his family.

Igor Antoshin



Executive Director

Year appointed to Board: 2006

Committee appointments:

Recent roles:
2013-present: Adviser to the CEO of PhosAgro

2009-2013: CEO of PhosAgro Engineering Centre

2006-2009: CEO of PhosAgro

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

Shares in PhosAgro:
Mr. Antoshin directly owns shares equivalent to 1.92% of the Company's authorised capital. In addition, based on information available to the Company, Vindemiatrix Trading Limited, Carranita Holdings Limited and Dubberson Holdings Limited hold shares equivalent to 12.66% of PhosAgro's share capital are ultimately held by trusts, of which Mr. Antoshin is the economic beneficiary.

Andrey G. Guryev



Non-Executive Director

Year appointed to Board: 2013

Committee appointments:

Recent roles:
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

Education:
Graduated from G.V. Plekhanov St. Petersburg State Mining Institute and the Lenin State Central Institute of Physical Culture

Shares in PhosAgro:
Mr Andrey G. Guryev owns no shares in PhosAgro. According to information available to the Company, the ownership of companies holding 45.46% of PhosAgro's authorised capital, namely Adorabella Limited, Chlodwig Enterprises Limited, Fornido Holding Limited, Dubhe Holdings Limited, Miles Ahead Management Limited, Owl Nebula Enterprises Limited, is held in trusts, the economic beneficiaries of which are Andrey G. Guryev and members of his family. Andrey G. Guryev's wife owns shares representing 4.82% of PhosAgro's authorised capital.

Sven Ombudstvedt



Independent Director

Year appointed to Board: 2011

Committee appointments:

Recent roles:
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

Education:
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).

Shares in PhosAgro:
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.

Marcus Rhodes



Independent Director

Year appointed to Board: 2011

Committee appointments:

Recent roles:
2002-2008: Audit Partner, Ernst & Young

1998-2002: Audit Partner, Aurthur Andersen

Education:
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. Rhodes owns no shares in PhosAgro.

Membership of the Board of Directors in other organisations: member of the Boards of Directors of Rosinter Restaurants Holding, Cherkizovo Group, Thethys Petroleum Limited and QIWI.

Ivan Rodionov



Non-executive Director

Year appointed to Board: 2004

Committee appointments:

Recent roles:
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

Education:
Graduate degree in Economics from the Lomonosov Moscow State University (Russia).

Shares in PhosAgro:
Mr. Rodionov owns no shares in PhosAgro.

Membership of the Board of Directors in other organisations: Interdepartmental Analytical Center, Investment Company RUSS-INVEST, and IBIS Group Holding.

Roman Osipov



Executive Director

Year appointed to Board: 2012

Committee appointments:

Recent roles:
2013-present: Business Development Director of PhosAgro

2012-2013: Adviser to the CEO of PhosAgro

2012-2013: Deputy CEO for Business Development of PhosAgro AG

2009-2012: Chief Financial Officer of PhosAgro AG

Education:
Graduate degree from the D.F. Ustinov Baltic State Technical University.

Master of Science degree from the LETI-Lovanium International School of Management (now the International School of Management).

Shares in PhosAgro:
Mr. Osipov owns no shares in PhosAgro. According to information available to the Company, Mr. Osipov's wife owns shares equal to 0.0002% of PhosAgro's authorised capital.

James Rogers



Independent Director

Year appointed to Board: 2014

Committee appointments:

Previous roles:
Jim Rogers 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

Shares in PhosAgro:
Jim Rogers owns 13,000 Global Depositary Receipts ("GDRs" – 3 GDRs = 1 ordinary share) for PhosAgro shares, which represents 0.0033% of the Company's authorised capital.

Board Committees

- Audit Committee
- Strategy Committee
- Remuneration and Human Resources Committee
- Environmental, Health and Safety Committee
- Risk Management Committee

FOR MORE INFORMATION ABOUT OUR BOARD MEMBERS, PLEASE VISIT WWW.PHOSAGRO.COM

A responsible and sustainable business that builds value for its stakeholders



As the Chairman of the Board of Directors, one of my key responsibilities is to ensure that PhosAgro's corporate governance system helps the Company to develop as a responsible, sustainable business that builds value for its stakeholders. We took important steps towards achieving this in 2014 with the creation of a new Risk Management Committee, adoption of a new anti-corruption policy and the election of a new independent director.

In September 2014, the Board of Directors established a Risk Management Committee in order to develop further PhosAgro's risk management systems with full Board-level oversight. This committee has already held two meetings, and has presented to the Board its recommendations regarding the Company's target risk management structure and policies.

We also adopted a new anti-corruption policy, which applies to all management and employees of PhosAgro and its subsidiaries. This policy has been communicated to all staff and will be part of all new employee training, as well as special training courses for existing staff. We adopted the anti-corruption policy to address two incidents of corruption that had taken place in 2004-2009 involving former PhosAgro employees. An investigation into these incidents is ongoing, and appropriate measures will be taken upon completion of this investigation.

The makeup of the Board of Directors has also been enhanced, with the legendary investor Jim Rogers joining us as an Independent Non-Executive Director in September 2014. Jim brings a wealth of experience and knowledge in several priority areas for PhosAgro, including soft commodities and Asia.

Finally, I would underscore once again the importance of the strategic review that was completed in 2014 and presented to investors. The Board worked with management as well as external consultants to undertake a comprehensive analysis of the global phosphate-based fertilizers market and to identify the most promising potential areas of growth for PhosAgro. Through this process, we developed and approved a strategy to 2020 that the Board and I believe will build value over the next five years, while also creating a solid foundation for further sustainable growth for many years to come.

Looking ahead to 2015, some of our priority areas of focus include monitoring implementation of PhosAgro's strategy and ensuring the Company's ambitious investment programme remains on track, development of our risk management systems in line with global best practice, monitoring our social performance as a responsible business partner in the communities where we operate, and monitoring PhosAgro's financial performance as the world's sustainable low-cost leader in phosphate-based fertilizers.

I would like to thank the Board and PhosAgro's management for the hard work that has been put into building a responsible, sustainable business in 2014, and all of PhosAgro's stakeholders for your continued engagement with the Company.

Sven Ombudstvedt
Chairman of the Board of Directors

SEE MANAGING OUR RISKS ON PAGE 60-67

SEE JIM ROGERS' BIOG ON PAGE 69



How governance works at PhosAgro

Our Shareholders' Meeting is the principal forum through which the owners of the Company exercise their ability to decide on the most significant issues affecting our business. These include approving the financial statements and amending the Company's Charter and 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 Chief Executive Officer.

The Management Board and the Chief Executive Officer manage the day-to-day operations of the Company 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 make decisions on a number of matters, including:

- amendments and additions to the Company's Charter, or adoption of a new version of the Charter
- the reorganisation or liquidation of the Company
- election and removal of members of the Board of Directors
- increases or reductions in the Company's authorised captial
- approval of the Company's external auditor
- approval of the Company's annual reports and financial statements
- distribution of profits, including payment of dividend
- 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 are present.

The 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 no less than 30 days prior to an Annual Meeting, or 20 days prior to an Extraordinary 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 at 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, 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 2014 included:

- approval of PhosAgro's new strategy to 2020
- adoption of a new anti-corruption policy and monitoring its implementation
- creation of the Risk Management Committee
- recommending dividend payments
- evaluation of the performance of the CEO and other members of the management team
- monitoring implementation of the 2014 budget and strategic plans, and approving a new budget for 2014 based on the Company's operational needs and strategic priorities.

Other issues that the Board considered included:

- election of the Chairman and Deputy Chairman of the Board
- approval of the Board Committees and Committee members
- review of significant aspects of the performance of PhosAgro's subsidiaries
- review of progress on implementation of HSE practices
- review of the Company's IFRS financial reports
- review of the performance of the independent auditor and determining the auditor's remuneration
- approval of related party transactions.

		Board		Audit Committee		Committee Strategy		Remuneration and HR Committee		Environment, Health and Safety Committee		Risk Management Committee	
Name	Year of birth	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Sven Ombudstvedt	1966	9	9	7	7	1	1	4	4	3	3		
Marcus Rhodes	1961	9	8	7	7			1	1				
Ivan Rodionov	1953	9	9	5	5			3	3			2	2
Igor Antoshin	1963	9	8					3	3	3	3		
Yuri Krugovykh	1955	6	6			1	1						
Roman Osipov	1971	9	9			2	2					2	1
Andrey G. Guryev	1960	9	8			1	1	3	3				
Andrey A. Guryev	1982	9	9			2	2			3	3	2	2
James Rogers	1942	2	1	2	1			1	1				

On 16 September 2014, James Rogers was elected to the Board of Directors. He was appointed as Chairman of the Remuneration and HR Committee, and became a member of the Audit Committee.

On 16 September 2014, Yuri Krugovykh left the Board of Directors.

The Risk Management Committee was formed on 16 September 2014.

Members of the Board of Directors

As of 31 December 2014, the Board of Directors consisted of eight members, three of whom were Independent Non-Executive Directors (INEDs). With the election of Jim Rogers as an INED in September 2014, PhosAgro took another step towards best practice in corporate governance. While formally the number of INEDs on the Board of Directors is three, a fourth Director, Ivan Rodionov, was until recently also considered Independent. Mr. Rodionov lost his status as an INED on PhosAgro's Board of Directors in 2014 due to Moscow Exchange listing rules under which an individual who has served for more than seven years on a Board of Directors may no longer be considered independent. In all other respects, however, Mr. Rodionov continues to meet the requirements to qualify as an Independent Director.

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 for the Company to find the right balance between professional skills and experience, independence and industry knowledge.

According to PhosAgro's Regulation on the Board of Directors, the UK Corporate Governance Code and the requirements of the UK Financial Conduct Authority, the criteria of independence for members of the Board of Directors are that an Independent Director:

- cannot have had any relationship with the Company for a period of five years prior to appointment to the Board
- cannot have any relationship with a company where any of the Company's officials is a member of the other company's Board Committee for Human Resources and Remuneration
- cannot be related by family to any senior manager of the Company or the Chief Executive Officer
- cannot be a representative of the Russian federal, regional or municipal authorities
- cannot be a senior manager in any of PhosAgro's subsidiaries and/or hold more than 3% of the Company's authorised capital.

The Board of Directors constantly seeks 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. During 2014, the Board of Directors held nine meetings, one of which was carried out by absentee ballot.

Board Committees

The Committees of the Board of Directors are advisory and consultative bodies.

The Board Committees are comprised of current members of the Board of Directors, having 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.

The Executive Body

Management Board

As of 31 December 2014, 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 new charter approved at the EGM, and include:

- review, revision and approval of PhosAgro's quarterly and annual budgets
- development of PhosAgro's capital expenditure plans and strategy with respect to any new business activities
- approval of certain transactions relating 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
- approval of incentivisation and similar documents that determine the compensation and benefit policies for PhosAgro employees
- election and removal of the secretary of the Management Board and his/her powers.

The Audit Committee



Marcus Rhodes
Committee Chairman

> One of our key achievements in 2014 was to significantly improve our internal systems for IFRS reporting.

Letter from the Committee Chairman

One of our key achievements in 2014 was that PhosAgro significantly improved the systems it uses to collect and report information for its IFRS financial results. The Audit Committee and the Company have worked hard towards achieving this goal. In 2014 we focused on optimising the internal business processes involved in preparation of our financial reporting and, as a result, PhosAgro has moved closer to best practice in financial results disclosure.

Looking ahead to 2015, I believe we must continue to focus on further optimisations in order to continue bringing PhosAgro's reporting dates closer to those of global leaders in transparency and disclosure.

Activities in 2014

During the reporting period, the Audit Committee held seven meetings, in which matters covering all priority areas of the Company's activity were considered. Considerable focus was placed on improving internal audit procedures. In 2014, the Audit Committee focused on:

- analysis of annual and interim IFRS financial statements
- developing recommendations for the Board of Directors regarding its work with the Internal Audit service
- review of related party transactions
- development of recommendations for the Board of Directors regarding the appointment of the Company's independent auditor, and analysis of the work done by the independent auditor.

Committee members

As of 31 December 2014, 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 the Audit Committee of PhosAgro, the Audit Committee shall consist of not less than three current members of the Board of Directors, and shall be chaired by an Independent Director.

The Committee's remit includes:

- review the IFRS financials for integrity and transparency
- analysis of 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
- analysis and support of the internal audit system and risk management procedures, including the drafting of recommendations for their improvement

The Strategy Committee



Andrey A. Guryev
Committee Chairman

> With the strategy to 2020 approved by the Board in 2014, we will be focusing on further analysing and detailing the new strategic priorities during 2015.

Letter from the Committee Chairman

The Committee played a central role in PhosAgro's 2014 strategic review, which we have discussed in great detail throughout this report (see Delivering a Sustainable Strategy on pages 24-29). The other Strategy Committee members and I worked closely with PhosAgro management and liaised with the Board to develop an updated strategy to 2020 that we believe will secure this company's spot as a global leader in phosphate-based fertilizers with a sustainable cash cost advantage.

With the strategy to 2020 approved by the Board in 2014, we will be focusing on further analysing and detailing the new strategic priorities during 2015.

Activities in 2014

In 2014, the Strategy Committee held two meetings, at which it focused on:

- development of the Company's strategy through 2020
- investment and borrowing plans for 2014 and 2015
- development of new domestic and export sales strategies for PhosAgro and its subsidiaries
- review of material aspects of the activities of the Company's subsidiaries

Committee members

As of 31 December 2014, 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;

Roman Osipov,
Committee Member, Executive Director of the Board of Directors

Key areas

The Strategy Committee assists the Board of Directors in the development of the Company's strategy and related processes, including management of the Company's assets and the review of major innovation and investment programmes and projects. The Committee and its Chairman are appointed by the Board of Directors, which ensures that issues within the remit of the Committee are discussed and analysed thoroughly from all strategic points of view.

The Committee's remit includes:

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

The Remuneration and Human Resources Committee



James Rogers
Committee Chairman

> Last year, we completed the main phase of PhosAgro's headcount optimisation programme, which has been one of the Committee's main priorities since 2012.

Letter from the Committee Chairman

I joined the PhosAgro Board of Directors in September 2014, when I was also appointed to the Remuneration and Human Resources Committee as its Chairman. Last year marked the completion of the main phase of PhosAgro's headcount optimisation programme, which has been one of the Committee's main priorities since 2012. KPIs have been another focus throughout the last year, with further improvements to the system that was introduced in 2013. In addition, the KPIs-based remuneration system has been implemented for additional subsidiaries that are part of PhosAgro.

Looking ahead to 2015, our attention will remain on these two priority areas – finalising the headcount optimisation and further improving PhosAgro's KPI system.

Activities in 2014

During the reporting period, the Remuneration and Human Resources Committee held four meetings. The main issues considered by the Committee during 2014 were:

- analysis of implementation of the Company's social programmes in 2013 and priority areas of social policy in 2014
- evaluation of the performance of the Chief Executive Officer and the Management Board, recommendations to 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.

Committee members

As of 31 December 2014, 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 is an Independent Non-Executive Director on the Company's Board of Directors, and the Chief Executive Officer cannot be a member of the Committee.

The Committee's remit includes:

- the development of the Company's policy in relation to organising the activity and motivation of the Board of Directors
- the development of the human resources policy in relation to the Company's senior management, and the supervision of its implementation.

The Environmental, Health and Safety Committee



Igor Antoshin
Committee Chairman

> In 2014, we launched an integrated industrial health, safety and environment management system pilot project, developed with the help of DuPont Sustainable Solutions.

Letter from the Committee Chairman:

Our top priority in 2014 was the launch and successful implementation of a pilot project for an integrated industrial health, safety and environment management system, developed with the help of DuPont Sustainable Solutions. This system is described in greater detail in the on pages 48-49. We are also proud of the fact that, as a result of PhosAgro's ongoing efforts to ensure the health and safety of our employees, workplace injuries continued to decline in 2014.

Our focus is to continue to reduce injuries and we plan to integrate the HSE management system across our production sites.

Activities in 2014:

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

- review of Apatit's activities in the area of workplace health and safety, analysis of the current situation, identification of measures for improvement
- review of information regarding the implementation of a unified policy for management of HSE issues
- review of the PhosAgro sustainability report for 2013
- evaluation of the results of subsidiaries' work on compliance with workplace health and safety regulations for hazardous production sites in 2013
- review of proposed changes to Russian Federation environmental protection legislation and analysis of possible effects for the Company.

Committee members

As of 31 December 2014, the Remuneration and Human Resources Committee comprised:

Igor Antoshin,
Committee Chairman, 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, the efficient use of natural resources and energy, and occupational health and safety for employees, including the avoidance of industrial accidents, and to advise the Board of Directors on such issues. The Committee and its Chairman are appointed by the Board of Directors.

The Committee's remit includes:

- the Company's compliance with legal and regulatory requirements relating to environmental and health and safety issues
- the Company's development and enforcement of policies, procedures and practices beneficial to the protection of the environment and the health and safety of employees, contractors, customers and the public
- the evaluation of the Company's efficient use of natural resources and energy, enforcement of energy saving and resource conservation activities in the Company, and providing recommendations for further implementation and improvement of these activities
- the prevention of industrial accidents, including plans, programmes and processes established by the Company to evaluate, manage and decrease risks of industrial accidents
- the improvement of conditions related to health and safety for the Company's employees, and the enforcement of policies for decreasing and eliminating occupational injuries.

The Risk Management Committee



Ivan Rodionov
Committee Chairman

> In 2015, the Committee plans to continue to develop and improve further the Risk Management Policy, and to review our risk analysis and risk tolerance in line with the current market situation.

Letter from the Committee Chairman

PhosAgro's Board of Directors created the Risk Management Committee in 2014, and has approved the Company's new Risk Management Policy. These both represent significant milestones in the development of PhosAgro's risk management system.

In 2015, the Committee plans to continue to develop and improve further the Risk Management Policy, and to review our risk analysis and risk tolerance in line with the current market situation.

Activities in 2014

The Risk Management Committee was formed on 16 September 2014. During the reporting period, it held two meetings, at which the following issues were covered:

- review of the PhosAgro Risk Management Policy
- review of the Risk Management Committee's by-laws
- evaluation of the PhosAgro risk management system.

Committee members

As of 31 December 2014, the Remuneration and Human Resources 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

Roman Osipov,
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 regards 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 is established by the Board of Directors, who are also responsible for appointing its members and chairman.

The Committee's remit includes:

- evaluation of the effectiveness of the Company's risk management system and recommendations regarding improvements
- preparation of 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.

During the reporting period, the Management Board held six meetings, at which the following issues were covered:

- approval of PhosAgro's budget for 2014
- launch of voluntary offer for the purchase of shares of PhosAgro-Cherepovets
- consideration of the Company's financial and operating results of 2013 and 2014.

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 lie 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 relating to the Company that do not fall within the competence of the General Shareholders' Meeting, the Board of Directors and/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 Company 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 Chief Executive Officer of the Company throughout 2014. For biographical details of Mr. Guryev, please see the Board of Directors section.

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 2014, the total remuneration paid to the Board of Directors of PhosAgro was USD 482.2 thousand, and RUB 3,299.5 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 and approved 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 financial results of the Company.

The remuneration paid by the Company to the Chief Executive Officer and the five members of the Management Board (who represent the Senior Management Team) for their services to the Company during the year ended 31 December 2014 was RUB 41.1 million in salary and additional compensation (2013: RUB 37.5 million).

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 achievement of the Company's key performance indicators, and on 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. The 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 in place a well-defined policy on insider information, which acts as one of the most important conditions in ensuring that the rights and interests of our shareholders and investors are respected. Our principles are outlined in the Regulation on Insider Information, which is available on our 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 insider information laws and regulations.

We control 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 the PhosAgro 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 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 20% and 40% of the consolidated profit for the year attributable to PhosAgro shareholders calculated in accordance with IFRS.

The Review Committee

The Review Committee may undertake internal audit procedures either on its own initiative, or pursuant to the decision of the General Shareholders' Meeting or the Board of Directors, or at the request of shareholders owning at least 10% of the shares of 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 at the same time be on the Company's Board of Directors, nor may they hold positions in the Company's executive bodies.

Internal Audit Department

The Internal Audit Department is an independent department within PhosAgro that is responsible for conducting internal audits to provide independent and objective assessment of internal controls and risk management of PhosAgro and its subsidiaries.
The department assists the Company's Board of Directors and the management team to achieve PhosAgro's strategic objectives, increase the Company's value and improve its performance.
The Director of Internal Audit provides regular reports to the Audit Committee and to the Chief Executive Officer on the results of internal audits. The Audit Committee recommends a nominee for the position of the Director of Internal Audit for approval by the resolution of the Board of Directors.

Internal control and audit

Internal control and audit is part of PhosAgro's corporate governance process. It is incorporated into our ongoing activities and is aimed at improving risk management (for more information see Risk Management on pages 60-67), control and corporate governance, so as to achieve the following:

- efficient operations
- implementation of strategy and business plan
- protection of the Company's assets, cost-effective and efficient use of its resources
- timely identification and analysis of risks
- planning and risk management, including facilitating timely and appropriate decisions to mitigate any risks the Company faces
- establishing and maintaining PhosAgro's good reputation in the business community and among customers and investors
- effective reporting
- reliability, accuracy and completeness of financial and operational information for accounting records, financial statements and management data
- up-to-date data for management reporting and decision-making
- timely external reporting on results
- legal compliance
- monitoring for compliance with current legislation and internal policies, standards and procedures.

Internal control and audit

Internal control body	**Review Committee**	**Audit Committee of the Board of Directors**
Appointed by	General Shareholders' Meeting	Board of Directors
Reports to	General Shareholders' Meeting	Board of Directors
Functions	Prepares a report on the results of operations of the Company 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. Internal audit procedures and ensure compliance with Russian Accounting Standards (RAS). Monitors compliance with current legislation, Company Charter and internal regulations.	Improves efficiency and quality of work of the Board of Directors in the area of internal control. Considers issues and provides recommendations to the Board of Directors in areas such as: • external audit, internal audit • the accuracy and efficiency of internal control procedures • management accounting and financial reporting • risk management procedures and systems • how risks are reflected in the Company's reporting. Supervises the Internal Audit Department.

	Board of Directors	Chief Executive Officer	Director of Internal Audit and Control	External Auditor
	General Shareholders' Meeting	Board of Directors	Board of Directors	Approved by Board of Directors
	Shareholders	Board of Directors and General Shareholders' Meeting	Functional: Audit Committee Administrative: Chief Executive Officer	Audit Committee
	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.	Functioning of PhosAgro's internal control system. Implements internal control procedures, and ensures that they are put into practice. Promptly informs the Board of Directors of any significant risks faced by the Company or any major weaknesses in the Company's internal control system. Tells the Board what measures have been or will be taken to address issues and the results of these actions.	Independent and objective assessment of the Company's internal control and risk management systems. Oversight of compliance of PhosAgro's financial and economic operations with Russian legislation and the Company's Charter. Ensuring the completeness and reliability of the Company's accounting and financial reports. Evaluation of the efficiency and effectiveness of business processes, including use of resources. Participates in creation and development of unified elements of the control system within PhosAgro. Develops recommendations on strategic changes within the Company related to improving the internal control system, risk management and corporate governance. Develops and promotes corporate internal control policies.	Verification of the compliance, in terms of accuracy and completeness, of the Company's annual financial statements with IFRS. Inspection of the financial and commercial operations of the Company and the internal control systems. Preparation of a report, which is submitted to the Audit Committee at least once a year. In case of a disagreement between the management of the Company and the independent auditor, the Audit Committee oversees the resolution of the disagreement. JSC 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 2014 were approved by the Company's management on 28 April 2015.

Chairman of the Management Board and Chief Executive Officer

Andrey A. Guryev



Financials

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Auditor's report

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Internet: www.kpmg.ru

To the Shareholders and Board of Directors

OJSC "PhosAgro"

We have audited the accompanying consolidated financial statements of OJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.



Romanenko A.M.

Director, (power of attorney dated 16 March 2015 No. 22/15)

JSC "KPMG"

28 April 2015

Moscow, Russian Federation

Audited entity: OJSC "PhosAgro"

Registered by the State Registration Chamber with the Russian Ministry of Justice on 10 October 2001. Registration No. P-18009.16.

Entered in the Unified State Register of Legal Entities on 5 September 2002 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700190572, Certificate series 77 No. 005082819.

55/1 building 1, Leninsky prospekt, Moscow, Russian Federation, 119333

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.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

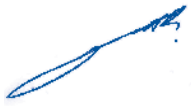
Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

	Note	2014 RUB Million	2013 RUB Million
Continuing operations			
Revenues	6	**123,124**	104,566
Cost of sales	8	**(68,821)**	(68,139)
Gross profit		**54,303**	**36,427**
Administrative expenses	9	**(9,081)**	(8,380)
Selling expenses	10	**(11,646)**	(8,378)
Taxes, other than income tax		**(1,983)**	(2,149)
Other expenses, net	11	**(1,997)**	(1,378)
Operating profit		**29,596**	**16,142**
Finance income	12	**1,059**	1,138
Finance costs	12	**(11,610)**	(2,272)
Foreign exchange loss, net	28(b)	**(33,545)**	(2,999)
Share of (loss)/profit of associates	15	**(756)**	19
Restructuring costs	7	**(173)**	(1,985)
(Loss)/profit before tax		**(15,429)**	**10,043**
Income tax benefit/(expense)	13	**2,034**	(1,740)
(Loss)/profit from continuing operations		**(13,395)**	8,303
Discontinued operations			
Profit from discontinued operations, net of tax		**–**	273
(Loss)/profit for the year		**(13,395)**	**8,576**
Attributable to:			
Non-controlling interests[1]		**246**	916
Shareholders of the Parent		**(13,641)**	7,660
Other comprehensive income			
Revaluation of available-for-sale securities		**23**	–
Actuarial gains and losses, net of tax		**133**	(111)
Foreign currency translation difference		**5,220**	247
Other comprehensive income for the year		**5,376**	**136**
Total comprehensive (loss)/income for the year		**(8,019)**	**8,712**
Attributable to:			
Non-controlling interests[1]		**248**	901
Shareholders of the Parent		**(8,267)**	7,811
Basic and diluted (loss)/earnings per share (in RUB)	23	**(105)**	60

1 Non-controlling interests are the minority shareholders of the subsidiaries of OJSC "PhosAgro".

The consolidated financial statements were approved on 28 April 2015:



Chief executive officer

Guryev A. A.



Chief financial officer

Sharabaiko A. F.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 92-126.

Consolidated statement of financial position as at 31 December 2014

	Note	31 December 2014 RUB million	31 December 2013 RUB million
Assets			
Property, plant and equipment	14	**86,086**	75,928
Intangible assets		**572**	623
Investments in associates	15	**12,975**	8,485
Deferred tax assets	16	**4,249**	1,806
Other non-current assets	17	**8,935**	4,383
Non-current assets		**112,817**	**91,225**
Other current investments	18	**1,656**	1,673
Derivative financial assets		**–**	79
Inventories	19	**12,527**	12,293
Current income tax receivable		**2,975**	668
Trade and other receivables	20	**18,993**	11,376
Cash and cash equivalents	21	**30,687**	8,938
Current assets		**66,838**	**35,027**
Total assets		**179,655**	**126,252**
Equity	22		
Share capital		**372**	372
Share premium		**7,494**	7,494
Retained earnings		**22,708**	48,556
Other reserves		**5,258**	(116)
Equity attributable to shareholders of the Parent		**35,832**	56,306
Equity attributable to non-controlling interests		**149**	3,020
Total equity		**35,981**	**59,326**
Liabilities			
Loans and borrowings	24	**93,002**	39,550
Defined benefit obligations	25	**453**	971
Deferred tax liabilities	16	**2,118**	3,304
Non-current liabilities		**95,573**	**43,825**
Trade and other payables	27	**15,321**	9,377
Current income tax payable		**620**	518
Loans and borrowings	24	**30,822**	13,206
Derivative financial liabilities		**1,338**	–
Current liabilities		**48,101**	**23,101**
Total equity and liabilities		**179,655**	**126,252**

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 92-126.

Consolidated statement of cash flows for the year ended 31 December 2014

	Note	2014 RUB million	2013 RUB million
Cash flows from operating activities			
(Loss)/profit before tax from continuing operations		**(15,429)**	10,043
Adjustments for:			
Depreciation and amortisation	8, 9, 10	**8,013**	7,792
Loss on disposal of fixed assets	11	**280**	91
Finance income	12	**(1,059)**	(1,138)
Finance costs	12	**11,610**	2,272
Share of loss/(profit) of associates	15	**756**	(19)
Foreign exchange loss, net		**35,010**	3,252
Operating profit before changes in working capital and provisions		**39,181**	22,293
(Increase)/decrease in inventories		**(100)**	122
(Increase)/decrease in trade and other receivables		**(7,191)**	1,515
Increase/(decrease) in trade and other payables		**2,161**	(823)
Cash flows from operations before income taxes and interest paid		**34,051**	23,107
Income tax paid		**(3,847)**	(3,276)
Finance costs paid		**(2,695)**	(1,906)
Cash flows from operating activities		**27,509**	**17,925**
Cash flows from investing activities			
Loans (issued)/repaid, net		**(907)**	785
Acquisition of intangible assets		**(160)**	(198)
Acquisition of property, plant and equipment		**(20,549)**	(17,795)
Proceeds from disposal of property, plant and equipment		**335**	613
Proceeds from disposal of investments		**254**	107
Finance income received		**817**	788
Cash of Phosint Trading Ltd and Phosagro Asia Pte Ltd acquired		**–**	1,143
Cash paid for CJSC "Nordic Rus Holding"		**–**	(1,680)
Proceeds from disposal of CJSC "Pikalevskaya soda" and part of manufacturing facilities within CJSC "Metachem"		**–**	633
Cash flows used in investing activities		**(20,210)**	**(15,604)**

Consolidated statement of cash flows for the year ended 31 December 2014 (continued)

	Note	2014 RUB million	2013 RUB million
Cash flows from financing activities			
Proceeds from borrowings		**71,412**	47,559
Repayment of borrowings		**(43,145)**	(36,979)
Acquisition of non-controlling interests	22	**(7,078)**	(11,674)
Proceeds from contribution to charter capital of subsidiaries by non-controlling interests		**132**	–
Tax on intra-group dividends		**(247)**	–
Dividends paid to shareholders of the Parent	22	**(5,737)**	(7,511)
Payment of finance lease liabilities		**(1,015)**	(1,465)
(Loss)/income from settlement of derivatives		**(5,921)**	123
Proceeds from issuance of additional shares		**–**	6,407
Dividends paid to non-controlling interests		**–**	(2)
Cash flows from/(used in) financing activities		**8,401**	**(3,542)**
Net increase/(decrease) in cash and cash equivalents		**15,700**	(1,221)
Cash and cash equivalents at 1 January		**8,938**	9,664
Effect of exchange rates fluctuations		**6,049**	495
Cash and cash equivalents at 31 December	21	**30,687**	**8,938**

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 92-126.

Consolidated statement of changes in equity for the year ended 31 December 2014

RUB million	Attributable to shareholders of the Parent						Attributable to non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve		
Balance at 1 January 2013	360	1,099	48,294	(23)	(347)	103	12,389	61,875
Total comprehensive income for the year								
Profit for the year	–	–	7,660	–	–	–	916	8,576
Actuarial gains and losses, net of tax	–	–	–	–	(96)	–	(15)	(111)
Foreign currency translation difference	–	–	–	–	–	247	–	247
	–	–	7,660	–	(96)	247	901	8,712
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries	–	–	(2,820)	–	–	–	(10,268)	(13,088)
Issuance of new ordinary shares	12	6,395	–	–	–	–	–	6,407
Dividends to shareholders of the Parent	–	–	(4,578)	–	–	–	–	(4,578)
Dividends to non-controlling interests	–	–	–	–	–	–	(2)	(2)
	12	6,395	(7,398)	–	–	–	(10,270)	(11,261)
Balance at 31 December 2013	372	7,494	48,556	(23)	(443)	350	3,020	59,326
Balance at 1 January 2014	**372**	**7,494**	**48,556**	**(23)**	**(443)**	**350**	**3,020**	**59,326**
Total comprehensive income for the year								
Loss for the year	**–**	**–**	**(13,641)**	**–**	**–**	**–**	**246**	**(13,395)**
Reclassification of non-controlling interests reflected as liability	**–**	**–**	**–**	**–**	**–**	**–**	**(72)**	**(72)**
Actuarial gains and losses, net of tax	**–**	**–**	**–**	**–**	**131**	**–**	**2**	**133**
Foreign currency translation difference	**–**	**–**	**–**	**–**	**–**	**5,220**	**–**	**5,220**
Revaluation of available for sale investments	**–**	**–**	**–**	**23**	**–**	**–**	**–**	**23**
	–	**–**	**(13,641)**	**23**	**131**	**5,220**	**176**	**(8,091)**
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries, note 22	**–**	**–**	**(3,633)**	**–**	**–**	**–**	**(3,179)**	**(6,812)**
Dividends to shareholders of the Parent, note 22	**–**	**–**	**(8,327)**	**–**	**–**	**–**	**–**	**(8,327)**
Tax on intra-group dividends	**–**	**–**	**(247)**	**–**	**–**	**–**	**–**	**(247)**
Additional contribution to charter capital of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**132**	**132**
	–	**–**	**(12,207)**	**–**	**–**	**–**	**(3,047)**	**(15,254)**
Balance at 31 December 2014	**372**	**7,494**	**22,708**	**–**	**(312)**	**5,570**	**149**	**35,981**

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 92-126.

Notes to the consolidated financial statements for the year ended 31 December 2014

1 Background

(a) Organisation and operations

OJSC "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.

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 between 5% and 9.9% of the Company's ordinary shares each. The majority of the shares of the Company are ultimately owned by trust, where the economic beneficiary is Mr. Andrey 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 and in accordance with the Federal Law No. 208 – FZ "On consolidated financial statements".

(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; property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRS as of 1 January 2005.

(c) Functional and presentation currencies

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 and EUR. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

These consolidated financial statements are presented in RUB.

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

- Assets and liabilities as at 31 December 2014 were translated at the closing exchange rate of RUB 56.2584 for USD 1 (31 December 2013: RUB 32.7292 for USD 1);
- Taking into account significant RUB volatility during the fourth quarter of 2014, profit and loss items were separately translated at the average exchange rate for the nine months ended 30 September 2014 and for the three months ended 31 December 2014 of RUB 35.3878 and RUB 47.4243 for USD 1, respectively (2013: RUB 31.8480 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.

2 Basis of preparation (continued)

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

- Assets and liabilities as at 31 December 2014 were translated at the closing exchange rate of RUB 68.3427 for EUR 1 (31 December 2013: RUB 44.9699 for EUR 1);
- Taking into account significant RUB volatility during the fourth quarter of 2014, profit and loss items were separately translated at the average exchange rate for the nine months ended 30 September 2014 and for the three months ended 31 December 2014 of RUB 47.9894 and RUB 59.1997 for EUR 1, respectively (2013: RUB 42.3026 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.

(d) Use of estimates and judgments

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

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

Information about critical assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- note 4(b) – determination of fair value of derivative financial instruments;
- note 12 – recognition of bad debt provision on promissory notes: uncertainties associated with the reorganisation of a bank, which is currently undergoing a financial recovery procedure monitored by the Deposit Insurance Agency;
- note 16 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

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.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3 Significant accounting policies (continued)

(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 and 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.

3 Significant accounting policies (continued)

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in the profit and loss as an expense as incurred.

(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 to 17 years
- Plant and equipment 4 to 15 years
- Fixtures and fittings 3 to 6 years

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

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

(d) Intangible assets and negative goodwill

(i) Goodwill and negative goodwill

Adoption of IFRS

The Parent Company elected not to apply the requirements of IFRS 3 Business combinations to business combinations, which took place prior to the date of adoption of IFRS. As a result, no goodwill was recognised at the date of adoption of IFRS.

(ii) 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.

(iii) 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.

(iv) 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.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3 Significant accounting policies (continued)

(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 and 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.

3 Significant accounting policies (continued)

(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 evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3 Significant accounting policies (continued)

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 as an expense in the profit and loss on a straight line basis over the average period until the benefits become vested. 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.

3 Significant accounting policies (continued)

(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.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3 Significant accounting policies (continued)

(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 and 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 apatit 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, an ore accessible after the overburden removal process is extracted within three months. Therefore, the stripping ratio (volume of overburden removed over the volume of resources extracted) is relatively constant over the 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 and 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 and loss as incurred.

3 Significant accounting policies (continued)

(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

The following new standards and amendments became effective for the Group from 1 January 2014:

- Amended IAS 32 Financial Instruments: Presentation provides clarifications on the application of the offsetting rules of financial instruments. Amended IAS 32 did not have a significant effect on the Group's consolidated financial statements.
- Amended IAS 36 Impairment of assets has been issued to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the disclosure of information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal. The amendments to be applied retrospectively. Amended IAS 36 did not have a significant effect on the Group's consolidated financial statements.
- Amended IFRS 10 Consolidated Financial Statements provides investment entities an exemption from the consolidation of particular subsidiaries and instead requires that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. Amended IFRS 10 did not have a significant effect on the Group's consolidated financial statements.
- Amended IFRS 12 Disclosure of Interests in Other Entities requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Amended IFRS 12 did not have a significant effect on the Group's consolidated financial statements.
- IFRIC 21 Levies provides guidance on determining the obligation event that gives rise to a liability in connection with a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 did not have a significant effect on the Group's consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3 Significant accounting policies (continued)

(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 2014, and have not been applied in these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. Amended IFRS 7 Financial Instruments: Disclosure requires additional disclosure on transition from IAS 39 to IFRS 9. The standard provides amended guidance on the recognition and measurement of financial assets and liabilities. Effective for annual periods beginning on or after 1 January 2018 with earlier application 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 2017 with earlier application permitted.
- Amended IAS 16 Property, plant and equipment and IAS 38 Intangible assets clarifies the use of a revenue-based depreciation or amortisation method. Effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- Amended IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. Effective for annual periods beginning on or after 1 January 2016 with earlier application 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(d). 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) Derivative financial instruments

As at 31 December 2014, the Group's derivative financial liabilities are represented by forward and targeted accrual redemption note (TARN) contracts to sell USD at a predetermined USD/RUB exchange rates.

Fair value of the derivative financial instruments is estimated in accordance with Level 2 of the fair value hierarchy based on Monte Carlo simulation analysis at each reporting date.

A Monte Carlo simulation is a method for iteratively evaluating a deterministic model based on one or more random (stochastic) variables as inputs. The following inputs are used in determining the fair value of the Group's derivative financial instruments using Monte Carlo simulation:

- USD/RUB spot rate
- USD/RUB forward curve
- USD/RUB volatility surface.

4 Determination of fair values (continued)

(c) 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.

(d) 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 tripoly phosphate 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 of the Group as at 31 December 2014 and for the year then ended is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
Segment revenue and profitability					
Segment external revenues, thereof:	**105,832**	**16,626**	**666**	**–**	**123,124**
Export	**73,152**	**13,690**	**–**	**–**	**86,842**
Domestic	**32,680**	**2,936**	**666**	**–**	**36,282**
Inter-segment transfers	**–**	**8**	**–**	**(8)**	**–**
Cost of goods sold	**(59,285)**	**(10,180)**	**(599)**	**8**	**(70,056)**
Gross segment profit	**46,547**	**6,454**	**67**	**–**	**53,068**
Certain items of profit and loss					
Amortisation and depreciation	**(5,990)**	**(1,657)**	**(218)**	**–**	**(7,865)**
Total non-current segment assets	**57,445**	**16,667**	**2,871**	**–**	**76,983**
Additions to non-current assets	**12,063**	**4,664**	**1,065**	**–**	**17,792**

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

5 Segment information (continued)

Segment information of the Group as at 31 December 2013 and for the year then ended is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
Segment revenue and profitability					
Segment external revenues, thereof:	91,065	12,810	691	–	104,566
Export	60,703	10,153	–	–	70,856
Domestic	30,362	2,657	691	–	33,710
Inter-segment transfers	–	99	–	(99)	–
Cost of goods sold	(59,588)	(10,036)	(615)	99	(70,140)
Gross segment profit	31,477	2,873	76	–	34,426
Certain items of profit and loss					
Amortisation and depreciation	(5,683)	(1,797)	(144)	–	(7,624)
Total non-current segment assets	51,930	14,309	2,232	–	68,471
Additions to non-current assets	13,849	2,192	396	–	16,437

The analysis of export revenue by regions is as follows:

	2014 RUB million	2013 RUB million
North and South America	**39,477**	20,821
Europe	**25,491**	24,174
Africa	**8,799**	7,974
CIS	**6,882**	7,409
Asia	**3,521**	9,055
India	**2,672**	1,423
	86,842	70,856

	2014 RUB million	201 3 RUB million
Total segment revenues	**123,124**	104,566
Consolidated revenues	**123,124**	104,566

5 Segment information (continued)

Reconciliation with internal management reports:

	2014 RUB million	2013 RUB million
Total segment gross profit	**53,068**	34,426
Difference in depreciation and amortisation	**15**	50
Difference in timing of expenses recognition	**(55)**	427
Reallocation of administrative expenses	**2**	3
Reallocation of selling expenses	**(65)**	(82)
Reallocation of other income	**114**	(8)
Reallocation of capitalised expenses	**213**	320
Elimination of unrealised profit	**(422)**	(94)
Recognition of finance lease	**1,422**	1,447
Other adjustments	**11**	(62)
Consolidated gross profit	**54,303**	36,427

	31 December 2014 RUB million	31 December 2013 RUB million
Total segment property, plant and equipment, and intangible assets	**76,983**	68,471
Difference in the carrying value of the tangible assets	**9,675**	8,080
Consolidated property, plant and equipment, and intangible assets	**86,658**	76,551

6 Revenues

	2014 RUB million	2013 RUB million
Sales of chemical fertilisers	**98,164**	78,939
Sales of apatite concentrate	**14,393**	16,887
Sales of sodium tripolyphosphate	**4,713**	3,605
Sales of ammonium	**760**	102
Sales of nepheline concentrate	**660**	704
Other sales	**4,434**	4,329
	123,124	104,566

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

7 Personnel costs

	2014 RUB Million	2013 RUB Million
Cost of sales	**(9,754)**	(12,022)
Administrative expenses	**(5,248)**	(4,889)
Selling expenses	**(359)**	(351)
Restructuring costs	**(173)**	(1,985)
	(15,534)	(19,247)

Personnel costs include salaries and wages, termination benefits, social contributions and current pension service costs.

Restructuring costs
During 2012 the Group started implementing a plan on staff optimization in key subsidiaries. The plan envisaged reduction in the number of employees by either outsourcing relevant functions to third party suppliers or due to internal efficiency measures. The costs relating to such program, mainly comprising the termination benefits and related social contributions amounted to RUB 1,985 million for the year ended 31 December 2013. The provision of RUB 472 million relating to the completion of this program has been recognised in the accruals within trade and other payables as of 31 December 2013. The program was finalised in 2014. The costs to complete the restructuring program incurred in 2014 amounted to RUB 173 million.

8 Cost of sales

	2014 RUB million	2013 RUB million
Materials and services	**(24,532)**	(21,084)
Salaries and social contributions	**(9,754)**	(12,022)
Natural gas	**(7,505)**	(6,300)
Depreciation	**(7,332)**	(7,147)
Sulphur and sulphuric acid	**(4,522)**	(3,428)
Potash	**(3,915)**	(4,114)
Electricity	**(3,650)**	(3,478)
Ammonia	**(3,423)**	(4,671)
Fuel	**(2,791)**	(4,161)
Heating energy	**(1,161)**	(579)
Ammonium sulphate	**(839)**	(1,157)
Other items	**(14)**	(53)
Change in stock of WIP and finished goods	**617**	55
	(68,821)	(68,139)

9 Administrative expenses

	2014 RUB million	2013 RUB million
Salaries and social contributions	**(5,248)**	(4,889)
Professional services	**(1,107)**	(693)
Depreciation and amortisation	**(567)**	(559)
Other	**(2,159)**	(2,239)
	(9,081)	(8,380)

10 Selling expenses

	2014 RUB million	2013 RUB million
Freight, port and stevedoring expenses	**(5,252)**	(2,577)
Russian Railways infrastructure tariff and operators' fees	**(4,579)**	(4,334)
Materials and services	**(1,342)**	(1,030)
Salaries and social contributions	**(359)**	(351)
Depreciation	**(114)**	(86)
	(11,646)	(8,378)

11 Other expenses, net

	2014 RUB million	2013 RUB million
Social expenditures	**(1,259)**	(1,365)
Increase in provision for bad debt	**(339)**	(65)
Loss on disposal of fixed assets	**(280)**	(91)
(Increase)/decrease in provision for inventory obsolescence	**(48)**	115
Other (expenses)/income, net	**(71)**	28
	(1,997)	(1,378)

12 Finance income and finance costs

	2014 RUB million	2013 RUB million
Interest income	**1,000**	883
Dividend income	**3**	24
Gain from operations with derivative financial instruments	**–**	172
Other finance income	**56**	59
Finance income	**1,059**	1,138
Interest expense	**(2,577)**	(2,026)
Loss from operations with derivative financial instruments	**(7,338)**	–
Bad debt provision on promissory notes	**(1,424)**	–
Other finance costs	**(271)**	(246)
Finance costs	**(11,610)**	(2,272)
Net finance costs	**(10,551)**	(1,134)

As at 31 December 2014, the Group held promissory notes issued by an entity affiliated to a bank, which is currently undergoing a financial recovery procedure monitored by the Deposit Insurance Agency. Given the uncertainties associated with this procedure, the Group recognised a provision of 50% of the book value of the promissory notes including the amount of interest receivable in the amount of RUB 1,424 million.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

13 Income tax benefit/(expense)

The Company's applicable corporate income tax rate is 20% (2013: 20%).

	2014 RUB million	2013 RUB million
Current tax expense	**(1,628)**	(3,204)
Origination and reversal of temporary differences, including change in unrecognised assets	**3,662**	1,464
	2,034	(1,740)

Reconciliation of effective tax rate:

	2014		2013	
	RUB million	**%**	RUB million	%
(Loss)/profit before tax from continuing operations	**(15,429)**	**100**	10,043	100
Income tax at applicable tax rate	**3,086**	**(20)**	(2,009)	(20)
(Under)/over provided in respect of prior years	**(183)**	**1**	30	–
Unrecognised tax (asset)/liability on (loss)/profit from associates	**(151)**	**1**	4	–
Correction of tax loss carry-forward	**(330)**	**2**	–	–
Non-deductible items	**(412)**	**3**	(543)	(5)
Change in unrecognised deferred tax assets	**6**	**–**	778	8
Effect of tax rates in foreign jurisdictions	**18**	**–**	–	–
	2,034	**(13)**	(1,740)	(17)

14 Property, plant and equipment

RUB million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2013	20,510	53,646	4,012	18,545	96,713
Additions	75	1,753	689	15,145	17,662
Transfers	3,198	5,620	3	(8,821)	–
Disposals	(277)	(1,223)	(120)	(30)	(1,650)
At 1 January 2014	23,506	59,796	4,584	24,839	112,725
Additions	33	1,157	967	16,418	18,575
Transfers	2,381	7,475	–	(9,856)	–
Disposals	(257)	(1,367)	(178)	(189)	(1,991)
At 31 December 2014	25,663	67,061	5,373	31,212	129,309
Accumulated depreciation					
At 1 January 2013	(4,508)	(23,378)	(2,434)	–	(30,320)
Depreciation charge	(1,043)	(5,843)	(672)	–	(7,558)
Disposals	62	913	106	–	1,081
At 1 January 2014	(5,489)	(28,308)	(3,000)	–	(36,797)
Depreciation charge	(1,163)	(5,899)	(740)	–	(7,802)
Disposals	88	1,163	125	–	1,376
At 31 December 2014	(6,564)	(33,044)	(3,615)	–	(43,223)
Net book value at 1 January 2013	16,002	30,268	1,578	18,545	66,393
Net book value at 1 January 2014	18,017	31,488	1,584	24,839	75,928
Net book value at 31 December 2014	19,099	34,017	1,758	31,212	86,086

(a) Impairment testing

At the reporting date the Group performed an impairment testing under IAS 36. Cash flow forecasts for different factories representing separate cash-generating units were prepared for the forecast period of 5 years and a terminal value was derived after the forecast period. The following assumptions were applied in the impairment testing:

- After-tax discount rate 17.6% (2013: 12.6%)
- Terminal growth rate 4.1% (2013: 3%).

Based on the analysis, no impairment loss was recognised. A 1% increase in the discount rate would not have resulted in an impairment loss in any of the cash generating units tested.

(b) Security

Properties with a carrying amount of RUB 315 million (31 December 2013: RUB 599 million) are pledged to secure loans and borrowings, see note 24.

(c) Leasing

Plant and equipment with the carrying value of RUB 5,737 million (31 December 2013: RUB 4,984 million) is leased under various finance lease agreements, see note 26(a).

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

15 Investments in associates

Phosint Limited

Despite that the Group's shareholding in Phosint Group is 49%, the Group is entitled to a distribution of all accumulated earnings and reserves relating to this entity prior to the date of loss of control (October 2010) as determined by the executive management by reference to the IFRS financial statements of this entity. Once the total dividend distributed will reach the amount of retained earnings of Phosint Group at the date of loss of control, any subsequent dividend will be made proportionate to the shareholding in these companies.

The movement in the balance of investments in associates is as follows:

	2014 RUB million	2013 RUB million
Balance at 1 January	**8,485**	9,620
Share in (loss)/profit for the year	**(756)**	19
Share in revaluation gain on available-for-sale securities	**21**	–
Share in CJSC "Nordic Rus Holding" at the date of acquisition of control	**–**	(1,406)
Foreign currency translation difference	**5,225**	252
Balance at 31 December	**12,975**	8,485

Carrying values of the Group's investments in associates are as follows:

	31 December 2014 RUB million	31 December 2013 RUB million
Phosint Group	**12,324**	7,843
LLC PHOSAGRO-UKRAINE	**111**	111
OJSC Khibinskaya Teplovaya Kompaniya	**400**	400
OJSC Giproruda	**93**	91
OJSC Soligalichskiy izvestkovyi kombinat	**47**	40
	12,975	8,485

Summary financial information for associates is as follows:

2014	**Total assets RUB million**	**Total liabilities RUB million**	**Net assets RUB million**	**Revenue RUB million**	**(Loss)/profit for the year RUB million**
Phosint Group	**13,077**	**(453)**	**12,624**	**55**	**(759)**
LLC PHOSAGRO-UKRAINE	**400**	**(198)**	**202**	**2,142**	**48**
OJSC Khibinskaya Teplovaya Kompaniya	**2,767**	**(1,940)**	**827**	**560**	**(37)**
OJSC Giproruda	**451**	**(77)**	**374**	**249**	**59**
OJSC Soligalichskiy izvestkovyi kombinat	**225**	**(42)**	**183**	**546**	**29**
	16,920	**(2,710)**	**14,210**	**3,552**	**(660)**

2013	Total assets RUB Million	Total liabilities RUB Million	Net assets RUB Million	Revenue RUB Million	(Loss)/profit for the year RUB Million
Phosint Group	10,291	(2,478)	7,813	7,054	(151)
LLC PHOSAGRO-UKRAINE	774	(607)	167	805	44
OJSC Khibinskaya Teplovaya Kompaniya	3,166	(2,302)	864	106	(35)
OJSC Giproruda	465	(100)	365	298	54
OJSC Soligalichskiy izvestkovyi kombinat	204	(50)	154	507	11
	14,900	(5,537)	9,363	8,770	(77)

15 Investments in associates (continued)

As at 31 December 2013 and 2014 Phosint Group held primarily USD-denominated equity and debt instruments recognised at fair value, loans issued and cash. Accordingly, the fair value of the net assets of these entities approximated the book value. In particular, the investments of Phosint Group include USD-denominated current and deposit accounts (with maturity from three to eleven months from the reporting date) at JSC "Promsvyazbank" in the amount of RUB 815 million and RUB 6,188 million, respectively, as at 31 December 2014 (31 December 2013: deposits amounted to RUB 3,535 million).

The investments of Phosint Group also include promissory notes and loan participation notes with the total gross amount of RUB 1,838 million (31 December 2013: RUB 1,069 million), issued by entities affiliated to a bank, which is currently undergoing a financial recovery procedure monitored by the Deposit Insurance Agency. Given the uncertainties associated with this procedure, the Group recognised a provision of 50% of the book value of these promissory notes and loan participation notes in the amount of RUB 919 million.

The breakdown of the net assets of Phosint Group is as follows:

	31 December 2014 RUB million	31 December 2013 RUB million
Property, plant and equipment	**812**	1,455
Investments in debt securities	**921**	1,072
Available for sale securities, at fair value	**2,284**	28
Current deposits denominated in USD	**6,188**	3,535
Trade and other receivables	**784**	245
Cash in bank	**1,564**	3,762
Other assets	**524**	194
Total assets	**13,077**	10,291
Loans and borrowings	**(378)**	(2,434)
Other liabilities	**(75)**	(44)
Total liabilities	**(453)**	(2,478)
Net assets	**12,624**	7,813

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	**Assets 2014**	**Liabilities 2014**	**Net 2014**	Assets 2013	Liabilities 2013	Net 2013
Property, plant and equipment	**38**	**(5,291)**	**(5,253)**	11	(4,642)	(4,631)
Other long-term assets	**151**	**(236)**	**(85)**	46	(3)	43
Current assets	**855**	**(328)**	**527**	329	(471)	(142)
Liabilities	**1,640**	**(22)**	**1,618**	1,121	(30)	1,091
Tax loss carry-forwards	**5,349**	**–**	**5,349**	2,172	–	2,172
Unrecognised deferred tax assets	**(25)**	**–**	**(25)**	(31)	–	(31)
Tax assets / (liabilities)	**8,008**	**(5,877)**	**2,131**	3,648	(5,146)	(1,498)
Set off of tax	**(3,759)**	**3,759**	**–**	(1,842)	1,842	–
Net tax assets / (liabilities)	**4,249**	**(2,118)**	**2,131**	1,806	(3,304)	(1,498)

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

16 Deferred tax assets and liabilities (continued)

The recognised deferred tax assets on tax loss carry-forwards will expire in accordance with the below schedule:

	31 December 2014 RUB million	31 December 2013 RUB million
5 years	**167**	–
6 years	**–**	167
7 years	**71**	–
8 years	**208**	401
9 years	**720**	208
10 years	**4,183**	1,396
	5,349	2,172

The aggregate amount of temporary differences associated with investment in subsidiaries at the reporting date is RUB 8,618 million (31 December 2013: RUB 41,763 million). The deferred tax assets for these temporary differences have not been recognised because the Parent can control the timing of reversal of the temporary difference and it is probable that temporary differences will not reverse in the foreseeable future.

(b) Movement in temporary differences during the year

RUB million	**31 December 2014**	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2014
Property, plant and equipment	**(5,253)**	(622)	–	(4,631)
Other long-term assets	**(85)**	(128)	–	43
Current assets	**527**	669	–	(142)
Liabilities	**1,618**	560	(33)	1,091
Tax loss carry-forwards	**5,349**	3,177	–	2,172
Unrecognised deferred tax assets	**(25)**	6	–	(31)
Net tax assets / (liabilities)	**2,131**	3,662	(33)	(1,498)

RUB million	31 December 2013	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2013
Property, plant and equipment	(4,631)	(650)	–	(3,981)
Other long-term assets	43	17	–	26
Current assets	(142)	(98)	–	(44)
Liabilities	1,091	26	11	1,054
Tax loss carry-forwards	2,172	1,391	–	781
Unrecognised deferred tax assets	(31)	778	–	(809)
Net tax assets / (liabilities)	(1,498)	1,464	11	(2,973)

17 Other non-current assets

	31 December 2014 RUB million	31 December 2013 RUB million
Advances issued for property, plant and equipment, at cost	**6,927**	2,864
Financial assets available-for-sale, at cost	**610**	627
Loans issued to related parties, at amortised cost	**466**	48
Loans issued to third parties, at amortised cost	**287**	8
Loans issued to employees, at amortised cost	**260**	384
Financial assets available-for-sale, at fair value	**44**	81
Finance lease receivable	**21**	74
Other long-term receivables	**320**	297
	8,935	4,383

18 Other current investments

	31 December 2014 RUB million	31 December 2013 RUB million
Investments in debt securities, at amortised cost	**2,531**	1,473
Interest receivable	**383**	88
Loans issued to third parties, at amortised cost	**96**	22
Loans issued to employees, at amortised cost	**63**	73
Loans issued to related parties, at amortised cost	**7**	17
Provision for doubtful accounts	**(1,424)**	–
	1,656	1,673

During the current period the Group made a decision to re-classify the amount of interest receivable, previously included in trade and other receivables, to other current investments. As a result other current investments increased by RUB 88 million from RUB 1,585 million to RUB 1,673 million as at 31 December 2013.

19 Inventories

	31 December 2014 RUB million	31 December 2013 RUB million
Raw materials and spare parts	**5,137**	5,472
Finished goods:		
Chemical fertilisers	**5,543**	4,029
Apatite concentrate	**76**	239
Work-in-progress		
Apatite concentrate	**562**	608
Apatite-nepheline ore	**991**	1,260
Chemical fertilisers and other products	**379**	794
Other goods for resale	**30**	34
Provision for obsolescence	**(191)**	(143)
	12,527	12,293

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

20 Trade and other receivables

	31 December 2014 RUB million	31 December 2013 RUB million
Taxes receivable	**7,514**	5,063
Trade accounts receivable	**6,994**	4,160
Advances issued	**4,721**	2,087
Other receivables	**318**	215
Deferred expenses	**54**	110
Receivables from employees	**42**	14
Finance lease receivable	**11**	49
Provision for doubtful accounts	**(661)**	(322)
	18,993	11,376

See note 28(c) for the analysis of overdue trade accounts receivable.

21 Cash and cash equivalents

	31 December 2014 RUB million	31 December 2013 RUB million
Cash in bank	**13,749**	6,585
Call deposits	**16,931**	2,349
Petty cash	**7**	4
	30,687	8,938

22 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares
Shares on issue at 31 December 2014, RUB 2.5 par value	**129,500,000**
Shares authorised for additional issue at 31 December 2014, RUB 2.5 par value	**994,977,080**
Shares on issue at 31 December 2013, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2013, RUB 2.5 par value	994,977,080

The historical amount of the share capital of RUB 311 million has been adjusted for the effect of hyperinflation to comply with IAS 29 "Financial Reporting in Hyperinflationary economies".

In October 2012, the Board of Directors decided to increase the Company's share capital by issuing 13.5 million new ordinary shares with a par value of 2.5 RUB each. On 10 April 2013, the Company began the issuance of new shares with an offering price of USD 42 per ordinary share. The Company completed the new shares' issuance in May 2013 with a total of 5,022,920 ordinary shares being subscribed for. The proceeds from the share issuance were USD 210.96 million (RUB 6,635 million). Transaction costs of RUB 228 million were deducted from the share premium. As a result, the Company's issued share capital comprises 129,500,000 ordinary shares with a par value of 2.5 RUB each.

(b) Dividend policy

The Company expects to distribute cash dividends in the future and expects the amount of such dividends to be between 20 and 40 per cent of the Group's consolidated profit calculated in accordance with IFRS attributable to shareholders of OJSC "PhosAgro", adjusted by unrealised foreign exchange loss.

22 Equity (continued)

Whether the Company will pay dividends and the timing and exact amount of such dividends will be subject to the approval of the recommendation made by the Board of Directors at the General Shareholders' Meeting and will depend on a variety of factors, including the Company's earnings, cash requirements, financial condition and other factors deemed relevant by the Board of Directors in making their recommendation to the General Shareholders' Meeting.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2014, the Company had cumulative retained earnings of RUB 28,236 million (31 December 2013: RUB 14,537 million).

In April 2014, the Board of Directors proposed paying a dividend of RUB 19.30 per ordinary share. The total amount of proposed dividends was RUB 2,499 million. In June 2014, the proposed dividend payout was approved by a meeting of shareholders.

In August 2014, the Board of Directors proposed paying an interim dividend of RUB 25 per ordinary share. The total amount of proposed dividends was RUB 3,238 million. In September 2014, the proposed dividend payout was approved by a meeting of shareholders.

In November 2014, the Board of Directors proposed paying an interim dividend of RUB 20 per ordinary share. The total amount of proposed dividends was RUB 2,590 million. In December 2014, the proposed dividend payout was approved by a meeting of shareholders.

(d) Acquisition of non-controlling stakes in JSC "PhosAgro-Cherepovets"

In February 2014, the Group launched a voluntary tender offer to acquire ordinary shares of JSC "PhosAgro-Cherepovets". The offered price, which was determined in accordance with the Russian law, was RUB 44.0 per ordinary share with a nominal value of RUB 1.10. For the purposes of the voluntary buyout the Group obtained a bank guarantee in the amount of RUB 10,800 million for the benefit of non-controlling interests. The offer period expired on 6 May 2014. As a result of the buyout and subsequent acquisition of shares, the holders of 10.39% of all issued shares of JSC "PhosAgro-Cherepovets" (129,764,139 ordinary shares), accepted the Company's offers and the legal title for these ordinary shares was transferred to the Group increasing its shareholding to 97.99%. The financial effect of this transaction was a decrease in non-controlling interests by RUB 2,599 million and a decrease in retained earnings by RUB 3,104 million.

In August 2014, the Group sent a compulsory share purchase notification (squeeze out) to JSC "PhosAgro-Cherepovets" for the buyout of the ordinary shares belonging to subsidiary's minority shareholders. The purchase price, which was determined in accordance with the Russian law, is RUB 44.0 per ordinary share with a nominal value of RUB 1.10. By the end of the reporting period, all the issued shares of JSC "PhosAgro-Cherepovets" were acquired by the Group. The financial effect of this transaction was a decrease in non-controlling interests by RUB 518 million and a decrease in retained earnings by RUB 602 million.

(e) Launching a new subsidiary LLC "Smart Bulk Terminal"

In February 2014, the Group jointly with "Ultramar" launched a new subsidiary LLC "Smart Bulk Terminal" with a share capital of RUB 10 thousand in which it owns 70%. The Company will organize the construction and subsequent operation of the new terminal at the port of Ust-Luga where it will handle fertilisers produced and sold by the Group.

(f) Acquisition of non-controlling stakes in LLC "PhosAgro-SeveroZapad" and LLC "PhosAgro-Tambov"

In July 2014, the Group acquired 80.1% in LLC "PhosAgro SeveroZapad" and 80.1% in LLC "PhosAgro-Tambov" for RUB 235 million and RUB 14 million, respectively. The financial effect of this transaction is a decrease in other current liabilities by RUB 266 million and an increase in retained earnings by RUB 17 million.

(g) Other events subsequent to the reporting date

See note 33 for other significant events which took place after 31 December 2014.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

23 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the year after adjustment for the share split and issuance of new shares, see note 22(a). Basic and diluted (loss)/earnings per share are the same, as there is no effect of dilution.

	2014 RUB million	2013 RUB million
Weighted average number of ordinary shares in issue	**129,500,000**	128,027,528
(Loss)/profit for the year attributable to shareholders of the Parent, RUB million	**(13,641)**	7,660
Basic and diluted (loss)/earnings per share, RUB	**(105)**	60

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.

RUB million	Contractual interest rate	**31 December 2014**	31 December 2013
Current loans and borrowings			
Secured bank loans:			
RUB- denominated	1.50%-3.25%	**–**	76
Unsecured bank loans:			
RUB-denominated	9.15%-15.00%	**9,011**	–
USD-denominated	LIBOR(1M)+1.4%-2.9%	**13,627**	10,546
USD-denominated	LIBOR(3M)+2.9%-3.0%	**4,220**	–
USD-denominated	1.35%-2.20%	**928**	818
Secured letters of credit:			
USD-denominated	EURIBOR(6M)+2.30%	**124**	–
Unsecured letters of credit:			
EUR-denominated	EURIBOR(12M)+1.15%-1.83%	**775**	–
Unsecured loans from related parties:			
RUB-denominated	9.00%	**46**	–
Unsecured loans from associates:			
USD-denominated	2.25%	**242**	–
EUR-denominated	4.50%	**–**	361
Unsecured loans from other companies:			
USD-denominated	LIBOR(12M)+1.25%	**–**	327
Finance lease liabilities:			
USD-denominated	3.8%-13.9%[1]	**1,294**	769
Interest payable:			
RUB-denominated		**8**	2
USD-denominated		**547**	307
		30,822	13,206

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)

24 Loans and borrowings (continued)

RUB million	Contractual interest rate	**31 December 2014**	31 December 2013
Non-current loans and borrowings			
Unsecured bank loans:			
RUB-denominated	8.25%-13.30%	**3,000**	207
USD-denominated	LIBOR(1M)+2.0%-3.0%	**48,217**	18,469
USD-denominated	LIBOR(3M)+2.9%	**–**	1,636
USD-denominated	LIBOR(6M)+1.05%	**2,612**	–
USD-denominated	4.17%	**3,919**	–
Secured letters of credit:			
USD-denominated	EURIBOR(6M)+2.3%	**–**	217
EUR-denominated	EURIBOR(6M)+3.25%	**208**	274
Unsecured letters of credit:			
EUR-denominated	EURIBOR(12M)+1.10%-1.15%	**2,441**	–
Unsecured loans from other companies:			
USD-denominated	LIBOR(12M)+1.25%	**571**	–
Loan participation notes:			
USD-denominated	4.204%[2]	**28,066**	16,281
Finance lease liabilities:			
USD-denominated	3.8%-13.9%[1]	**3,968**	2,466
		93,002	39,550
		123,824	52,756

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 23,800 million (31 December 2013: RUB 16,286 million).

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

25 Defined benefit obligations

	31 December 2014 RUB million	31 December 2013 RUB million
Pension obligations, long-term	**362**	599
Post-retirement obligations other than pensions	**91**	372
	453	971

Defined benefit pension plans relate to three subsidiaries of the Group: JSC "Apatit", JSC "PhosAgro-Cherepovets" and CJSC "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 2013	1,257
Benefits paid	(404)
Current service costs and interest	112
Past service credit	(116)
Actuarial loss in other comprehensive income	122
Defined benefit obligations at 1 January 2014	971
Benefits paid	**(198)**
Current service costs and interest	**100**
Past service credit	**(254)**
Actuarial gain in other comprehensive income[1]	**(166)**
Defined benefit obligations at 31 December 2014	**453**

1 The related deferred tax expense of RUB 33 million (2013: deferred tax benefit of RUB 11 million) is recognised in other comprehensive income, see note 16(b).

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

	31 December 2014	31 December 2013
Discount rate	**13%**	7.9%
Future pension increases	**6%**	5%

26 Leases

(a) Finance leases

LLC "PhosAgro-Trans", a Group subsidiary, has entered into several agreements to lease 2,700 railway wagons. Other Group subsidiaries also have entered into lease agreements in 2014 and 2013. At the end of the lease term, the ownership for the leased assets will be transferred to the lessee.

	2014		
RUB million	**Minimum lease payments**	**Interest**	**Principal**
Less than one year	**1,724**	**430**	**1,294**
Between one and five years	**4,309**	**646**	**3,663**
More than five years	**317**	**12**	**305**
	6,350	**1,088**	**5,262**

	2013		
RUB million	Minimum lease payments	Interest	Principal
Less than one year	1,067	298	769
Between one and five years	2,703	509	2,194
More than five years	287	15	272
	4,057	822	3,235

(b) Operating leases

During 2013-2014, LLC "PhosAgro-Trans", a group subsidiary, entered into several operating lease agreements to rent railway wagons. The rent payments for 2014, which are recorded in the cost of sales, amounted to RUB 489 million (2013: RUB 693 million).

The non-cancellable operating lease rentals are payable as follows:

	31 December 2014 RUB Million	31 December 2013 RUB Million
Less than one year	**174**	503
Between one and five years	**214**	376
	388	879

27 Trade and other payables

	31 December 2014 RUB million	31 December 2013 RUB million
Trade accounts payable	**3,902**	2,179
Dividends payable	**2,590**	63
Advances received	**2,599**	1,793
Taxes payable	**2,362**	1,614
Payable for property, plant and equipment	**1,891**	916
Accruals	**1,178**	1,633
Payables to employees	**735**	1,092
Other payables	**64**	87
	15,321	9,377

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

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 2014		31 December 2013	
RUB million	**USD denominated**	**EUR denominated**	USD denominated	EUR denominated
Current assets				
Receivables	**2,162**	**1**	1,411	569
Current investments	**1,424**	**–**	1,473	–
Cash and cash equivalents	**23,793**	**1,212**	4,332	534
Non-current liabilities				
Loans and borrowings	**(87,353)**	**(2,649)**	(39,069)	(274)
Current liabilities				
Payables	**(846)**	**(3,522)**	(53)	(90)
Loans and borrowings	**(20,982)**	**(775)**	(12,440)	(361)
	(81,802)	**(5,733)**	(44,346)	378

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 decreased/(increased) the Group's loss for the year by RUB 8,754 million, before any tax effect (2013: would have increased/(decreased) the Group's profit for the year by RUB 4,397 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

In 2014, the Group incurred a significant foreign exchange loss, net in the amount of RUB 33,545 million resulting primarily from foreign exchange differences on the Group's portfolio of loans and borrowings.

28 Financial risk management (continued)

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:

	31 December 2014 RUB million	31 December 2013 RUB million
Fixed rate instruments		
Long-term loans issued at amortised cost	**1,013**	440
Short-term promissory notes	**1,424**	1,473
Finance lease receivable	**32**	123
Short-term deposits	**16,931**	2,349
Short-term loans issued at amortised cost	**231**	200
Long-term borrowings	**(38,953)**	(18,954)
Short-term borrowings	**(11,521)**	(2,024)
	(30,843)	(16,393)
Variable rate instruments		
Long-term borrowings	**(54,049)**	(20,596)
Short-term borrowings	**(18,746)**	(10,873)
	(72,795)	(31,469)

At 31 December 2014, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit or loss and equity by RUB 728 million (31 December 2013: RUB 315 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.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

28 Financial risk management (continued)

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 2014 RUB million	31 December 2013 RUB million
Not past due	**5,966**	3,758
Past due 0-180 days	**325**	138
Past due 180-365 days	**103**	2
More than one year	**600**	262
	6,994	4,160

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 2014, the Group's other current investments include promissory notes with the gross amount of RUB 2,848 million, including interest receivable in the amount of RUB 317 million (31 December 2013: RUB 1,473 million), issued by an entity affiliated to a bank, which is currently undergoing a financial recovery procedure monitored by the Deposit Insurance Agency. Given the uncertainties associated with this procedure, the Group recognised a 50% provision of the book value of these promissory notes and interest receivable in the amount of RUB 1,424 million.

Cash and cash equivalents

The Group held cash and cash equivalents of RUB 30,687 million as at 31 December 2014 (2013: RUB 8,938 million). The most significant amounts of cash and cash equivalents were held in the following banks:

- OJSC National Bank "Trust" of RUB 7,458 million (2013: RUB 4,960 million)
- OJSC "Sberbank of Russia" of RUB 7,258 million (2013: RUB 99 million)
- JSC "UniCredit Bank" of RUB 5,801 million (2013: RUB 28 million)
- JSC "Alfa-Bank" of RUB 3,938 million (2013: RUB nil million)
- JSC "Raiffeisenbank" of RUB 2,608 million (2013: RUB 189 million).

Subsequent to the reporting date, the Group transferred cash from OJSC National Bank "Trust" to other banks. No losses have been incurred.

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.

28 Financial risk management (continued)

(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:

	31 December 2014							
RUB million	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
Unsecured bank loans	**85,534**	**91,329**	**30,946**	**27,847**	**19,699**	**6,932**	**1,578**	**4,327**
Unsecured loans from associates	**242**	**243**	**243**	**–**	**–**	**–**	**–**	**–**
Unsecured loans from other companies	**571**	**607**	**11**	**11**	**11**	**574**	**–**	**–**
Unsecured loans from related parties	**46**	**50**	**50**	**–**	**–**	**–**	**–**	**–**
Letters of credit	**3,548**	**3,781**	**1,083**	**2,444**	**254**	**–**	**–**	**–**
Interest payable	**555**	**555**	**555**	**–**	**–**	**–**	**–**	**–**
Secured finance leases	**5,262**	**6,350**	**1,725**	**1,582**	**1,234**	**925**	**569**	**315**
Loan participation notes	**28,066**	**32,200**	**1,166**	**1,169**	**1,166**	**28,699**	**–**	**–**
Trade and other payables	**9,621**	**9,621**	**9,621**	**–**	**–**	**–**	**–**	**–**
Financial guarantees issued for associates and related parties	**2,058**	**2,058**	**–**	**5**	**1**	**49**	**2,003**	**–**
	135,503	**146,794**	**45,400**	**33,058**	**22,365**	**37,179**	**4,150**	**4,642**

	31 December 2013							
RUB million	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
Secured bank loans	76	76	76	–	–	–	–	–
Unsecured bank loans	31,676	33,165	11,981	4,574	11,935	3,431	1,244	–
Unsecured loans from associates	361	375	375	–	–	–	–	–
Unsecured loans from other companies	327	329	329	–	–	–	–	–
Letters of credit	491	535	15	229	9	282	–	–
Interest payable	309	309	309	–	–	–	–	–
Secured finance leases	3,235	4,057	1,067	870	783	601	449	287
Loan participation notes	16,281	19,376	673	671	672	671	16,689	–
Trade and other payables	4,878	4,878	4,878	–	–	–	–	–
Financial guarantees issued for associates and related parties	2,477	2,477	83	–	10	3	36	2,345
	60,111	65,577	19,786	6,344	13,409	4,988	18,418	2,632

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

28 Financial risk management (continued)

(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.

29 Commitments

The Group has entered into contracts to purchase plant and equipment for RUB 28,766 million.

(31 December 2013: RUB 23,891 million).

30 Contingencies

(a) Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(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.

30 Contingencies (continued)

In August 2014, the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor) in Murmansk region filed a court claim against a Group subsidiary for additional RUB 741 million of payments for the storage of the production waste in 2013. The Group management believes that all necessary ecological payments are accrued and paid timely and does not agree with the amount of additional claim. The management believes that it is probable that the Group's position will be sustained in the court. In September 2014, the Arbitration Court in Murmansk region rejected the claim of Rosprirodnadzor. In January 2015, the Court of Appeal confirmed the legitimacy of this decision. In March 2015, Rosprirodnadzor filed a cassation claim against the decision of the Arbitration Court in Murmansk region and the resolution of the Court of Appeal.

31 Related party transactions

(a) Transactions and balances with associates

(i) Transactions with associates

	2014 RUB million	2013 RUB million
Sales of goods and services	**1,589**	9,173
Interest income	**31**	113
Purchases of goods and services	**(225)**	(1,050)
Acquisition of CJSC "Nordic Rus Holding"	**–**	(4,676)
Acquisition of Phosint Trading Limited and Phosagro Asia Pte Ltd	**–**	(146)
Interest expense to associates	**–**	(11)

(ii) Balances with associates

	31 December 2014 RUB million	31 December 2013 RUB million
Advances issued for construction of property, plant and equipment	**–**	33
Trade and other receivables	**156**	455
Trade and other payables	**(19)**	(13)
Short-term loans received	**(242)**	(361)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,880 million (31 December 2013: RUB 2,151 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	2014 RUB million	2013 RUB million
Sales of goods and services	**340**	406
Interest income	**4**	2
Purchases of goods and services	**(83)**	(72)

(ii) Balances with other related parties

	31 December 2014 RUB million	31 December 2013 RUB million
Long-term loans issued, at amortised cost	**466**	48
Short-term loans issued, at amortised cost	**7**	17
Trade and other receivables	**81**	4
Trade and other payables	**(21)**	(47)
Short-term loans received	**(46)**	–
Dividends payable to shareholders of the Parent	**(2,590)**	

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

31 Related party transactions (continued)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 178 million (31 December 2013: RUB 326 million).

(c) Key management remuneration

The remuneration of the Board of Directors and 13 members of key management personnel amounted to RUB 394 million (2013: RUB 270 million).

32 Significant subsidiaries

Subsidiary	Country of incorporation	**31 December 2014 Effective ownership (rounded)**	31 December 2013 Effective ownership (rounded)
Apatit, JSC (including Balakovo branch)	Russia	**100%**	100%
PhosAgro-Cherepovets, JSC[1]	Russia	**100%**	88%
Metachem, CJSC	Russia	**100%**	100%
NIUIF, OJSC	Russia	**94%**	94%
PhosAgro AG, CJSC	Russia	**100%**	100%
Agro-Cherepovets, CJSC	Russia	**100%**	100%
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%**	75%
PhosAgro-Oryol, LLC	Russia	**100%**	100%
PhosAgro-Stavropol, LLC	Russia	**100%**	100%
PhosAgro-Volga, LLC	Russia	**100%**	100%
PhosAgro-SeveroZapad, LLC[2]	Russia	**100%**	–
PhosAgro-Tambov, LLC[2]	Russia	**100%**	–
Trading house PhosAgro, LLC	Russia	**100%**	100%
Phosint Trading Limited	Cyprus	**100%**	100%
Phosagro Asia Pte Ltd	Singapore	**100%**	100%
Nordic Rus Holding, CJSC	Russia	**100%**	100%

1 See note 22(d) on acquisition of non-controlling stakes in JSC "PhosAgro-Cherepovets".

2 See note 22(f) on acquisition of non-controlling stakes in LLC "PhosAgro-SeveroZapad" and LLC "PhosAgro-Tambov".

33 Events subsequent to the reporting date

In January 2015, dividends payable as at 31 December 2014 in the amount of RUB 2,590 million were paid to shareholders.

In March 2015, shareholders of JSC "PhosAgro-Cherepovets" approved the merger of CJSC "Agro-Cherepovets", CJSC "PhosAgro AG" and CJSC "Nordic Rus Holding" into JSC "PhosAgro-Cherepovets".

In April 2015, the Board of Directors proposed paying a dividend of RUB 15 per ordinary share. The total amount of proposed dividends was RUB 1,943 million.

Shareholder information

Share capital

As of 31 December 2014, PhosAgro's issued share capital was RUB 323,750,000, which represents 129,500,000 ordinary shares with a par value of RUB 2.5 per share.

Stock exchanges

PhosAgro's shares are traded on the A1 quotation list of the Moscow Exchange under the symbol PHOR (ISIN: RU000A0JRKT8).

Global Depositary Receipts (three GDRs represent one share) are traded on the Main Market of the London Stock Exchange under the symbol PHOR:

Regulation S GDRS

CUSIP Number: 71922G209

ISIN: US71922G2093

Common Code: 065008939

SEDOL: 0B62QPJ1

RIC: PHOSq.L

Rule 144A GDRS

CUSIP Number: 71922G100

ISIN: US71922G1004

Common Code: 065008939

SEDOL: 0B5N6Z48

RIC: GBB5N6Z48.L

Citigroup Global Markets Deutschland AG acts as the depositary for the Company's GDR Programme.

Shareholding structure

Shareholders' structure of PhosAgro as of 31 December 2014

	Number of shares	Share, %
Dubhe Holdings Limited	12,317,370	9.51
Fornido Holding Limited	12,157,625	9.39
Adorabella Limited	9,361,435	7.23
Owl Nebula Enterprises Limited	9,271,395	7.16
Dubberson Holdings Limited	8,639,705	6.67
Miles Ahead Management Limited	8,037,357	6.21
Chlodwig Enterprises Limited	7,722,380	5.96
Carranita Holdings Limited	4,028,519	3.11
Vindemiatrix Trading Limited	3,726,814	2.88
Vladimir Litvinenko	18,823,850	14.54
Evgenia Guryeva	6,235,960	4.82
Igor Antoshin	2,489,540	1.92
Other shareholders	26,688,050	20.61
Total	**129,500,000**	**100.00**

Other ownership information

Based on information available to the Company the shares of Fornido Holding Limited, Dubhe Holdings Limited, Chlodwig Enterprises Limited, Adorabella Limited, Miles Ahead Management Limited and Owl Nebula Enterprises 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 the shares of Vindemiatrix Trading Limited, Carranita Holdings Limited and Dubberson Holdings Limited are ultimately held on trust where the economic beneficiary is Mr. Igor Antoshin.

Dividends

Dividend payments

Period	Date of adoption of decision on dividend payment	Record date	Amount of dividend per ordinary share/ GDR (RUB)	Amount of accrued dividends (RUB, mln)
9M 2014	31/12/2014	11/01/2015	20.0/6.67	2,590
6M 2014	16/09/2014	29/09/2014	25.0/8.33	3,238

Dividends accrued in 2014 were paid in full. On 28 April 2015, PhosAgro's Board of Directors recommended a final 2014 dividend of RUB 15.0 per share (RUB 5.0 per depositary receipt), or RUB 1,943 mln in total. If approved by the Annual General Meeting of Shareholders, this will bring PhosAgro's payout ratio to 43% of net profit adjusted for unrealised foreign exchange loss, demonstrating our commitment to PhosAgro's dividend policy and to upholding the promises made to shareholders during the IPO and SPO.

Dividend taxation

In 2014, 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. 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 relating to the payment of dividends that came into effect on 1 January 2014, 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.

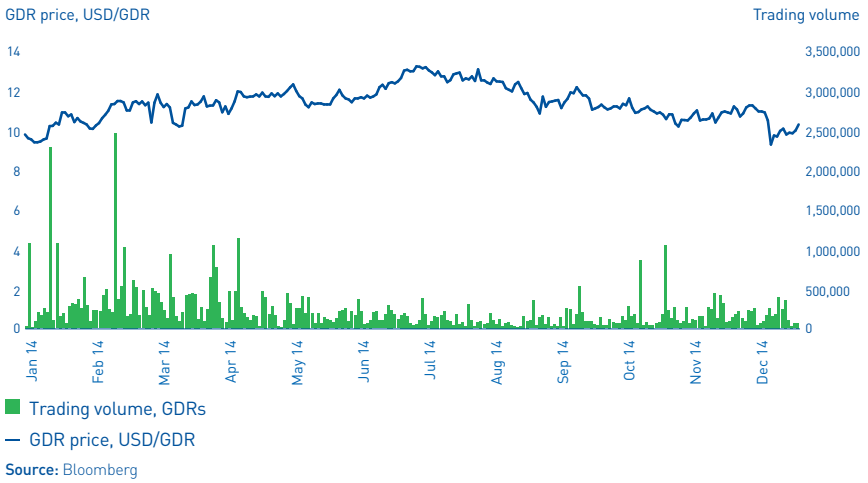
Information disclosure

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 and the corporate website www.phosagro.com.

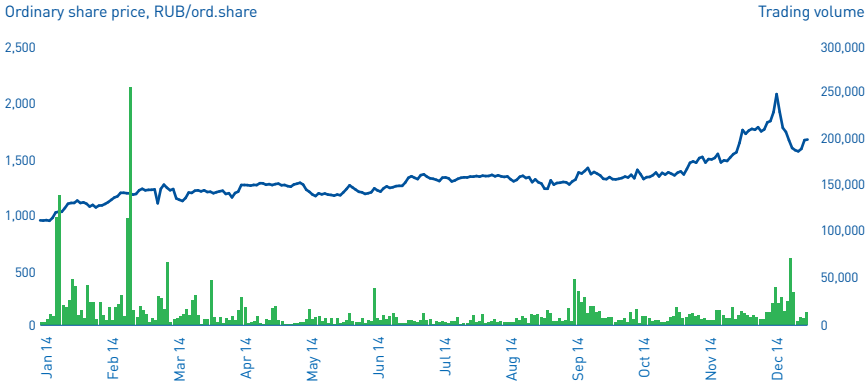
Share performance in 2014

PHOSAGRO GDR PERFORMANCE ON THE LSE



Source: Bloomberg

PHOSAGRO ORDINARY SHARE PERFORMANCE ON THE MOSCOW EXCHANGE



Source: Bloomberg

Market transactions (Source: Bloomberg)	LSE (GDR, USD)	Moscow Exchange (shares, RUB)
High	13.1	2,060.0
Low	9.2	931.0
Year-end price	10.2	1,655.0
Trading volume (million pcs.)	74.6	3.2

Glossary

Abbrevations

GDR or depositary receipt
Global Depositary Receipt

bn
Billion

Gt
Gigatonne

km
Kilometres

kt
Thousand metric tonnes

m
Million

mln t
Million tonnes

MW
Megawatt

RUB
Russian Rouble

t
Metric tonne = 1000 kg

CFR
Cost and Freight – an Incoterms rule. CFR means that the seller must pay the costs and freight to bring the 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 the goods on board the vessel nominated by the buyer; costs for delivery of the goods on board 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 nitrogenbased fertilizer.

Apatite
A group of phosphate minerals (phosphate ore), usually referring to hydroxylapatite, fluorapatite, and chlorapatite with the chemical formula $Ca_5(PO_4)_3(OH,F,Cl)$. 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 (P_2O_5).

Apatite-nepheline ore
Ore containing minerals of apatite and nepheline.

By-product
Material, other than the principal product, that is generated as a consequence of an industrial process.

Concentrate
Material that is the result of beneficiation of an ore and 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.

K_2O
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 P_2O_5 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 (Al203).

Netback price
Revenue net of costs associated with shipping good 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 H_3PO_4.

P_2O_5 (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 fertilizers 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 H_2SO_4.

Tailing
The fluid slurry that is left after treatment and extraction of the economically extracted mineral.

Trenches
Lines excavated to a pre-determined 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 economic.

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)
IPNI is a global organization with initiatives addressing the world's growing need for food, fuel, fiber and feed.

Environmental assessment
A process where the breadth, depth, and type of analysis depend on the proposed project. 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 define 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 OJSC 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 an 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 sea-bed. Measures are also taken in the whole catchment area of the Baltic Sea to reduce land-based pollution.

IFA
International Fertilizer Association, France.

The International Plant Nutrition Institute (IPNI)
IPNI is a global organization with initiatives addressing the world's growing need for food, fuel, fiber, and feed.

ISO
International Organization for Standardization, the world's largest standards development organisation. Between 1947 and the present day, 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
Russian stock exchanges, MICEX and RTS, 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 define 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

OJSC PhosAgro
PhosAgro

CJSC PhosAgro AG
Management Company PhosAgro AG

OJSC PhosAgro-Cherepovets/ JSC PhosAgro-Cherepovets
PhosAgro-Cherepovets

OJSC Ammophos
Ammophos

OJSC Apatit/JSC Apatit
Apatit

OJSC Cherepovetsky Azot
Cherepovetsky Azot

Balakovo branch of JSC Apatit/ CJSC Balakovo Mineral Fertilizers
Balakovo Branch of Apatit or BMF

CJSC Agro-Cherepovets
Agro-Cherepovets

Metachem CSJC
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

The information on mineral resources presented in this Report has been produced in accordance with the Subsoil Law, the Orders of the Ministry of Natural Resources and Environment of the Russian Federation No. 40 "On the Adoption of a Classification System for Mineral Reserves" dated 7 March 1997 and No. 278 "On the Adoption of a Classification System for Reserves and Inferred Resources in Deposits of Solid Minerals" dated 11 December 2011 and the Decree of the Ministry of Natural Resources and Environment of the Russian Federation No. 37-r "On the Adoption of Methodological Guidelines for the Application of the lassification System for Reserves and Inferred Resources in Deposits of Solid Minerals" dated 5 June 2007.

The information in this Report relating to mineral resources as at 1 January 2015 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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Black Sun Plc

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