PHOSAGRO

Annual Report 2012

Delivering Stable Growth and Sustainable Returns

Growth. Value. Stability.

WE HAVE DELIVERED GROWTH, VALUE AND STABILITY TO OUR SHAREHOLDERS, CUSTOMERS AND OTHER STAKEHOLDERS IN 2012.

GROWTH – by successfully implementing our strategy of organic growth and selective value enhancing M&A.

VALUE – by consolidating ownership of our subsidiaries and increasing efficiency to secure our position at the low end of the global DAP cash cost curve.

STABILITY – through production and sales flexibility, as well as vertical integration.

We are a world-class integrated phosphate producer

#1
global producer of high-grade phosphate rock

Source: IFA, PhosAgro

#2
global DAP/MAP producer[1]

1 By nameplate capacity, excluding Chinese producers.
Source: IFA, Fertecon

#1
NPK producer in Russia and **#2** in Europe

Source: Companies' data

Leader
in the fast growing Russian fertilizer market

Source: ChemCourier, PhosAgro

Read this Report Online

This annual report is also available online: ar2012.phosagro.com. The online version includes interactive tools for analysing data presented in the report.

To access the report quickly on your mobile device use the QR code

Photograph: corn fields in Europe. To learn more about the role of corn in European consumption of phosphate-based fertilizers, see page 27.

Our flexible production and sales helped us achieve record NPK volumes in 2012

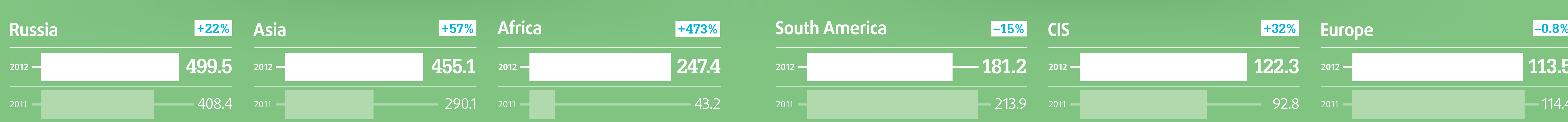
PhosAgro's successful strategy of enhancing production and sales flexibility changed the geography and structure of our global sales in 2012 – we sold more fertilizers than ever before in our company's history, and NPK sales increased 39% vs. 2011.

OUR FULLY FLEXIBLE PRODUCTION LINES CAN PRODUCE UP TO 1.8 MLN TONNES OF COMPLEX NPK FERTILIZERS PER YEAR

We took the decision early in 2012 to focus on complex NPK fertilizers instead of DAP/MAP phosphate fertilizers in response to changing demand. As a result, NPK production in 2012 increased to 1,644 kt, up 37% from 1,199 kt a year earlier. After Russia, Asia is the primary region which we ship our NPK fertilizers. Many regions of Asia use monoculture farming, and the precise nutrient balance NPKs offer makes this type of fertilizer especially attractive to farmers. The exact nutrient ratio in each NPK granule make it easier to achieve even nutrient application than with blends. Unlike NPKs, blended fertilizers cannot be shipped more than 30-40 km as different types of granules will settle and become segregated.

Our increased shipments to Asia in 2012 were also driven by the introduction of sales in containers, which increased our flexibility and opened up the possibility of selling to new markets where bulk shipments are constrained by infrastructure.

PhosAgro NPK Sales in 2011–2012, kt



We benefit from significant competitive advantages:

1

Flexible production and sales

- Flexible production lines **(DAP/MAP/NPK/NPS)** that can be switched within **2 working shifts**
- Net back driven sales model with a global presence

2

Self-sufficiency in key feedstocks secures low costs

- 100% self-sufficient in phosphate rock
- Up to 90% self-sufficient in ammonia[2]
- More than 40% self-sufficient in electricity

3

Large high quality apatite-nepheline resources

- 2.1 bln t of ore resources[3] **(over 75 years of production[4])**
- Al_2O_3 resource of 283 mln t

2 72%–90% self-sufficiency, depending on product mix. In 2012 self-sufficiency in ammonia was 88%.
3 PhosAgro as of 01 January 2013
4 At current extraction rates

Contents:

Photograph: rice fields in China. To learn more about the role of rice in Asian consumption of phosphate-based fertilizers, see page 25.

Creating value by consolidating ownership of our production subsidiaries

Consolidating ownership of our production subsidiaries and streamlining our corporate structure will help improve efficiency, increase profits attributable to PhosAgro's shareholders and simplify corporate governance. In 2012 we made considerable progress towards achieving this strategic goal.

Organisational structure at IPO

OJSC PhosAgro
holding company

CJSC PhosAgro AG
management company
100%

APATITE-NEPHELINE ORE MINING AND BENEFICIATION

- OJSC Apatit – 57.58%[5]

PRODUCTION OF PHOSPHATE-BASED FERTILIZERS AND FEED PHOSPHATE

- OJSC Ammophos – 93.76%
- Balakovo Mineral Fertilizers LLC – 100%

PRODUCTION OF AMMONIA AND NITROGEN FERTILIZERS

- OJSC Cherepovetsky Azot – 61.91%
- PC Agro-Cherepovets LLC – 100%

OTHER OPERATIONS

- OJSC NIUIF (research & development) – 94.41%
- PhosAgro – Trans LLC (transportation) – 100%
- PhosAgro – Region LLC (storage and distribution) – 99.99%

The acquisition of Apatit – key steps

1 Privatisation auction

September-October 2012: acquisition of a 20% stake in the privatisation auction. **Resulting stake: 77.58%[5].**

Amount: **USD 357 mln**

2 Purchase of Nordic Rus Holding

October 2012: acquisition of a 24% stake in Nordic Rus Holding (owns 7.42% of Apatit shares).

Amount: **USD 32 mln**

3 Mandatory buyout

November 2012 – February 2013: purchase of 10.95% of shares. **Resulting stake, including affiliated parties: 95.95%.**

Amount: **USD 196 mln**

5 Including affiliated parties.

Current structure as of 22 April 2013

CJSC PhosAgro AG management company **100%**

OJSC PhosAgro holding company

APATITE-NEPHELINE ORE MINING AND BENEFICIATION

- **OJSC Apatit** +38.37% **95.95%**[6]

PRODUCTION OF PHOSPHATE-BASED FERTILIZERS AND FEED PHOSPHATE

PRODUCTION OF AMMONIA AND NITROGEN FERTILIZERS

- **OJSC PhosAgro – Cherepovets** **87.61%**[7]
  - **OJSC Ammophos** assets
  - **OJSC Cherepovetsky Azot** assets
- **Balakovo Mineral Fertilizers LLC** **100%**
- **Metachem LLC** +74.76% **74.76%**
- **CJSC Agro-Cherepovets** **100%**

OTHER OPERATIONS

- **OJSC NIUIF** research & development **94.41%**
- **PhosAgro – Trans LLC** transportation **100%**
- **PhosAgro – Region LLC** storage & distribution **99.99%**
- **Mining and Chemical Engineering LLC** +100% research & development **100%**

+XX% Change in stake of legal entities owned by PhosAgro (and affiliated parties)

6 Direct and indirect ownership of 95.95% of Apatit shares as of 22 April 2013. PhosAgro owns directly 88.52% of the share capital of Apatit. Nordic Rus Holding, an associate of PhosAgro, owns 7.42% of Apatit's share capital. PhosAgro directly owns 24% of Nordic Rus Holding, while PhosInt Limited (49% owned by PhosAgro) owns 75% of Nordic Rus Holding.

7 Including affiliated parties.

4 Decision to launch squeeze-out

April 2013: launch of squeeze-out of remaining 4.05% of share of Apatit

Resulting stake upon completion, including affiliated parties: 100%[8]

Est. USD 64 mln

Σ Total investments in Apatit buyout (Est.)

USD 649 mln[9]

8 Includes 7.42% of Apatit's share capital owned by Nordic Rus Holding, an associate of PhosAgro. PhosAgro directly owns 24% of Nordic Rus Holding, while PhosInt Limited (49% owned by PhosAgro) owns 75% of Nordic Rus Holding.

9 Based on USD 585 mln already invested plus estimated USD 64 mln for squeeze-out.

2012 Highlights
Stable performance and organic growth

Financial

Revenue	RUB bln
2012	105.3
2011	100.5
2010	77.0

Cash Flows from Operating Activities	RUB bln
2012	25.5
2011	32.4
2010	15.1

EBITDA	RUB bln
2012	34.7
2011	35.4
2010	20.5

Profit for the Period	RUB bln
2012	24.5
2011	22.5
2010	12.0

EBITDA Margin	%
2012	33%
2011	35%
2010	27%

Profit Margin	%
2012	23%
2011	22%
2010	16%

Dividends for 2012

- We have delivered a solid dividend yield of over 7% in 2012[10].
- In 2012, we paid out dividends totalling USD 1.01 per GDR[11].
- Our total post-IPO payout ratios are: 49% from net profit attributable to shareholders; 42% from total net profit.
- We have over-delivered on our formal dividend policy to pay 20% to 40% of annual consolidated IFRS profit attributable to shareholders as dividends.

10 based on average GDR price for 2012 of USD 11.65
11 including dividend payments for 9M 2011 and FY 2011, which were paid in 2012

Dividends paid since IPO, RUB mln	
2011	7,156.8
2012	7,842.1
Total as of March 2013	14,998.9

In April 2013, the Board of Directors recommended that shareholders approve distribution of PhosAgro's profit in the form dividends equal to RUB 19.90 per share with a nominal value of RUB 2.50 (RUB 6.63 per GDR). The shareholder register cutoff date for the final 2012 dividend payment was 22 April 2013.

Capacity growth

Organic growth continued in 2012 with the launch of a new urea shop and electricity plant, while M&A activity brought us the new capacities we acquired with Metachem

End products

NPK (+6%)	mln t
2012	1.8
2011	1.7

Urea (+104%)	mln t
2012	0.98
2011	0.48

Credit ratings

Baa3/Stable
Moody's

BB+/Stable
Fitch

BB+/Positive
Standard & Poor's

Other 2012 highlights

Record-setting production and sales volumes

- 2012 fertilizer production: **5.4 million tonnes (+8.6%)**
- 2012 fertilizer sales: **5.3 million tonnes (+7.8%)**

New fertilizer production and electricity generation capacity

- **+500 kt** urea capacity
- **+32 MW** electricity generation capacity

Growing value-added end products capacity and increasing internal processing of own phosphate rock

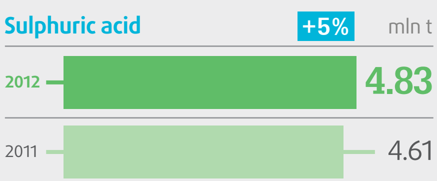
- Future internal processing of phosphate rock may increase by up to **240 kt** through consolidation of Metachem, which has the following annual production capacities:
  - — Potassium sulphate: **80 kt**
  - — Tripolyphosphate: **130 kt**
  - — Sulphuric acid: **215 kt**
  - — Phosphoric acid: **80 kt of P_2O_5**

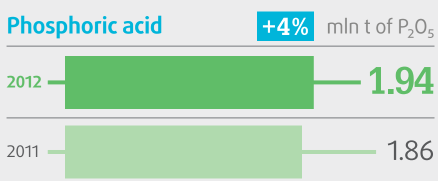
Significant progress towards consolidating ownership in key production facilities

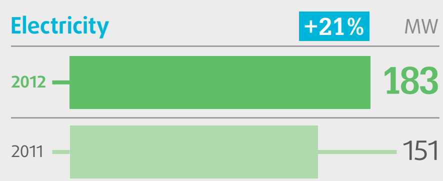
- Total ownership (including affiliated parties) of Apatit has reached **95.95%**[12], up from **57.58%** at IPO
- Completed PhosAgro-Cherepovets merger, combining related production subsidiaries Ammophos (phosphate-based fertilizers) and Cherepovetsky Azot (nitrogen fertilizers)

12 Direct and indirect ownership of 95.95% of Apatit shares as of 22 April 2013. PhosAgro owns directly 88.52% of the share capital of Apatit. Nordic Rus Holding, an associate of PhosAgro, owns 7.42% of Apatit’s share capital. PhosAgro directly owns 24% of Nordic Rus Holding, while PhosInt Limited (49% owned by PhosAgro) owns 75% of Nordic Rus Holding.

Feedstock / intermediary products







Our Strategy

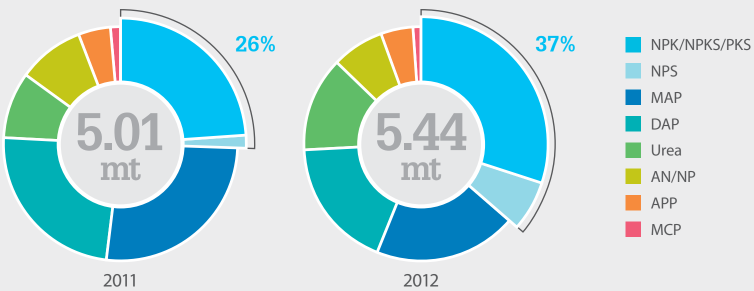
PhosAgro's strategy aims to achieve sustainable growth by extracting greater value from our unique natural resources and production assets. Our mid-term goal is to expand total fertilizer production capacity to 7.1 million tonnes per year, significantly increasing internal processing of our own high-grade phosphate rock.

Strategic goal	Production and sales flexibility:	Organic growth through capacity expansion and greater operational efficiency:
2012 Achievements	• Launched sales of fertilizers in containers in February, allowing us to sell to a wider range of customers, and opening up access to new markets where infrastructure limits the ability to handle bulk shipments • Increased NPK/NPKS/NPS/PKS grades from 7 to 16 • NPK production and sales increased 37.1% and 39.2% y-o-y, respectively, in 2012 • NPS production increased 321% to 346 thousand tonnes in 2012	• Commissioned new 500 kt per annum urea plant • Launched 32 MW electricity generation capacity at PhosAgro-Cherepovets
Future plans	• **Consider further increases to number of complex NPK fertilizer grades in response to market demand**	• **Complete construction of shaft No. 2 at Kirovsky Underground Mine, which will increase annual apatite-nepheline ore production from 12 mln t per annum in 2012 to 14 mln t per year at this mine after 2016**
	• **Implement projects to increase production flexibility with construction of NPK/MAP/DAP/NPS line at BMF with 450 kt per annum NPK capacity** (both goals)	
		• **Construct new ammonia plant with 760 kt per annum capacity at Cherepovets site by the end of 2016; the gas consumption per tonne of ammonia of this new plant (including new gas turbine power plant) is expected to be 941.5 sm^3/t[13], significantly below the CIS average of 1,155 sm^3/t[14]** • **Modernisation of Metachem's facilities to expand PK/PKS production capacity up to 100 kt per annum**
	For more information **see page** 12	For more information **see page** 4

13 Standard cubic metres per tonne of ammonia

14 Source: GIAP report 2012

Production flexibility combined with organic capacity growth – our progress in 2012:



23
Downstream products in 2012

from 7 to 16
increase in NPK grades in 2011–2012

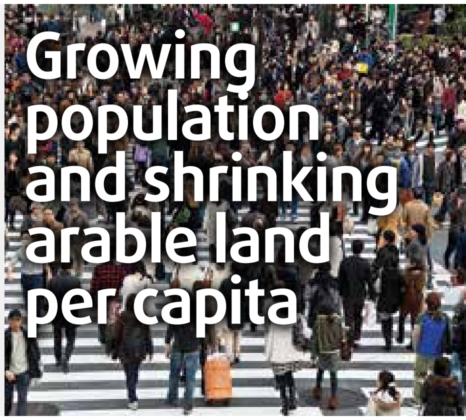
	Utilisation of the full potential of apatite-nepheline ore:	Consolidation of ownership in production facilities:
Strategic goal		
2012 Achievements	• Signed long-term supply agreement with UC RUSAL to supply fluoric salts through 2034 • Entered the technical phosphates markets following acquisition of Metachem at end of 2012	• Total ownership (including affiliated parties) of Apatit as of April 2013 has reached 95.95%[15], up from 57.58% at IPO • Ownership of PhosAgro-Cherepovets amounted to 87.61% following the merger of related production facilities Ammophos and Cherepovetsky Azot
Future plans	• **Modernise production facilities to increase aluminium fluoride capacities** • **Continue research & development activities aimed at the development of production processes for the extraction of rare earth minerals from our apatite-nepheline ore**	• **Increase ownership of Apatit to 100%** • **Increase ownership of PhosAgro-Cherepovets to 100%** • **Full consolidation of Metachem phosphate assets**

For more information **see page** 13

For more information **see page** 2

15 As of 22 April 2013, PhosAgro owns directly 88.52% of the share capital of Apatit. Nordic Rus Holding, an associate of PhosAgro, owns 7.42% of Apatit's share capital. PhosAgro directly owns 24% of Nordic Rus Holding, while PhosInt Limited (49% owned by PhosAgro) owns 75% of Nordic Rus Holding.

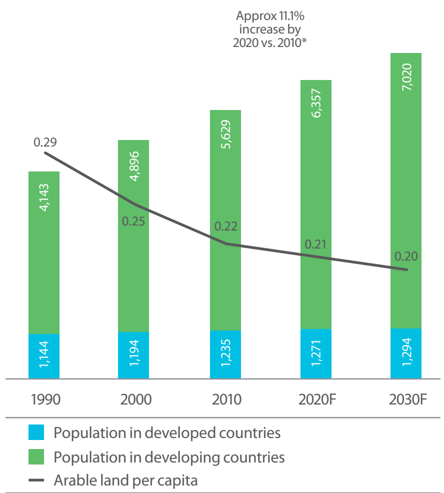
Global Fertilizer Market Drivers



Global demand for fertilizers is driven by strong fundamentals: the world's farmers need to increase crop output. With expanding populations, changing diets and increasing use of biofuels, demand for farmers to produce more food on less arable land per capita will continue to grow.

In the 20 years to 2011, the global population has increased by 1.6 billion people, while arable land per person has declined 25% to 0.22 hectares

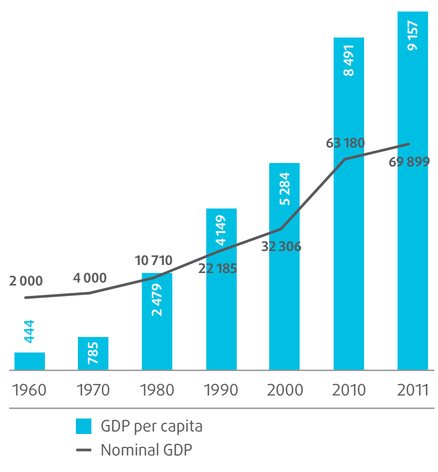
World population (mln people)
and arable land per capita (hectares)



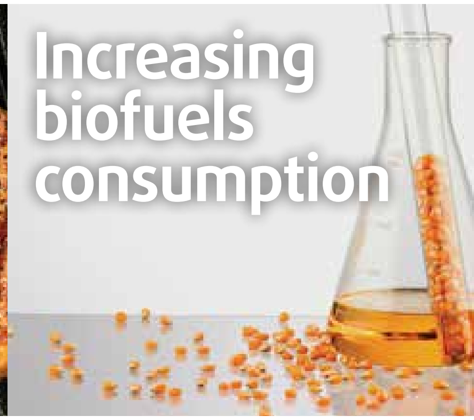
Source: US Census Bureau, FAO, World Bank
* United Nations

Economic growth is driving dietary changes...

GDP per capita (USD/capita)
and nominal GDP (USD trillion)



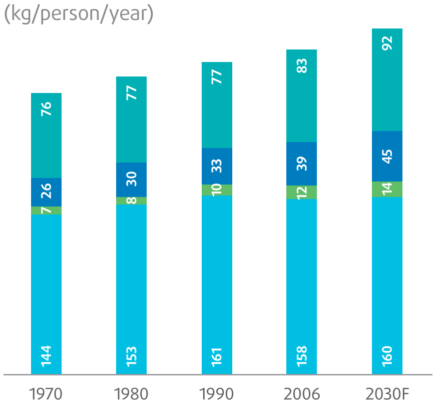
Source: World Bank, FAO



...and meat consumption is increasing, especially in growing economies...

Food consumption trends by type

(kg/person/year)



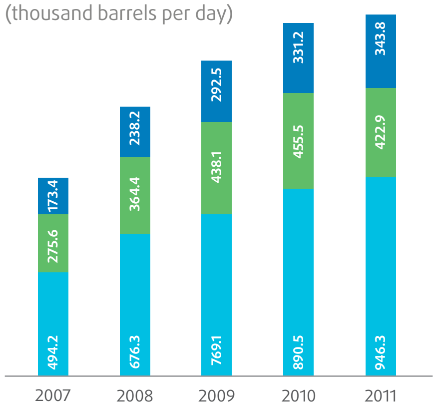
- Cereals, food
- Vegetables oil, oilseeds and their products
- Meat
- Milk and dairy, ex. butter

Source: World Bank

While demand for food increases, more and more crops are being used for biofuels production

Total biofuels consumption

(thousand barrels per day)

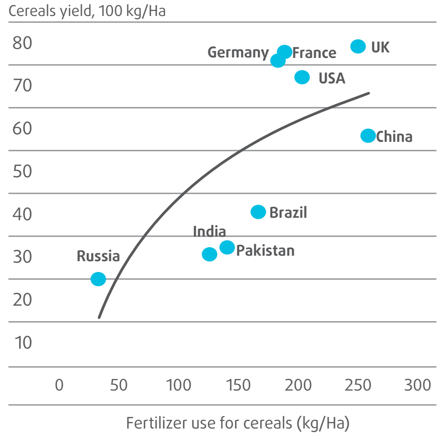


- North America
- Central & South America
- Europe

Source: US Energy Information Agency

Russian fertilizer use ratios are currently at very low levels compared to most major global agricultural producers, indicating significant potential growth for our domestic market

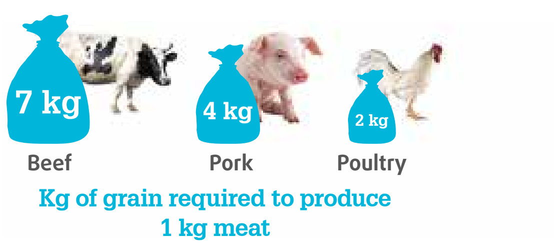
Fertilizer effect on yields



Source: World Bank

...while meat production is a key driver of grain consumption

Animal feed is a key driver for grain consumption



PhosAgro in the Global Fertilizer Market

Fertilizers are a global commodity, and PhosAgro is one of the largest and lowest-cost producers of phosphate-based fertilizers in the world. This means that we can sell our products competitively nearly anywhere, with a focus on achieving the best netback price.[18]

#1
producer of high grade phosphate rock (P_2O_5 > 35.7%) with 7.8 mln t capacity[16]

Source: IFA, PhosAgro

#2
producer of DAP/MAP by nameplate capacity with 3.6 mln t capacity[18] and DAP/MAP/NPK/NPS capacities of 4.2 mln t

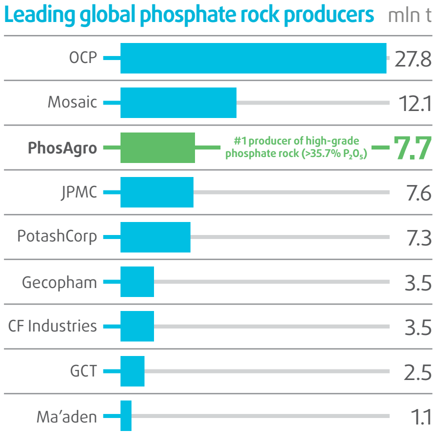
#2
NPK producer in Europe[17]

Securely positioned at the low end of the global DAP production cash cost curve

Global market position: a leading player in phosphates

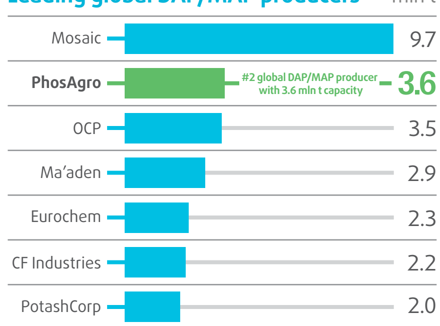
We rank among the largest producers of phosphate rock and phosphate-based fertilizers in the world. At the same time, we have significant flexible capacity to produce complex NPK fertilizers instead of DAP/MAP.

Leading global phosphate rock producers mln t



Note: production volumes in 2011
Source: Fertecon, IFA, companies' data

Leading global DAP/MAP producers[17] mln t



Note: 2012 capacity
Source: Fertecon, IFA, companies' data

16 Selling prices less selling costs.
17 Companies' data.
18 Excluding Chinese producers.

PhosAgro in the Domestic Fertilizer Market

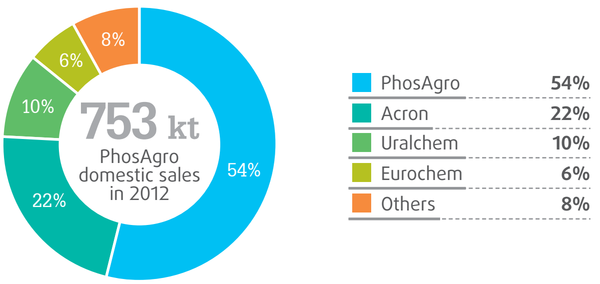
#1
producer of complex fertilizers in Russia

#1
supplier of phosphate-based fertilizers in domestic market

PhosAgro is the largest producer of phosphate-based fertilizers in Russia, with a market share of 54% in 2012. We have developed our own distribution network and logistics inside Russia, which enable us to sell end products directly to domestic customers in some of Russia's top agricultural regions (see page 36 for more details on our distribution and logistics operations).

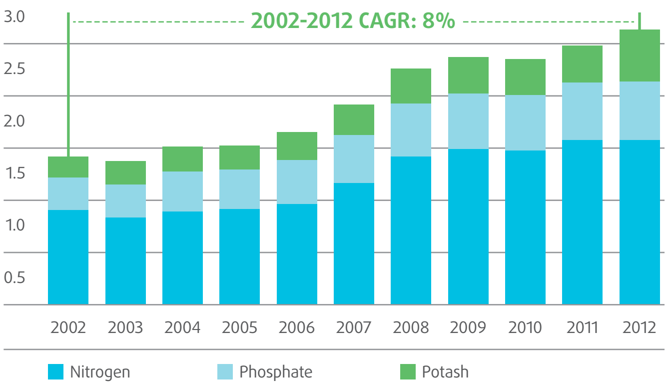
Russia's fertilizer market is among the fastest-growing in the world, driven by the recovery of the agricultural sector that has been taking hold in the last decade. While Soviet-era consumption rates may not be representative of the full potential of the Russian fertilizer market due to overstated application at that time, current fertilizer consumption growth rates and the expanding agricultural sector make our domestic market an important growth opportunity.

#1 phosphate fertilizer supplier for domestic market



Source: ChemCourier, PhosAgro

Fertilizer consumption in Russia mln t of nutrients

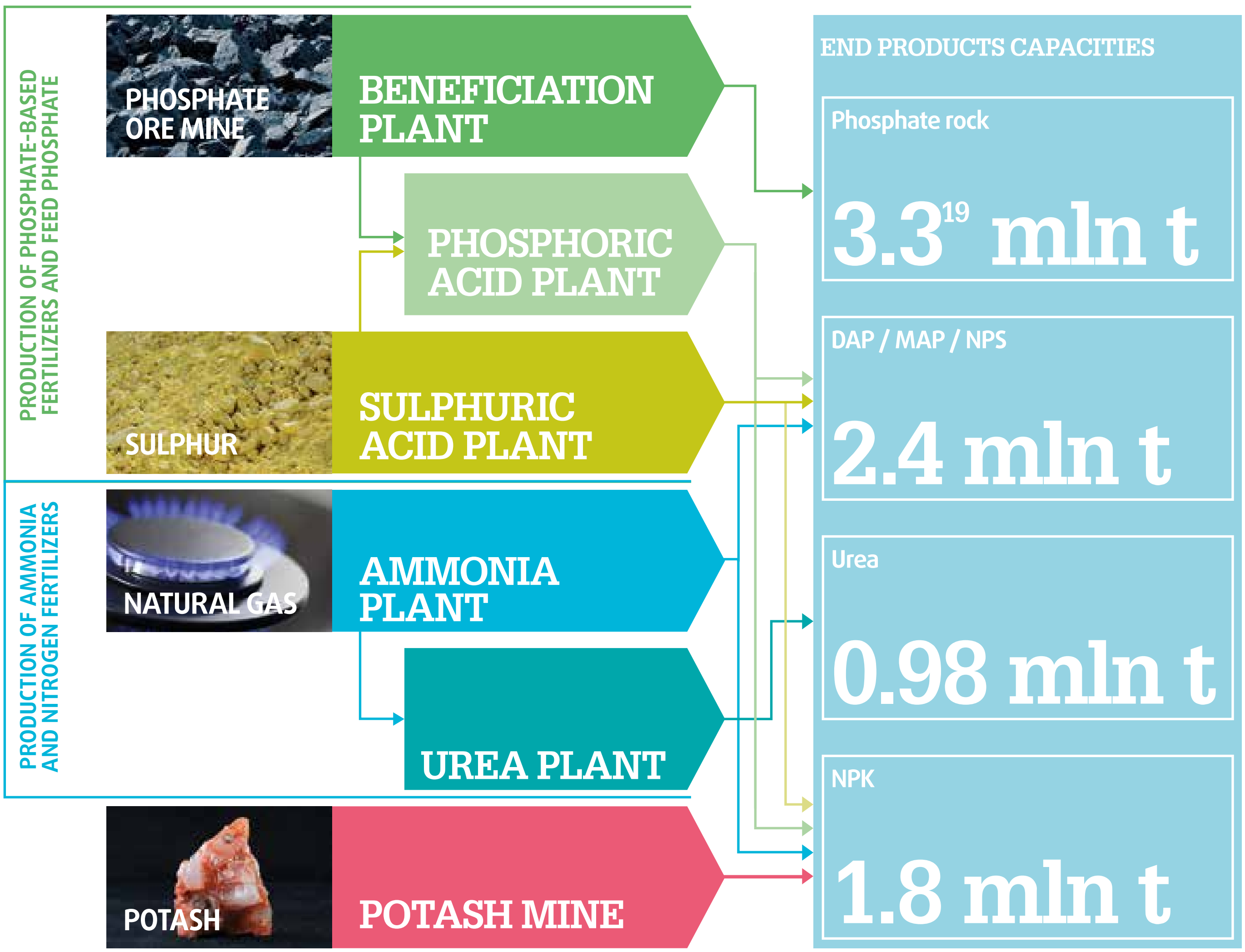


Source: Azotecon-Plus

Phosphate Fertilizers – Barriers to Entry

Pure-play nitrogen and potash producers each require access to just one raw material. For the production of ammonia and nitrogen fertilizers this is natural gas. Potash producers need potash mining and beneficiation capacities. The production of complex phosphate-based fertilisers requires access to phosphate ore, natural gas, sulphur and potash. The ability to process all of these together requires a multi-stage, capital-intensive production complex.

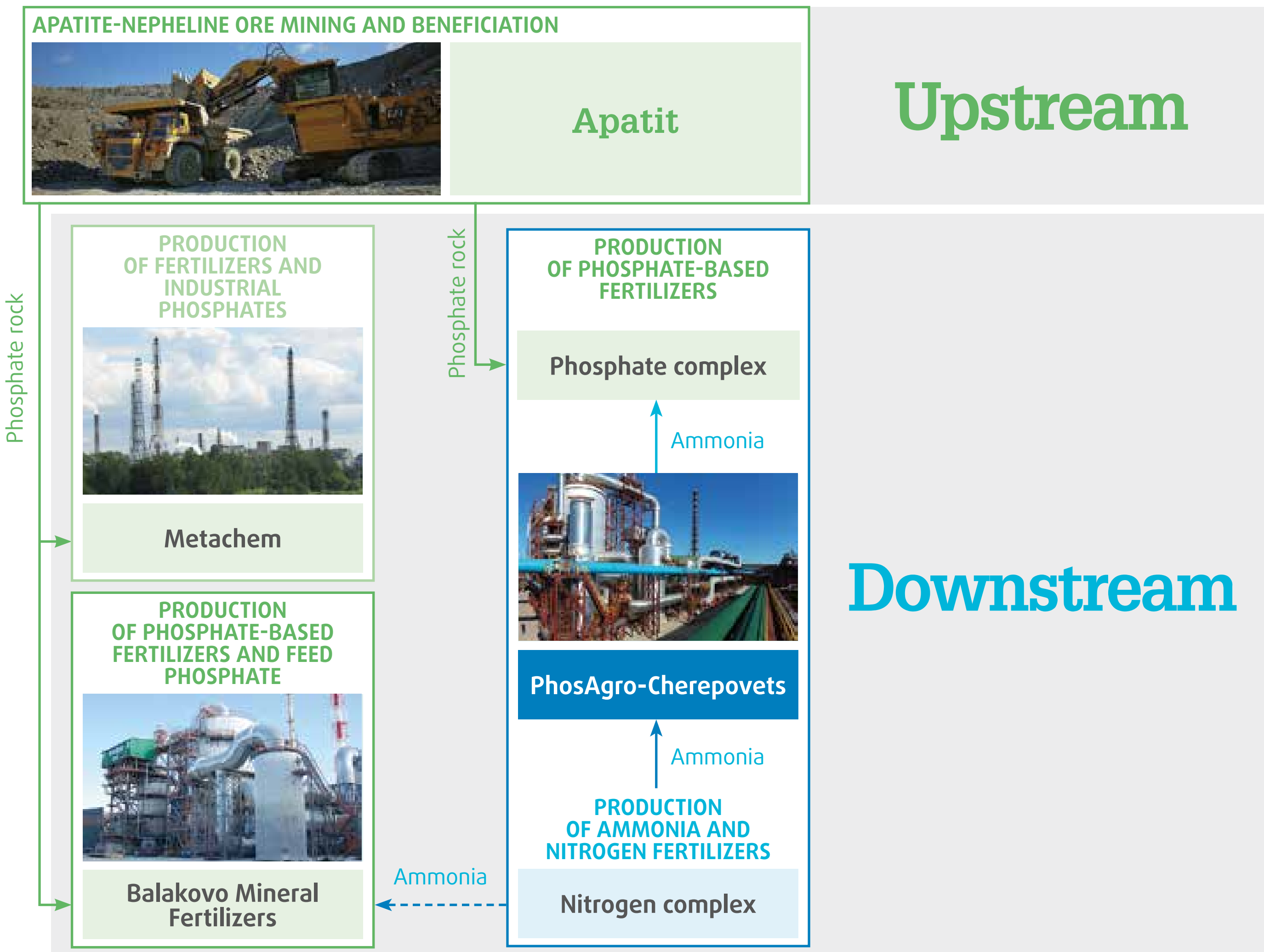
Integrated production model



19 Expected volume of phosphate rock sales to third parties in 2013

Vertical integration is vital to sustainable performance for phosphate-based fertilizer producers, and the barriers to entry are more complex than for any other nutrient.

Asset integration



following launch of new urea capacity in 2012 we have suspended own ammonia supplies to BMF until new ammonia capacity comes on line

Our Competitive Advantages

Our unique assets, high degree of vertical integration and self-sufficiency in key feedstocks enable us to control costs and maintain stable margins, while providing opportunities for sustainable growth.

1 Flexible production and sales models

PhosAgro's strategic goal of increasing production and sales flexibility played an important role in our strong 2012 financial results. Following our decision early in the year to focus on NPKs, we produced a total of 1.6 mln tonnes of complex NPK fertilizers in 2012, an increase of 37% compared to 2011. Our total NPK capacity on our fully flexible production lines is 1.8 mln tonnes.

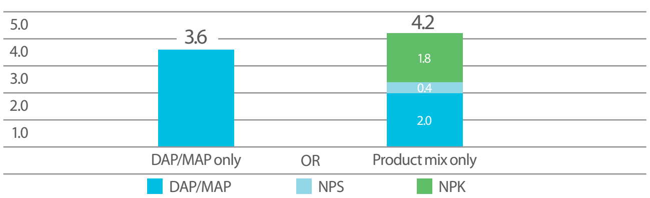
In the course of 2012, we increased the number of NPK/NPS/PKS grades from 7 to 16. This is a continuation of a multi-year strategic initiative: during the four years from 2008, we increased the total number of downstream products we produce from 9 to 23.

We were able to increase shipments to certain regions of Africa, Asia and Latin America where infrastructure constraints hamper bulk shipments

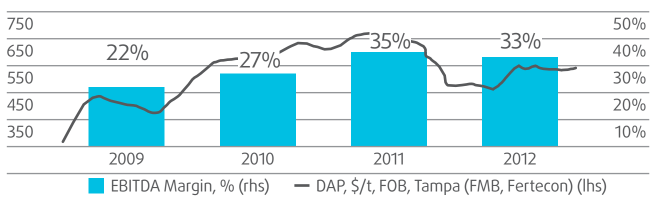
With demand for DAP/MAP under significant pressure for much of 2012, PhosAgro's production flexibility and wide array of complex fertilizer grades enabled us to maintain full production capacity utilisation during the year while many phosphate-based fertilizer producers were forced to curtail production.

We also significantly increased NPS production in 2012, quickly responding to market demand for these products globally, especially in Europe, Latin America, South East Asia and Africa. NPS output in 2012 was 346 thousand tonnes, a more than four-fold increase from 82 thousand tonnes in 2011. For more information about NPS fertilizers, see the phosphate-based products segment in the 2012 operational review on page 34.

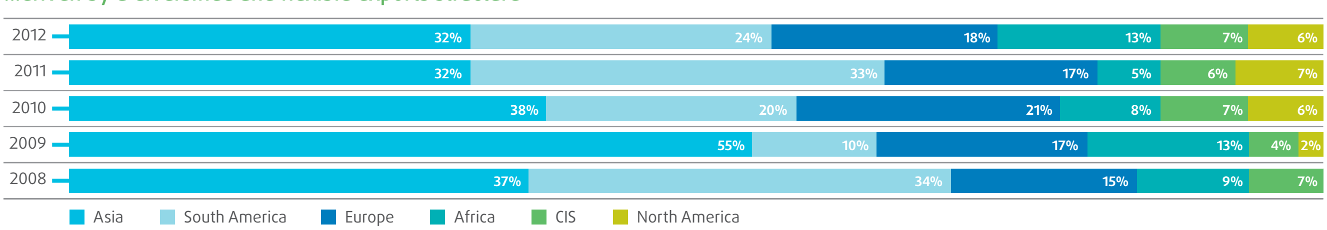
Flexible production capabilities... mln t



... make for resilient profit margins... USD



...driven by a diversified and flexible exports structure[20]



20 phosphate-based fertilizers and MCP sales volumes

Our Competitive Advantages (continued)

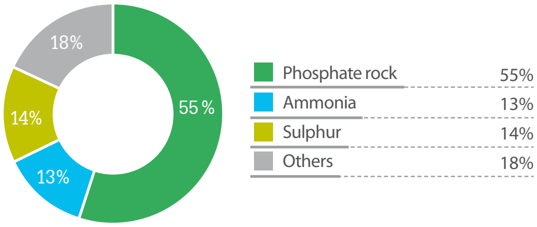
We control approximately 70% of the cash costs involved in DAP production.

2 We are a low cost, vertically integrated producer controlling the value chain from raw materials to sales and domestic logistics for finished products

PhosAgro is one of the few phosphate producers in the world that combines significant self-sufficiency in phosphate rock, ammonia and electricity with local availability of natural gas, sulphur and potash, which are key feedstocks for value-added phosphate-based fertilizer products. This means that we control approximately 70% of the cash costs involved in DAP production. This level of self-sufficiency allows us to benefit from greater stability of input costs, which means we benefit from higher margins at the top of cycles and can better protect our profitability during a decline.

Self-sufficiency in key feedstocks helps us secure lower costs:
- 100% self-sufficient in phosphate rock;
- 72%-90% self-sufficient in ammonia;
- over 40% self-sufficient in electricity.

PhosAgro DAP production cash costs



The high quality and P_2O_5 content of our phosphate rock helps lower our cost of downstream processing.

3 We have significant proven reserves of high-quality feedstock, which enables low-cost processing and end-product manufacturing

We mine and process our apatite-nepheline ore at our subsidiary Apatit, where proven reserves and resources of apatite-nepheline ore (2,093 million tonnes) are sufficient for over 75 years of production at current extraction rates.

We produce high-grade phosphate rock (P_2O_5 content of over 39%), with very low radioactivity levels and minimal content of harmful materials like cadmium and lead. This unique, high-quality raw material enables us to significantly reduce costs for further processing of phosphate rock into finished products.

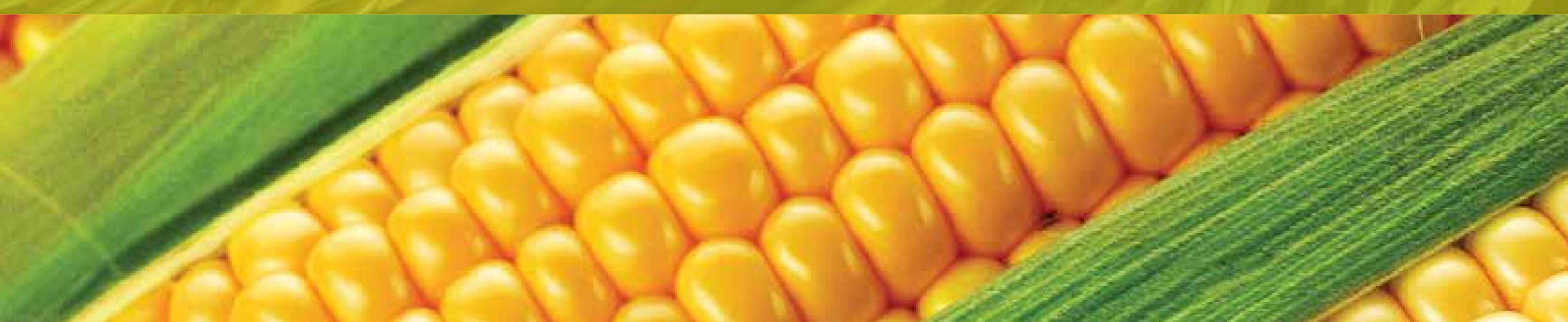
Location[21]	PHOSAGRO Russia	Morocco	USA	Jordan	China	Tunisia
World Phosphate Rock Reserves, bln t	2.1	50	1.4	1.5	3.7	0.1
Ore type	Igneous	Sedimentary	Sedimentary	Sedimentary	Sedimentary	Sedimentary
Al_2O_3 content	13.0–14.0% High	Very low	Very low	Very low	Very low	Low to moderate
Minor Element Ratio (MER)[22]	0.02–0.04	0.02–0.04	0.05–0.1	0.02–0.03	More than 0.05	0.05
Cadmium content[23]	Less than 0.1	15–40	9–38	5–6	2	40
Level of radioctivity	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.
21 Primary global DAP/MAP producing regions.
22 Average Minor Element Ratio (MER) greater than 0.1 not sustainable for production of high quality DAP.
23 Average cadmium content in ppm.

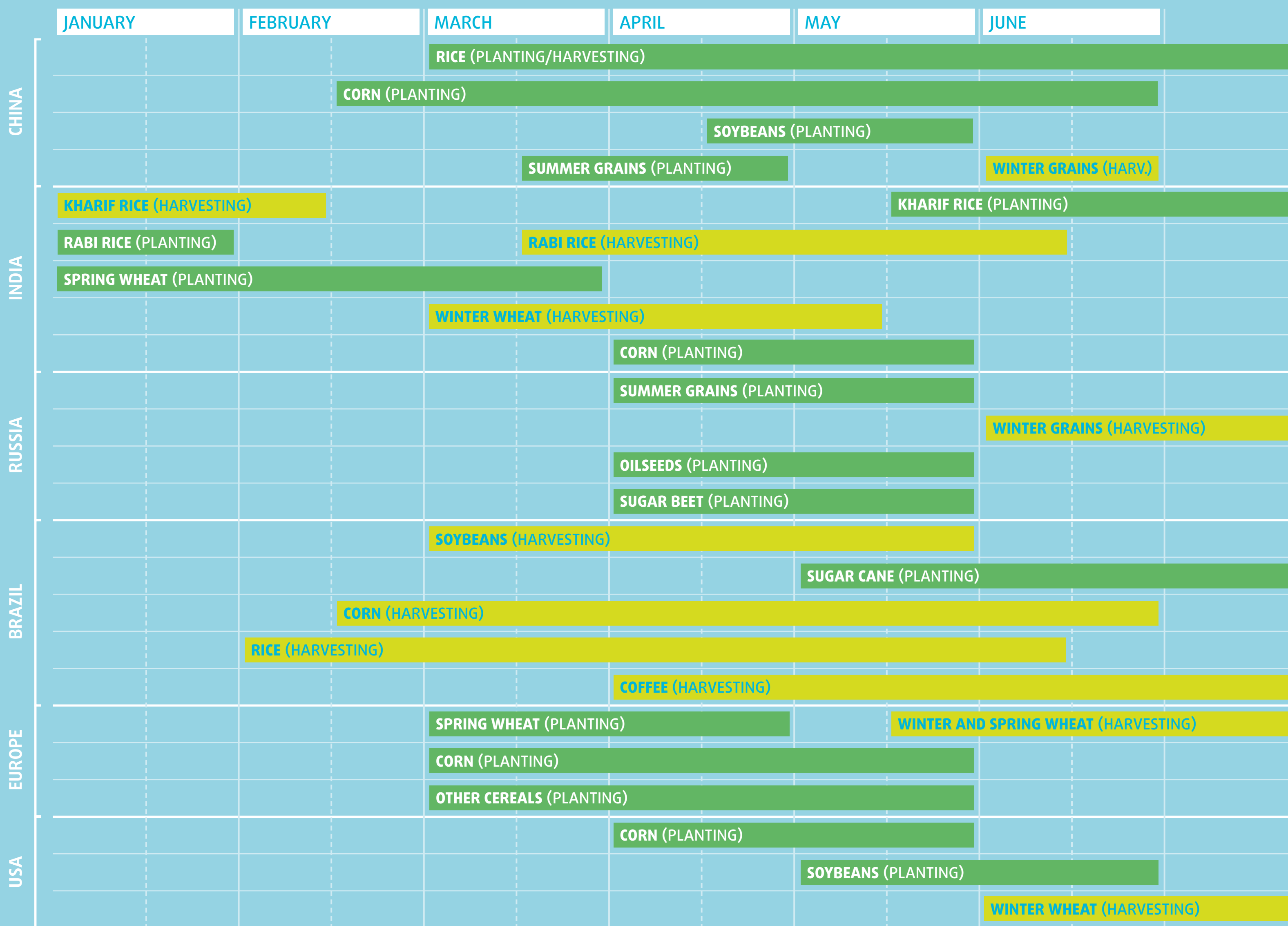
Positive effect on quality
Negative effect on quality

Annual Cycle

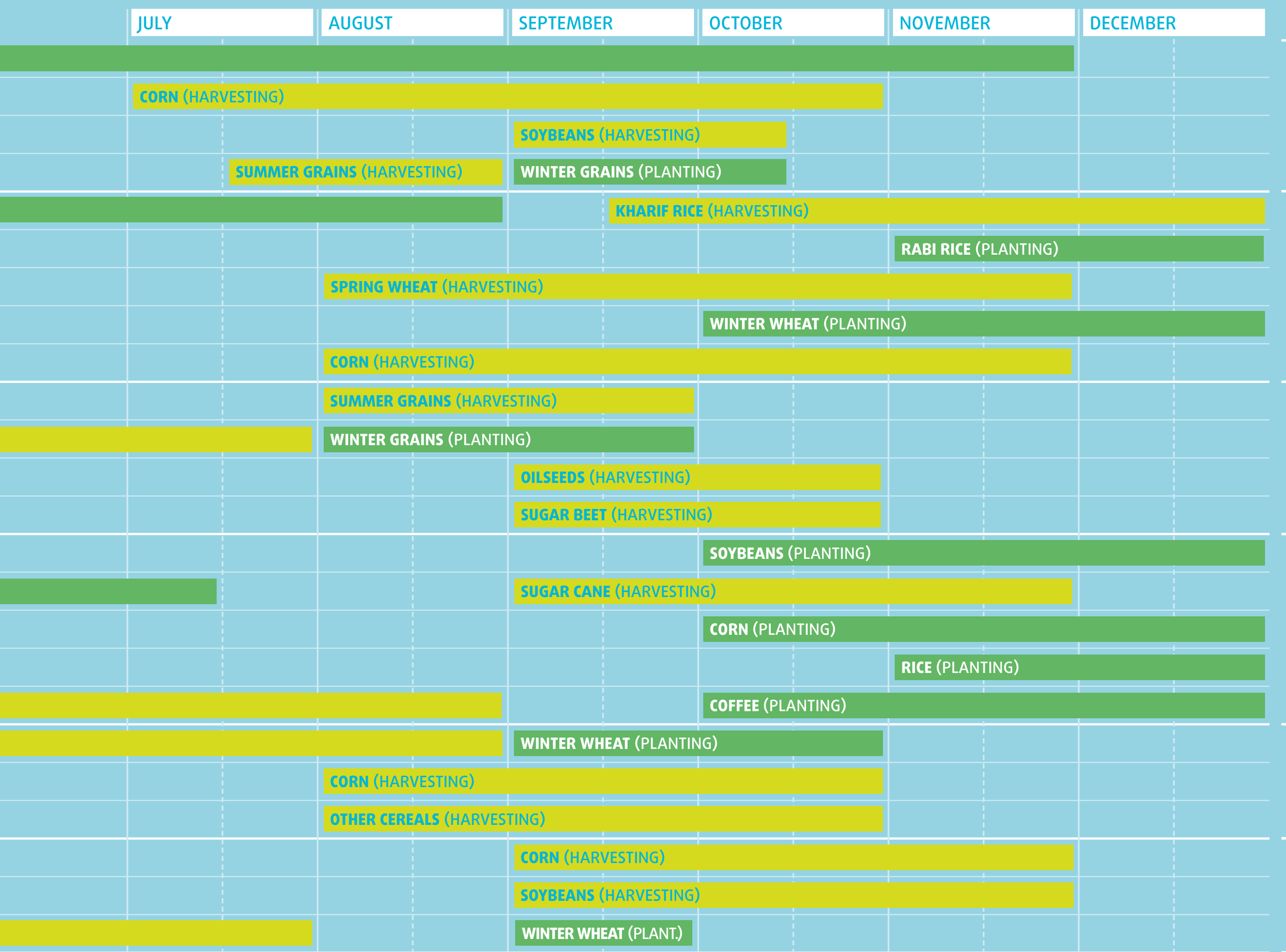
PhosAgro's flexible production and sales models enabled us to maintain stable production volumes and profitability throughout 2012, despite fluctuations in DAP/MAP demand during the year.

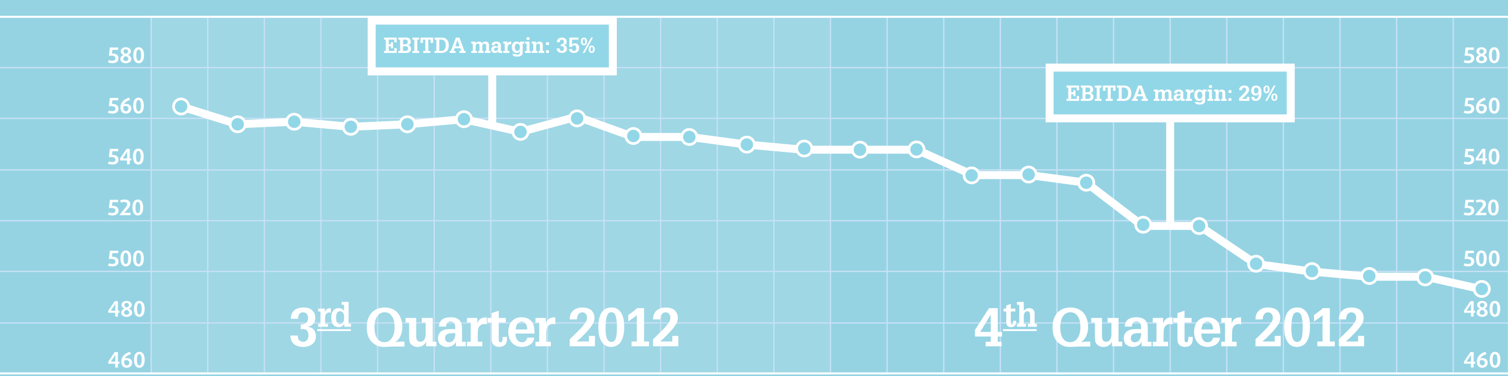


Annual Cycle



Changes in DAP prices during 2012, USD/t



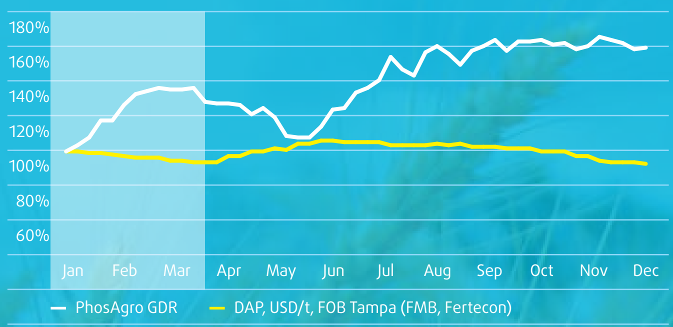


Source: USDA, Argus-FMB, Fertecon , PhosAgro

1st Quarter 2012

Our strong performance in Q1 2012 was possible despite weakening DAP prices thanks to our production flexibility, which allowed us to quickly switch from DAP/MAP to complex NPK/NPS fertilizers in response to changes in market demand:

— Phosphate-based fertilizer sales rose 9.4% in the period;
— Revenue for Q1 2012: RUB 25,918 mln, up 5.8% y-o-y from RUB 24,486 mln;
— EBITDA for the period: RUB 9,099 mln, down 0.1% y-o-y from RUB 9,109 mln;
— Profit for the period: RUB 8,047 mln, up 29.1% y-o-y from RUB 6,235 mln.



The phosphate fertilizer market in Q1 2012

The Indian market, which is the largest importer of phosphate-based fertilizers in the world, was challenging in Q1 2012. India reduced its DAP subsidy by almost 30% to Rs 14,350/tonne, and as a result almost no DAP was supplied to India during the first three months of 2012.

The situation began to improve by the end of the quarter, and towards the end of March DAP prices recovered by more than 17% from their lowest level of USD 495/tonne (FOB Tampa). Prices were supported in part by continued strong demand for phosphate-based fertilizers from Russia, Europe, the US and Brazil during the period. The first quarter is one of the peak seasons for fertilizer demand in Russia.

Key Corporate Events

January

PhosAgro shares included in the MICEX MidCap index

February

UC Rusal and PhosAgro sign a long-term supply agreement for the supply of fluoric salts produced during the processing of PhosAgro's apatite concentrate. Under the agreement, PhosAgro will invest RUB 2.2 bln into increasing fluoric salts production capacity at PhosAgro-Cherepovets by 12 kt p.a.

Shareholders of PhosAgro production subsidiaries Ammophos and Cherepovetsky Azot approve the merger of the two companies into the newly-created PhosAgro-Cherepovets.

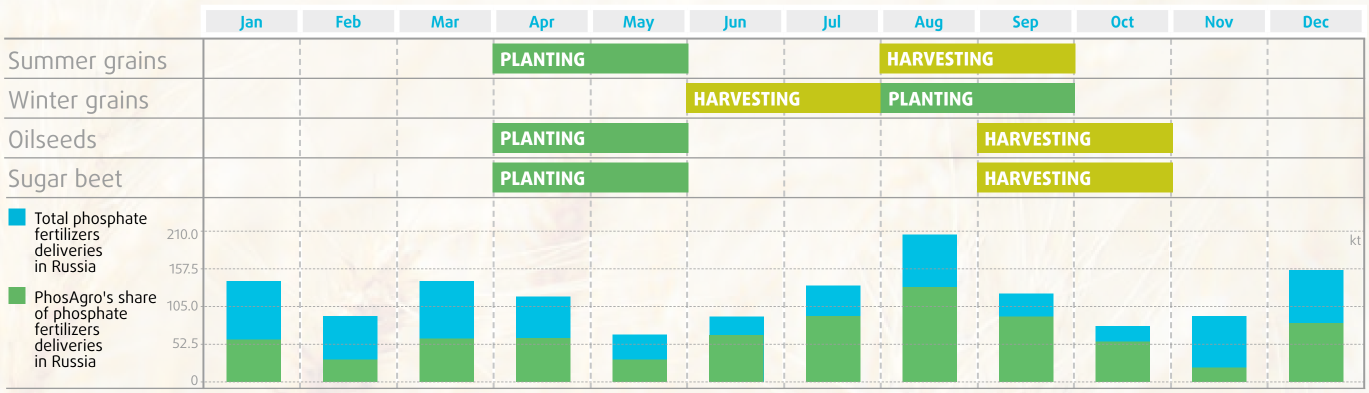
PhosAgro launches sales in containers, enhancing sales flexibility and opening up markets where infrastructure constraints limit bulk cargo handling capacity.

March

PhosAgro completes a 1:10 share split, each PhosAgro share now represents 3 GDRs instead of 30 GDRs pre-split.

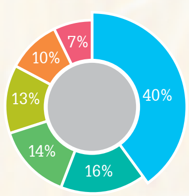
RUSSIA

Farmers preparing for the spring wheat planting season are the key driver of domestic demand for phosphate-based fertilizers in the first three months of each year. During the first quarter, farmers are building up stocks and beginning to apply fertilizers on their wheat fields. This is one of the Russian fertilizer market's two annual peaks, with the second coming mid-late in the third quarter ahead of winter wheat planting. Wheat is a major phosphate-consuming crop in Russia, making it a key source of domestic demand for our products, and Russia has become a major global exporter of wheat.



Wheat is a key source of phosphate demand in Russia...

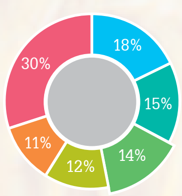
Phosphate fertilizer use by crop in Russia



Wheat	40%
Other crops	16%
Sugar beet	14%
Other cereals	13%
Oilseed	10%
Corn	7%

....and Russia is a major global exporter of wheat

Global wheat exports, 2011/2012

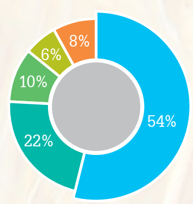


USA	18%
Australia	15%
Russia	14%
Canada	12%
EU-27	11%
Other	30%

...and PhosAgro is the leading supplier of phosphate-based fertilizers in Russia

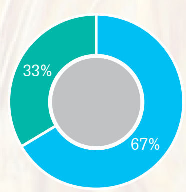
PhosAgro is the leader in the fast-growing domestic market for phosphate-based fertilizers, and we are able to sell directly to customers in Russia's leading agricultural producing regions.

Share of Russian phosphate-based fertilizer market



PhosAgro	54%
Acron	22%
Uralchem	10%
Eurochem	6%
Others	8%

The domestic fertilizer market's five-year CAGR is 7%



PhosAgro domestic/ export phosphate-based products revenue split, 2012, RUB mln

Export	60,759
Domestic	30,474

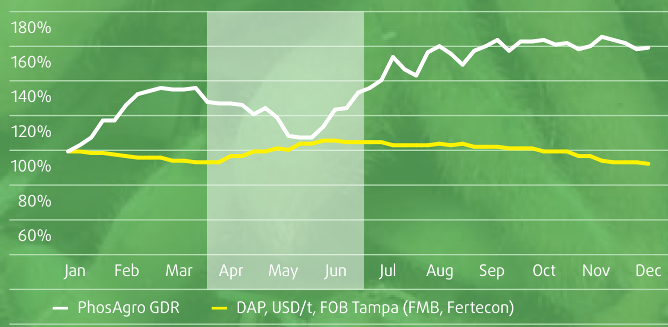
Russia is an especially important market for us: in 2012 domestic sales accounted for more than 30% of our revenue.

Source: ChemCourier, PhosAgro, USDA, IFA

2nd Quarter 2012

We maintained our production capacity utilization rate at 100% throughout the first half of the year thanks to flexible production and sales models, achieving stable results despite volatility in DAP/MAP prices:

- Phosphate-based fertilizer sales increased 6.6% during 1H 2012, with NPK sales up 57.7% during the period;
- Revenue for Q2 2012: RUB 24,441 mln, up 0.7% y-o-y from RUB 24,278 mln;
- EBITDA for the period: RUB 8,038 mln, down 7.0% y-o-y from RUB 8,643 mln;
- Profit for the period: RUB 2,755 mln, down 54.5% y-o-y from RUB 6,056 mln.



The phosphate fertilizer market in Q2 2012

India, the largest consumer of phosphate fertilizer in the world, resumed imports in Q2 2012, which helped support demand towards the end of the period. This helped DAP prices rise from their lowest levels in 2012 of USD 495 per tonne (FOB US Gulf) at the end of Q1 2012 to USD 560–575 per tonne at the end of the second quarter.

Soft commodities prices remained near historic highs, although farmers remained cautious about the sustainability of prices, thus somewhat dampening the traditionally supportive effect this has on fertilizer demand.

In all regions other than India phosphate fertilizer stocks were generally at very low levels; while demand remained strong in Q2 2012, farmers primarily in the US and Europe delayed purchases until the actual application season started. Demand from Brazil remained strong, helping make North America and Latin America the top region for PhosAgro's export sales in the second quarter of 2012.

Key Corporate Events

April

Russia's Antimonopoly Service grants PhosAgro permission to obtain up to 100% of Apatit, PhosAgro's apatite-nepheline ore mining and beneficiation subsidiary.

PhosAgro's Board recommends a 2011 dividend of RUB 32.5 per share (RUB 10.83 per GDR), approval and payment of which brought total 2011 post-IPO recommended dividends to RUB 57.5 per share (RUB 19.17 per GDR).

PhosAgro and Nagarjuna (a leading manufacturer and supplier of plant nutrients in India) sign agreement to supply 600 kt of phosphate-based fertilizers through February 2013, plus an option to increase tonnage by 400 kt during the same period.

May

PhosAgro's Board of Directors voted to support the Company's participation in the privatisation of the Russian Federation's 20% stake in Apatit's authorised capital, and authorised CEO Maxim Volkov to determine the price and other parameters of PhosAgro's participation.

PhosAgro's AGM approves final 2011 dividend, elects Board of Directors and approves other items on the agenda.

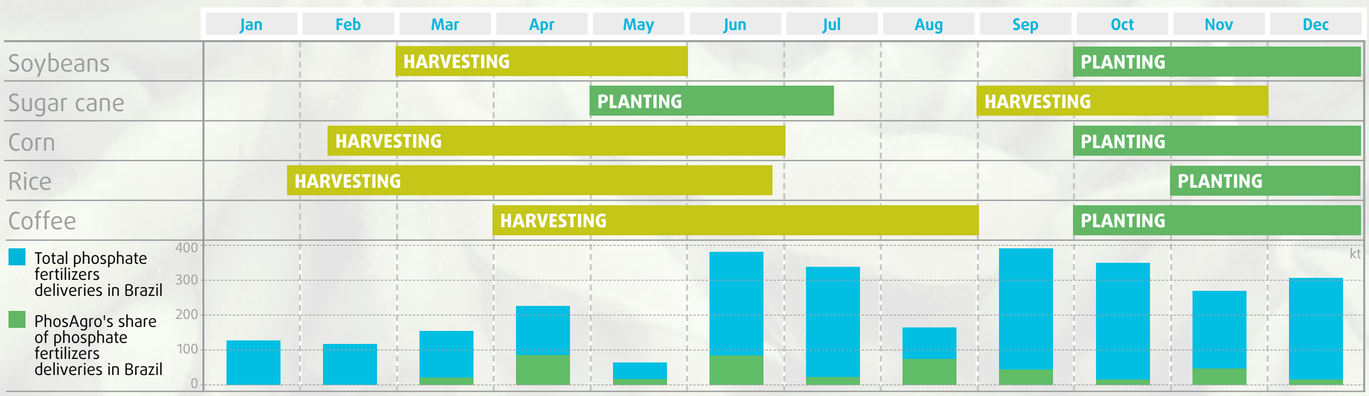
June

PhosAgro declined to participate in the tender for the privatisation of the Russian Federation's stake in Apatit, citing the lack of clarity on several significant conditions of the tender and risks related to Acron's pending lawsuit against the Federal Property Management Service aimed at declaring the privatisation illegal.

PhosAgro begins reporting IFRS financial results on a quarterly basis.

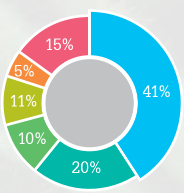
BRAZIL

Phosphate fertilizer application in Brazil peaks at the end of the third quarter and into the fourth quarter, when most planting seasons begin. However, we normally ship the highest volume of phosphate-based fertilizers to Brazil much earlier – in the second quarter of each year. This lag effect is due to logistics constraints at seaports: in order to secure sufficient supplies when they are needed, Brazilian customers must start purchasing three to four months in advance.



Soybeans and corn account for over 60% of phosphate demand in Brazil...

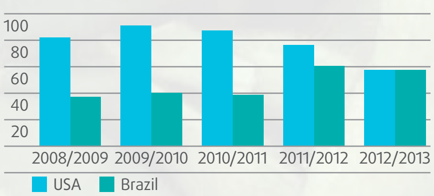
Phosphate fertilizer use by crop in Brazil



Soybeans	**41%**
Corn	**20%**
Other cereals	**10%**
Sugar crops	**9%**
Fruits & vegetables	**5%**
Other crops	**15%**

Brazil's rising exports of corn and soybeans, reflecting higher overall output of these crops by the country's farmers, support continued growth in demand for phosphate-based fertilizers.

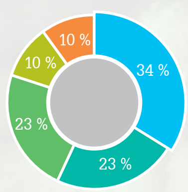
Total corn and soybean exports, mlt t



...and the region accounted for 34% of PhosAgro's 2012 export revenue

The lag effect caused by logistics constraints meant that North and South America accounted for the highest portion of our export revenues during April-June 2012.

PhosAgro 2012 export revenues



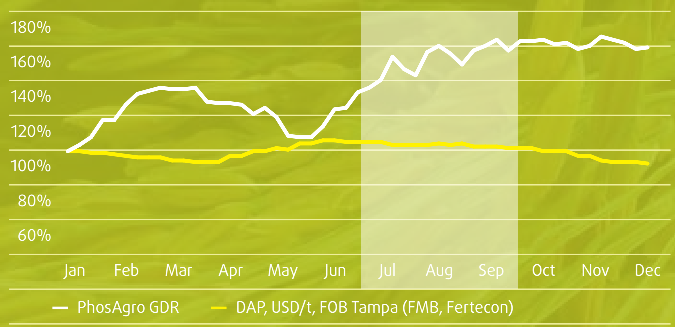
North & Latin America	**34%**
Asia	**23%**
Europe	**23%**
Africa	**10%**
CIS	**10%**

Source: PhosAgro, IFA, USDA, SiscoMex

3rd Quarter 2012

Our strong sales and financial performance continued in the third quarter, and our share price significantly outperformed DAP prices during the period.

- Sales of phosphate-based fertilizers increased 7.2% in 9M 2012; NPK sales increased 59.6% y-o-y respectively;
- Revenue for Q3 2012: RUB 28,878 mln, up 16.0% y-o-y from RUB 24,903 mln;
- EBITDA for the period: RUB 10,057 mln, up 17.0% y-o-y from RUB 8,598 mln;
- Profit for the period: RUB 8,318 mln, up 124.7% y-o-y from RUB 3,702 mln.



The phosphate fertilizer market in Q3 2012

A serious drought in the US led to a sharp reduction in grain supplies and growing soft commodities prices, which approached historic highs. At the same time, seasonal demand for phosphate-based fertilizers remained strong.

After India renewed phosphate-based fertilizer purchases in Q3 2012, it's fertilizer stocks normalised, but in all other geographies, phosphate fertilizer stocks remained at very low levels.

Key Corporate Events

July

The merger of production subsidiaries Ammophos and Cherepovetsky Azot into PhosAgro-Cherepovets is completed with official tax registration. The merger of these two entities will enable PhosAgro to simplify its corporate structure, creating operating synergies, improving efficiency, and increasing transparency. PhosAgro and PhosInt Limited (a related party) announce they now own 87.6% of the merged entity's authorised capital.

PhosAgro and Acron reach agreement regarding supply of phosphate rock to Acron during 2012 including the sale to Apatit of phosphate ore extracted at Acron's Oleniy Ruchey deposit.

PhosAgro begins test production at new PhosAgro-Cherepovets urea facility.

August

PhosAgro signs an agreement for the supply of urea from subsidiary Agro-Cherepovets to Keytrade AG, with a value of approximately USD 150 mln.

PhosAgro's Board of Directors recommends an interim dividend for the first six months of 2012 of RUB 38.00 per share (RUB 12.67 per GDR), which represents 56% of the net income attributable to shareholders of PhosAgro for the first half of the year.

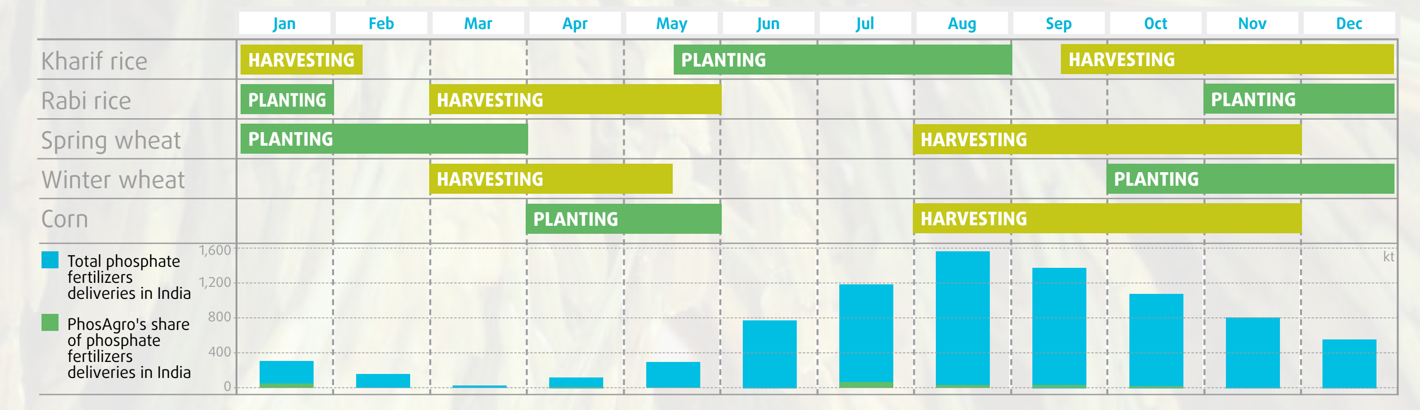
September

PhosAgro bids RUB 11.1 bln, the highest price offered, in the tender for the privatisation of the Russian Federation's 20% stake in PhosAgro subsidiary Apatit.

PhosAgro-Cherepovets completes share issue in favour of shareholders of Ammophos and Cherepovetsky Azot as the final step in the merger of the two latter entities into the newly-created PhosAgro-Cherepovets.

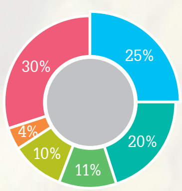
INDIA

India is the largest global importer of phosphate-based fertilizers, and the country uses its significant bargaining power to put pressure on fertilizer producers between planting seasons. This means that fertilizer shipments to India peak in the third quarter ahead of the rice (Rabi) and winter wheat planting seasons that begin in the fourth quarter. By building up significant stockpiles in the second half of the year, India is able to use the first quarter of every year to negotiate prices with the world's phosphate-based fertilizer producers. The result of these negotiations sets the price floor for global DAP prices on an annual basis.



Rice is the top phosphate-consuming crop in India

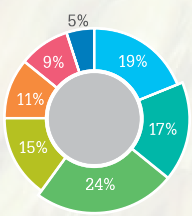
Phosphate fertilizer use by crop in India



Rice	25%
Wheat	20%
Fruits & vegetables	11%
Oilseeds	10%
Sugar crops	4%
Other crops	30%

Rice is the most popular crop in the regions accounting for 41% of the world's population

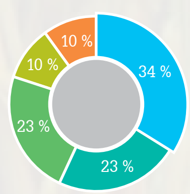
Share of global population



China	19%
India	17%
Other Asia	24%
Africa	15%
Europe	11%
Latin America	9%
North America	5%

PhosAgro took steps to open new Asian markets in 2012

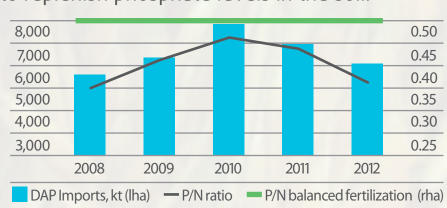
In 2012 we introduced sales in containers, which opened up several Asian markets that we could not previously reach, including Thailand and Vietnam. Asia, including India, accounted for 23% of export revenues and for 27% of overall sales volumes in 2012.



PhosAgro 2012 export revenues

North & Latin America	34%
Asia	23%
Europe	23%
Africa	10%
CIS	10%

Several years of imbalanced fertilization in India have created the need to replenish phosphate levels in the soil.

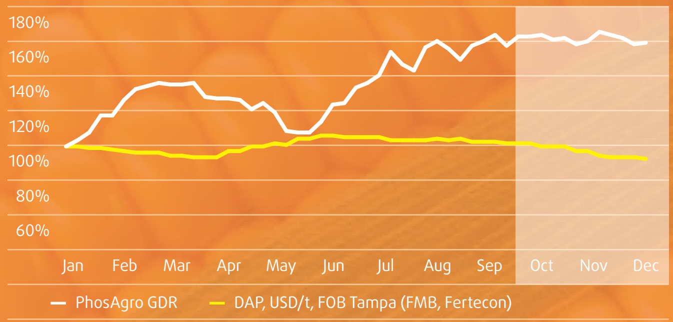


Source: PhosAgro, IFA, USDA, FAI

4th Quarter 2012

We finished the year with record fertilizer production and sales volumes, thanks to the launch of our new urea capacity at PhosAgro-Cherepovets and sustained demand for complex NPK fertilizers.

— Total fertilizer sales for 2012 rose 7.8% to an all-time high of 5.3 million tonnes;
— NPK sales increased y-o-y by 39.2% during the same period;
— Revenue for Q4 2012: RUB 26,066 mln, down 2.9% y-o-y from RUB 26,851 mln;
— EBITDA for the period: RUB 7,501 mln, down 16.8% y-o-y from RUB 9,020 mln;
— Profit for the period: RUB 5,390 mln, down 16.9% y-o-y from RUB 6,483 mln.



The phosphate fertilizer market in Q4 2012

Annual phosphate consumption in developing economies grew by 3.0%-4.7% y-o-y vs. 2011/2012, while Brazil was up 8.8% y-o-y and Ukraine's phosphate consumption increased 15.9% y-o-y.

India resumed buying in the end of the second quarter, but it was reporting adequate stocks of phosphate-based fertilizers for the upcoming 2013 season. At the same time, stocks of phosphate-based fertilizers remained at very low levels in all other geographies during the fourth quarter.

Key Corporate Events

October

PhosAgro's ownership of Apatit increases to 77.57% following completion of the privatisation of the Russian Federation's stake in the subsidiary.

PhosAgro acquires 24% of the shares in Nordic Rus Holding, which is the owner of 7.42% of the authorised capital of Apatit.

PhosAgro officially launches a new 500 kt p.a. urea production facility and a 32 MW gas turbine electricity generation plant at PhosAgro-Cherepovets, increasing the company's self-sufficiency in electricity and enhancing production flexibility.

November

PhosAgro launches mandatory tender offer for the acquisition of ordinary and preferred shares in Apatit.

PhosAgro shares are upgraded from the MICEX Stock Exchange's quotation list "V" to quotation list "B". Quotation list "B" has certain liquidity and market capitalisation requirements compared to quotation list "V". Inclusion of its shares in quotation list "B" give PhosAgro access to a broader base of investors, including funds from the Russian Federation Deposit Insurance Agency.

PhoAgro's Board of Directors recommends a 9M 2012 dividend of RUB 25 per share (RUB 8.33 per GDR).

December

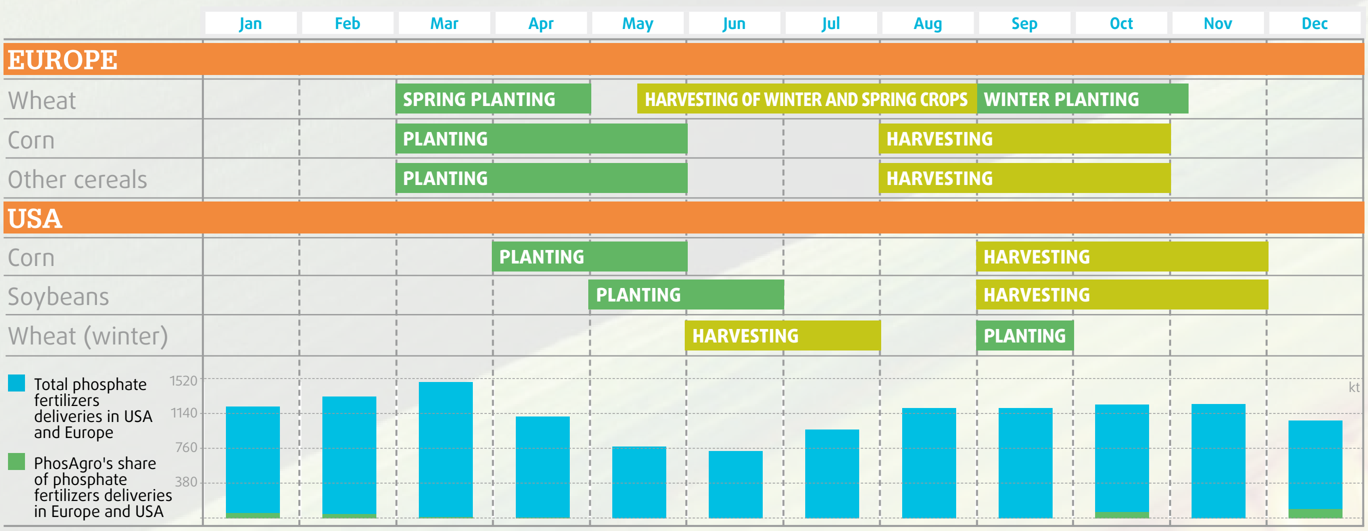
PhosAgro wins the "Best Progress in Developing Corporate Governance" award at the Investor Protection Association's annual Russian Leaders in Corporate Governance competition.

PhosAgro increased its stake in Metachem to 74.76% following an increase in Metachem's authorised capital by way of a contribution from PhosAgro.

PhosAgro's Board of Directors recommends that shareholders approve creation of a Management Board as the governing executive body within the company.

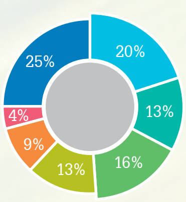
EUROPE AND USA

Europe and the United States are premium markets for phosphate-based fertilizers, and the US is the third largest consumer in the world after India and China. Supply chain restocking in preparation for spring planting is the driver of internal demand from the US during the fourth and first quarters. This balances out the global phosphate-based fertilizer market in a period when demand from other key regions is low. Phosphate-based fertilizer deliveries in both Europe and the US usually peak in February-March, while our deliveries of phosphate fertilizers to Europe normally peak in the fourth quarter of the year due to logistics considerations.



Corn, wheat and other cereals are major consumers of phosphate-based fertilizers in Europe...

Phosphate fertilizer use by crop in Europe

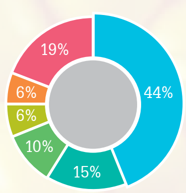


Wheat	20%
Corn	13%
Other cereals	16%
Fruits & vegetable	13%
Oilseeds	9%
Sugar crops	4%
Other crops	25%

Europe is also one of the largest consumers of NPK fertilizers, which means there is a large, developed market for PhosAgro's many grades of complex fertilizers in relatively close proximity to our own production sites. PhosAgro's sales to Europe during peak season bring higher netback prices than to any other region.

The US corn crop is one of the key sources of phosphate fertilizer demand – changes in US corn planting volumes can affect global phosphate-based fertilizer prices....

Phosphate fertilizer use by crop in the USA



Corn	44%
Wheat	15%
Soybean	10%
Other cereals	6%
Fruits & vegetable	6%
Other crops	19%

Despite significant domestic DAP/MAP production capacities, the United States imported 370 kt of MAP ahead of the 2012 spring planting season, including 118 kt of MAP delivered by PhosAgro.

Source: PhosAgro, IFA, USDA, UCITC, Eurostat

Letter from the Chairman of the Board of Directors

Sven Ombudstvedt

Chairman of the Board of Directors, PhosAgro

PhosAgro and its shareholders had a very successful year in 2012, despite a challenging market environment for phosphate fertilizer producers. As the Chairman of the Board of Directors and an Independent Director, I would like to review some of the highlights of the year for PhosAgro's shareholders.

First, PhosAgro achieved stable financial results, with revenue for the year increasing 5% to RUB 105.3 billion, an EBITDA margin of 33% and net profit increasing 9% to RUB 24.5 billion. The company's management and employees deserve credit for their hard work in 2012 to achieve these impressive results. We should also recognise the considerable effort over the years leading up to 2012 to achieve greater production and sales flexibility. One of the most tangible examples of this transformation is that between 2008 and 2012 PhosAgro increased the number of downstream products it produces from 9 to 23, and the number of NPK/NPS/NPKS/PKS grades from 4 to 16. It is precisely this kind of long-term thinking and successful execution that has translated into strong financial results, which in turn has been reflected in our GDR price outperforming our peers' share prices, and DAP prices, throughout 2012. I believe that this confirms that PhosAgro's long-term strategy is delivering meaningful results as we fulfill our commitments.

> "The Company's management and employees deserve credit for their hard work in 2012 to achieve stable financial results, with revenue for the year increasing 5% to RUB 105.3 bln, an EBITDA margin of 33% and net profit increasing 9% to RUB 24.5 bln."

"In 2012 we reached several key landmarks, such as the merger of Ammophos and Cherepovetsky Azot to create PhosAgro-Cherepovets, and of course the privatisation of the Russian Government's stake in our subsidiary Apatit, PhosAgro's source of its primary raw material for phosphate-based fertilizers."

Second, I think shareholders have benefitted from the company's success in enhancing long-term value growth. In 2012 we reached several key landmarks, such as the merger of Ammophos and Cherepovetsky Azot to create PhosAgro-Cherepovets, and of course the privatisation of the Russian Government's stake in our subsidiary Apatit, PhosAgro's source of its primary raw material for phosphate-based fertilizers. Apatit's resource base provides the platform for significant future growth as an integrated producer, with PhosAgro aiming to increase its internal consumption of phosphate rock to produce more value-added end products. We also doubled our urea capacity with the launch of a new 500 kt per annum production line. These achievements in 2012 serve as further proof of the ability of PhosAgro's management to deliver on the strategy endorsed by the Board.

The third area I would like to highlight is dividends: PhosAgro's 2012 dividends, including the recommended year end payment, amounted to USD $0.88 per GDR, setting us apart from nearly every global peer and giving shareholders an estimated 2012 dividend yield of over 7% (based on an average GDR price for 2012 of USD 11.65). This is worth underscoring for several reasons – it demonstrates how we have consistently over-delivered on the commitments made to shareholders during the IPO, paying out 49% of profit attributable to shareholders since going public. In addition, PhosAgro's strong financial position and robust cash flows mean that we have been able to pay out dividends while continuing to execute on our capital expenditure programme and other strategic initiatives aimed at creating value.

Finally, I want to underscore PhosAgro's strong commitment to corporate governance. As one of the three independent non-executive directors on the Board of Directors, I have seen first-hand how the company has worked to refine its corporate governance, transparency and disclosure processes since the IPO in 2011. This has included creating new governance structures (the introduction of a Management Board) and enhanced policies (for example, revised insider information regulations) as well as maintaining a regular and active dialogue with the market. Management has made tremendous efforts to communicate with investors, having conducted 10 non-deal roadshows, 8 conference calls and participated in 20 conferences in 2012, as well as hosting the Company's first-ever Capital Markets Day in early 2013. I can assure you that management treats these interactions as a dialogue: the Board has discussed ways of addressing a number of issues raised by investors during these meetings, including boosting the liquidity of our shares and improving disclosure practices.

Looking forward, I believe strongly in our ability to deliver on our strategy to increase value in the medium and long term. We operate in an industry driven by strong fundamentals, but still subject to the cycles that any commodity-based business faces. We have already built strong operations that delivered solid results in a challenging year, and we have a clear, achievable strategy aimed at sustainable value growth for our shareholders over the years to come.

Letter from the CEO


Maxim Volkov
Chief Executive Officer, PhosAgro

Highlights of 2012

PhosAgro has many meaningful achievements to report for 2012. On the operating side, we set new records in 2012, producing 5.4 million tonnes of mineral fertilizers and achieving sales volumes of 5.3 million tonnes, increases of 8.6% and 7.8% y-o-y, respectively. This was the primary driver of our 5% revenue growth for the year, which also set a new record at RUB 105.3 billion. Our 2012 EBITDA was RUB 34.7 billion and profit for the period increased to RUB 24.5 billion. Our financial position remained strong, with a net debt/EBITDA ratio of 0.77x. One of the key factors supporting these results was our decision in early 2012 to take advantage of PhosAgro's production flexibility and to focus on complex NPK/NPS fertilizers instead of MAP/DAP. Being able to respond quickly to changing market demand is critical to maintaining stable results: we increased our annual sales volumes, revenue and profit in a year when the average DAP price was down 14% compared to 2011.

Looking at our strategic priorities, we can report significant progress on many fronts. Perhaps the two most important events of 2012 were the consolidation of our ownership in Apatit (over 95% as of the date of this report), and the launch of our new 500 kt per annum urea line. We further increased our self-sufficiency, launching a 32 MW power generation facility in Cherepovets. We also moved forward on consolidating our stake in PhosAgro-Cherepovets, something we will continue to focus on in 2013. There are several projects currently underway to maximise the value we extract from our unique apatite-nepheline ore: first, we are increasing fluoric salts production as part of our long-term contract with RUSAL, and second we increased our stake in Metachem, bringing us into the technical phosphates market and opening the prospect of further capacity growth through modernisation and upgrades to the site's production lines.

It has been a busy year, but a very successful year.

Market Environment

DAP/MAP producers faced a challenging market environment in 2012, driven by weak demand from India due to changes in fertilizer subsidy policies and a weak rupee. At the same time, China continued to restrict phosphate-based fertilizer exports, while demand outside of India remained strong, and fertilizer stocks globally (excl. India) remained at very low levels.

The Russian fertilizer market continued growing faster than the global average. Domestic phosphate consumption accounted for over 33% of our total sales in 2012.

Soft commodities, to which the performance of the fertilizer market is closely tied, remained at or near historic highs throughout 2012. The fundamental need for farmers to produce more on each acre or hectare of land they use remains unchanged. With the global population continuing to grow, I believe this trend will only strengthen.

Outlook

I am very optimistic about the outlook for PhosAgro. We have a proven track record of adopting prudent strategic initiatives and delivering on them year after year, and 2012 was no exception. We also have a very clear set of value-accretive strategic goals set out before us that I am confident we will achieve.

We carefully manage our balance sheet and cost of financing for all current initiatives, including both the consolidation of subsidiaries and our growth projects. One recent highlight that underscores our ability to manage our debt portfolio by raising low-cost, long-term financing is the successful placing of our debut USD 500 mln 5-year Eurobond with a coupon rate of 4.204%. The issue was met with strong interest from fixed-income investors and was assigned a Baa3 rating from Moody's and BB+ from Fitch Ratings, both in line with the Company's corporate credit ratings from these agencies. Proceeds from the issue will be used for further consolidation of our stakes in key production subsidiaries, as well as to refinance short-term borrowings. Additionally, in February 2013, Standard & Poor's assigned PhosAgro a BB+ long-term corporate credit rating with a positive outlook.

In April 2013 a group of PhosAgro's shareholders also completed a secondary public offering (SPO) of shares and GDRs representing 9% of PhosAgro's share capital, and increasing our free float to nearly 20%. This was followed by an additional share issue by PhosAgro in which the selling shareholders re-invested 45% of the proceeds from the SPO, thus further strengthening our financial position as we head into another year of important planned strategic investments. The SPO is also important because increasing the liquidity of our shares and GDRs has been identified as a priority by our shareholders and Board of Directors. The approximately two-fold increase in PhosAgro's free float has addressed this issue, and should support the inclusion of PhosAgro shares in the MSCI Russia index.

In the short term, a key focus will be the full consolidation of Apatit and PhosAgro-Cherepovets, both of which will help to create operational and cost synergies, and will simplify our corporate governance structures once we achieve 100% control. This will also significantly increase the profit available for distribution to PhosAgro shareholders. By increasing our stake in Metachem in December 2012, we were able to consolidate the company's capacities and enter the technical phosphates market from 2013.

In the longer term, we are at various stages of implementing or launching several major projects that will enable us to increase our production capacity and should have a sustainable positive impact on shareholder value. The first of these is the construction of a new 760 kt per annum ammonia plant, which will make PhosAgro fully self-sufficient in ammonia – and thus enable us to further ramp up production of downstream fertilizers. To that end, we are working on plans to construct a new fully flexible NPK/MAP/DAP/NPS line at Balakovo Mineral Fertilizers. And finally, we see opportunities in areas like capacity increases at Metachem. While developing these growth-oriented projects, we will maintain a disciplined approach to our balance sheet, aiming to limit capital expenditure to under 50% of EBITDA. We also plan to continue our dividend policy of distributing from 20% to 40% of profits to our shareholders.

All of these strategic initiatives are aimed at building sustainable value for our shareholders. I believe they are all achievable given our experienced management team, strong financial position and supportive global demand environment. This is what gives me cause for optimism, and I hope that our shareholders, employees and other stakeholders look to the years ahead with the same enthusiasm that I do.

Operational Review

Phosphate segment – Upstream

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

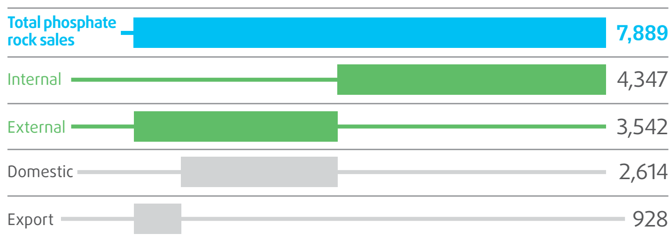
In 2012, we extracted 26.6 million tonnes of apatite-nepheline ore, the same amount as in 2011. We produced 7.9 million tonnes of phosphate rock, up 2.4% from 7.7 million tonnes last year. Intra-group sales of phosphate rock for production of our own phosphate-based fertilizers and other end products accounted for 55% (4,347 kt) of our total phosphate rock sales in 2012, down from 59% (4,604 kt) in 2011. This change was primarily due to the higher volume of complex NPK/NPS fertilizers that we produced in 2012. These products generally have a lower P_2O_5 content compared to DAP/MAP and, as a result, the amount of phosphate rock we used as a raw material was lower than in 2011, despite higher overall fertilizer production and sales in 2012.

33% of the phosphate rock produced in 2012 was sold to domestic external customers and 12% to international external customers, compared with 32% and 9%, respectively, in 2011. Prayon (Belgium) and Yara (Norway) accounted for most of the exports. In December 2012, PhosAgro entered into a phosphate rock supply agreement with Yara for 2013-2018. Sales volumes under this agreement will be negotiated annually with the price established according to a formula.

Nepheline concentrate sales rose 4.5%, and production increased 6.0% y-o-y in 2012. We sell all of our nepheline concentrate to Basel Cement Pikalevo, which increased the volumes of nepheline concentrate purchased in 2012.

Phosphate rock sales in 2012

kt



Production Volumes

kt

	2012	2011	Change y-o-y
Apatit mine and beneficiation plant			
Phosphate rock	7,903.6	7,719.8	2.4%
Nepheline concentrate	1,056.7	997.0	6.0%

Sales Volumes

kt

	2012	2011	Change y-o-y
Apatit mine and beneficiation plant			
Phosphate rock	3,541.8	3,152.6	12.3%
Nepheline concentrate	1,041.3	996.7	4.5%

We produced 7.9 million tonnes of phosphate rock, up 2.4% from 7.7 million tonnes last year.

PHOSAGRO'S ORE RESOURCES AS AT 1 JANUARY 2013

In 2012 we conducted further exploration of the Razvumchorr Plateau as part of our ongoing projects to expand our resource base. As a result of this exploration the volume of category A, B and C1 resources increased by 32,658 thousand tonnes, or 1.6%, compared to 1 January 2012.

Deposit	Resources , '000 t (Categories A+B+C1)	Average P_2O_5 content, %
Kukisvumchorr	415,971	14.64%
Yukspor	537,012	14.22%
Apatitovy Cirque	116,580	14.80%
Rasvumchorr Plateau	339,828	12.97%
Koashva	626,183	16.79%
Njorkpahk	57,448	14.96%
TOTAL	**2,093,022**	**14.92%**

RESERVES CATEGORIES 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.

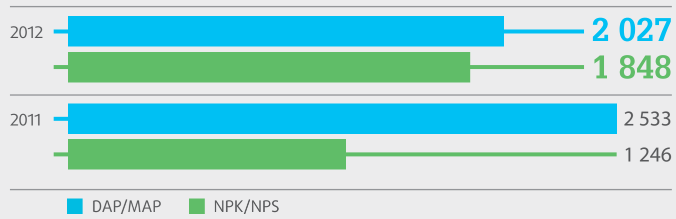
CATEGORY B
The deposit has been explored but is only known in fair detail; boundaries of the deposit have been outlined by trenching, drilling, or underground workings. The quality and properties of the ore are known in sufficient detail to ensure the basic reliability of the projected exploitation.

CATEGORY C1
The deposit has been estimated by a sparse grid of trenches, drillholes 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 known tentatively. This category includes resources peripheral to the boundaries of the A and B category and also reserves allocated in complex deposits in which the ore distribution cannot be reliably determined even by a very dense grid.

Operational Review (continued)

We switched our flexible production lines to NPK/NPS from MAP/DAP in 2012, thus increasing NPK/NPS volumes while decreasing MAP/DAP.

DAP/MAP vs. NPK/NPS sales, kt



Phosphate segment – Downstream

The downstream operations in our phosphate segment take place at PhosAgro-Cherepovets assets (formerly part of Ammophos) and Balakovo Mineral Fertilizers (BMF). These facilities produce phosphate-based fertilizers, and BMF also produces feed phosphate (MCP).

In response to changes in demand, and thanks to our ability to quickly switch between production of MAP/DAP and NPK/NPS fertilizers, we produced and sold record levels of NPK and NPS in 2012. Both production and sales of NPK fertilizers reached 1.6 million tonnes in 2012 (up 37.1% and 39.2%, respectively). This contributed to planned declines in production and sales of DAP/MAP by 19.3% and 20.0%, respectively, as we focused on producing the products with the highest netback for PhosAgro.

Another notable change in 2012 was NPS output, which increased to 346 thousand tonnes, up 321% over 2011. In addition to the primary nutrients nitrogen and phosphorous, NPS contains the secondary essential element sulphur. Demand for sulphur-containing fertilizers has increased due to depletion of sulphur levels in the soil globally, especially in Southeast Asia and Latin America, and we were able to quickly respond with new products and grades, which drove the increase in NPS production and sales in 2012.

Production and sales volumes of feed phosphate (MCP) increased by 5.8% and by 8.1%, respectively, y-o-y in line with demand.

Thanks to our production flexibility, we were also able to maintain 100% capacity utilisation throughout 2012. While production of MAP and DAP declined in 2012 compared to 2011, this was due to significantly higher production of NPK and NPS fertilizers on the same flexible production lines.

SULPHUR HAS BECOME INCREASINGLY IMPORTANT AS A CROP NUTRIENT IN RECENT YEARS, SOMETIMES BEING REFERRED TO AS "THE FOURTH MAJOR NUTRIENT":

- Sulphur is important for the formation of amino acids, proteins, and oils. It is also necessary for chlorophyll formation, as well as helping develop and activate certain enzymes and vitamins.
- Sulphur improves the efficiency of use of other nutrients like nitrogen and phosphorous.
- Higher demand for S-containing fertilizers is a result of increasing crop yields, as higher crop yields and more intense land use lead to greater depletion of this nutrient.
- Other factors driving demand include successful efforts by fertilizer producers to decrease S impurities in sulphur-free products, a decline in the use of S-containing pesticides, and lower S emissions from industrial sources.

Source: IPNI, Summer 2010, No. 7; The Sulphur Institute

Production Volumes kt

	2012	2011	Change y-o-y
Phosphate-based fertilizers and MCP			
DAP/MAP	2,047.3	2,537.4	(19.3%)
NPK	1,644.2	1,199.2	37.1%
NPS	346.4	82.3	320.9%
APP	60.5	58.1	4.1%
MCP	241.6	228.4	5.8%

Sales Volumes kt

	2012	2011	Change y-o-y
Phosphate-based fertilizers and MCP			
DAP/MAP	2,027.1	2,533.2	(20.0%)
NPK	1,619.0	1,162.8	39.2%
NPS	299.1	82.7	261.7%
APP	52.0	55.7	(6.6%)
MCP	245.7	227.3	8.1%

Nitrogen segment

Our Nitrogen segment includes the assets of PhosAgro-Cherepovets (formerly part of Cherepovetsky Azot), which produces ammonia, ammonium nitrate, ammonium nitrate-based fertilizers and urea, and Agro-Cherepovets, which produces urea from the ammonia produced by PhosAgro-Cherepovets.

The ammonia we produce is used internally for the production of phosphate-based and nitrogen fertilizers. Ammonia production increased 8.5% y-o-y compared to 2011, and most of it was consumed within the group to support urea production volumes starting from the second half of 2012. This meant that our self-sufficiency in ammonia declined to 88% in 2012 compared to 92% in 2011.

The main driver of the higher overall production and sales of nitrogen fertilizers in 2012 was the launch of our new 500 kt per annum urea production line in the second half of 2012, which more than doubled our overall urea production capacity to 980 kt per annum. Test production started in July 2012, and urea production and sales volumes were up significantly compared to 2011, with production increasing 57.8% y-o-y to 703.1 kt, and sales up 62.1% y-o-y to 717.6 kt in 2012.

Following the launch of the new urea plant, we entered into two new contracts for the sale of urea with Transammonia AG (Switzerland), for the period from July 2012 to June 2013, and with Keytrade AG (Switzerland), for the period from September 2012 to August 2013, which currently cover approximately 60 percent of our exports of urea. The majority of our remaining urea sales take place 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 based on market dynamics, while at the same time enabling us to benefit from the flexibility that spot sales provide.

Production and sales of ammonium nitrate (AN) decreased y-o-y by 31.0% and 33.3% respectively in 2012, primarily as a result of our increased use of internally-produced ammonia for the production of urea and NP. Our decision in 2012 to focus on urea and NP instead of AN production was driven by the higher margins these products earned compared to AN.

Production Volumes kt

	2012	2011	Change y-o-y
Nitrogen fertilizers			
AN	314.6	455.7	(31.0%)
NP	80.3	0.0	–
Urea	703.1	445.6	57.8%

Sales Volumes kt

	2012	2011	Change y-o-y
Nitrogen fertilizers			
AN	297.9	446.8	(33.3%)
NP	79.4	0.0	–
Urea	717.6	442.6	62.1%

Overall sales volumes of nitrogen fertilizers increased 23.1% y-o-y in 2012, primarily as a result of higher production following the launch of our new urea line at PhosAgro-Cherepovets.

Operational Review (continued)

PhosAgro production facility

PhosAgro distribution centre

Rail transport

Sea port

Distribution and Logistics

BMF is located in close proximity to Russia's main agricultural producing regions, which gives us logistics flexibility and logistics cost advantage for domestic sales.

With the addition of the Metachem production site, we have new capacity in close proximity to the St. Petersburg port and to our Apatit mine, creating additional logistics flexibility and significant potential for future development.

While we do not report distribution and logistics operations as separate segments, they are a key part of PhosAgro's business in our fast-growing home market of Russia, helping us control costs and manage risks. Our distribution and logistics networks are managed and operated by PhosAgro-Region and PhosAgro-Trans.

During 2012 we operated eight distribution centres. These centres are located in close proximity to the major agricultural regions of Russia that account for approximately 70% of domestic demand for MAP and NPK. Four of PhosAgro-Region's distribution centres provide additional services, such as blending, to tailor products for specific crops and types of soil, as well as delivery of PhosAgro products to customers.

We also own and operate 17 storage facilities in Russia with a total capacity of more than 270,000 tonnes of fertilizers. These facilities help us to maintain stable production levels through seasonal demand cycles, while ensuring that we can meet demand during high season.

We also operate more than 7,000 railcars (owned, leased and under operating lease), which are used for the transportation of raw materials and products, including phosphate rock and nepheline concentrate. Of these more than 7,000 railcars, 649 are cisterns used for transporting ammonia, acids and liquid fertilizers.

We reduce our transportation costs by minimising empty runs of our railcar fleet. PhosAgro's phosphate rock production facilities are located near the Murmansk port, through which we export a large portion of our fertilizers. As a result, we are able to reduce transportation costs by using the same railcars to transport phosphate rock from our phosphate rock production facilities to our fertilizer production facilities and to transport fertilizers from PhosAgro fertiliser production facilities to the Murmansk port. We monitor the movements and locations of our railcars on a daily basis.

Research and Development

We have two R&D units that are important to our continued modernisation and upgrade work. They help us develop new products and production technologies, and improve existing ones, as well as leading to more efficient, reliable, environmentally-safe, resource- and energy-saving solutions.

SCIENTIFIC RESEARCH INSTITUTE FOR FERTILIZERS AND INSECTOFUNGICIDE

The Scientific Research Institute for Fertilizers and Insectofungicide (NIUIF) is the only research institute in Russia specialising in research and development in the phosphate-based fertilizer industry with the focus on environmentally friendly and resource efficient technologies. NIUIF is the centre for academic study in the area of mineral fertilizers, sulphuric and phosphoric acids, industrial salts and other products of fundamental chemistry, as well as processes and equipment for the production of said products. Since the foundation of NIUIF in 1919, more than 80 plants producing sulphuric acid, phosphoric acid, fertilizers and/or industrial salts have been constructed and commissioned based on NIUIF developments. NIUIF currently holds 64 active patents covering most aspects of phosphoric and sulphuric acid production, refining and subsequent fertilizer production. In addition, seven Eurasian Patents are in the process of receiving national patents.

NIUIF employed 101 people as of 31 December 2012, many of whom hold advanced degrees. Examples of PhosAgro projects developed and implemented in cooperation with NIUIF include:

- Developing specifications for design engineering work for the production of granulated NPK fertilizers in accordance with the requested assortment and production output at BMF;
- Developing specifications for a 12% increase to phosphoric acid capacity at BMF;
- Developing specifications for engineering for a vacuum-evaporating installation with production capacity of 200 kt of P_2O_5 per year;
- Researching technologies and the physical-chemical characteristics, developing new sorts and production technologies for chlorine-free and chlorine-containing granulated PK and NPK fertilizers;
- Developing technologies for the manufacture of new sorts of phosphor-potash fertilizers (PKS) like 0-20-20-5S
- Modernisation of scrubbing systems and receiving approval for an improved method of measuring concentrations of SO_3 and H_2SO_4 in gas emissions into the atmosphere from sulphuric acid systems at PhosAgro-Cherepovets. As a result of this work the concentration of these substances in emissions reached 4.9-7.9 mg/nm^3, which is below the recommended levels for best available techniques.

MINING AND CHEMICAL ENGINEERING

Our second R&D unit, Mining and Chemical Engineering (MCE), specialises in developing project documentation. MCE provides overall technical and engineering support relating to our investments in the construction of new and modernisation of existing production facilities, and provides PhosAgro with general engineering support, including with regards to entering new businesses. MCE develops project and budget documentation for the development of our natural resource base, for beneficiation and chemical production facilities, and provides oversight for the implementation of the project documentation it has developed. MCE uses the most modern computer programmes available in its work.

MCE also designs technical specifications and provides support to PhosAgro in relation to exploration and mining activities at Apatit. MCE supports us in our negotiations with foreign engineering companies, Russian research institutions, design offices and learning centres. MCE employed 412 people as of 31 December 2012.

Financial Review

Financial Highlights for 2012

Our 2012 financial performance was an illustration of PhosAgro's flexible production and sales model. Consolidated revenue grew by 5% y-o-y to RUB 105.3 billion; earnings before interest, taxes depreciation and amortization (EBITDA) decreased by 2% y-o-y, and profit for the year rose 9% to RUB 24.5 billion. Cash flows from operating activities decreased by 21% to RUB 25.5 billion, representing stable financial performance despite prices for phosphate-based fertilizers like DAP/MAP being under pressure during most of the year.

Key financial performance indicators — RUB million

	2012	2011	% change
Revenue	**105,303**	**100,518**	**5%**
Cost of sales	(60,136)	(56,196)	7%
Gross profit	45,167	44,322	2%
Gross profit margin	43%	44%	
Operating profit	28,174	29,319	(4%)
Operating profit margin	27%	29%	
Profit for the period	24,510	22,476	9%
Profit margin	23%	22%	
EBITDA	34,695	35,370	(2%)
EBITDA margin	33%	35%	
Net debt	26,805	15,207	76%
Net debt/EBITDA ratio	0.77x	0.43x	

Statement of Comprehensive Income

REVENUE

Our 2012 consolidated revenue was RUB 105,303 million, compared to RUB 100,518 million in 2011, largely as a result of higher sales volumes for both phosphate-based and nitrogen fertilizers, especially complex NPK and NPS products. In 2012, our phosphate fertilizers segment contributed 87% (FY11: 89%) of consolidated revenue, while the nitrogen fertilizers segment accounting for 12% (FY11: 11%). Revenue from export sales accounted for 69% of our consolidated revenue in 2012, compared to 70% in 2011.

Changes to the geographic structure of sales were largely driven by our decision to focus on production of complex NPK fertilizers due to stronger demand vs. MAP/DAP fertilizers, and the introduction of sales in containers in Q1 2012. Container sales were especially strong in areas where infrastructure limitations restrain bulk shipments.

Containers can hold up to 29 tonnes of fertilizers, and offer far greater logistics flexibility than bulk vessels. We can load a container at our production facilities, and it can then be transported by rail, truck and/or ship to anywhere in the world – which is especially convenient for places where infrastructure contraints limit bulk cargo handling capabilities. This helped us significantly increase our sales of NPK fertilizers to Africa and a number of Asian countries, including Thailand, China, Indonesia, Malaysia, the Philippines and South Korea. Netback prices for container sales are often higher than for bulk sales due to lower shipping costs and the premium we can charge for smaller volumes.

The geography of our complex NPK fertilizer sales by region is detailed on the inside front cover of this report.

Our flexible production and sales drove exceptional growth in NPK/NPS revenues in 2012, while high levels of vertical integration and self-sufficiency helped contain costs.

Our global sales flexibility, combined with our ability to quickly switch our production lines to meet demand, meant that the geography of our export sales changed significantly in 2012 compared to 2011. Revenue from Asia and Africa increased y-o-y by 42% and 151%, respectively, while sales to India declined by 38% because we focused on sales to regions where we could achieve better netback prices while India used its bargaining power to put downward pressure on the phosphate-based fertilizer market. Overall, revenue from export sales increased 3% to RUB 72,163 million in 2012, compared to RUB 70,263 million a year earlier.

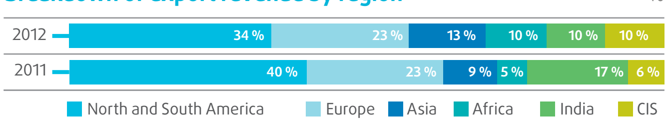
Revenue by region

RUB million

	2012	2011	% change
North and Latin America	24,380	28,287	(14%)
Europe	16,822	16,197	4%
Asia	9,051	6,396	42%
Africa	7,579	3,016	151%
India	7,454	12,029	(38%)
CIS	6,877	4,338	59%
Total	**72,163**	**70,263**	**3%**

Breakdown of export revenue by region

%



Segment revenue structure

RUB million

	2012	2011	% change
Phosphate-based products	91,233	88,982	3%
Nitrogen fertilizers	13,048	10,727	22%
Other operations	1,022	809	26%
Total	**105,303**	**100,518**	**5%**

Phosphate-based products segment

RUB million

	2012	2011	% change
Revenue	91,233	88,982	3%
Cost of goods sold	(55,276)	(50,631)	9%
Gross profit	35,957	38,351	(6%)

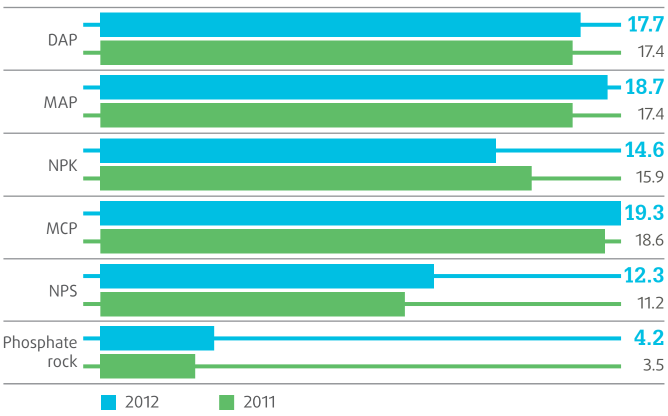
Phosphate segment revenue increased by 3% y-o-y and totalled RUB 91,233 million in 2012. We increased production of phosphate-based fertilizers and MCP by 6% y-o-y, while sales volumes were up 4% y-o-y. Production and sales volumes for phosphate rock and nepheline concentrate increased in 2012 compared to 2011 by 3% and 10%, respectively.

Revenue from NPK fertilizer export sales increased 39% in 2012 to RUB 15,617 million from RUB 11,254 million as a result of a 48% increase in NPK export sales volumes. Revenue from NPS export sales increased over three-fold, mainly due to an identical increase in export volumes. Our record levels of NPK production and sales contributed to a 24% decline in export sales revenue for DAP/MAP to RUB 29,969 million in 2012 from RUB 39,594 million for 2011. Domestic MAP revenues increased 24% to RUB 3,887 million from RUB 3,138 million as a result of an 8% increase in revenue per tonne and a 15% increase in sales volumes. Revenue from phosphate rock increased 34% y-o-y in 2012, reaching RUB 19,452 million on higher revenue per tonne (up 19% y-o-y on domestic market and 8% on export market) and higher sales volumes (up 6% y-o-y on domestic market and 37% on export market).

Financial Review (continued)

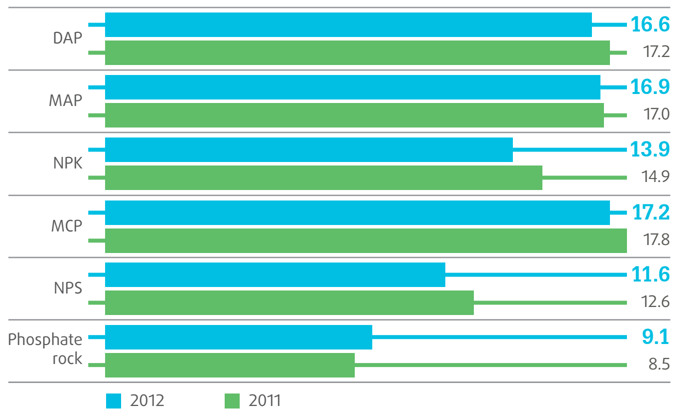
Revenue per tonne for principal phosphate-based products in the domestic market

'000 RUB



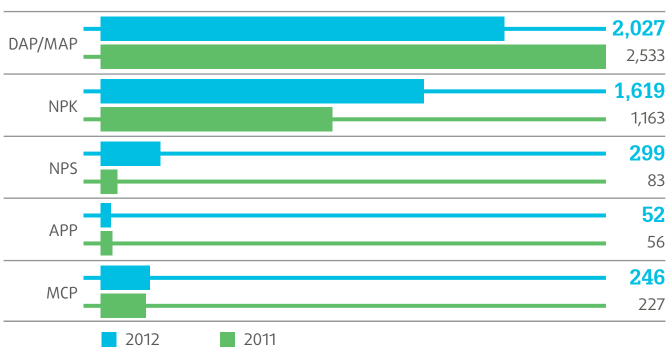
Revenue per tonne for principal phosphate-based products in export markets

'000 RUB



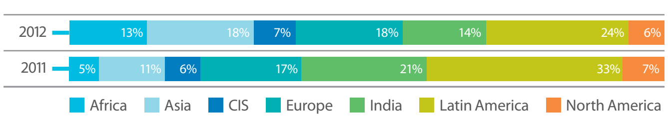
Sales volumes of principal phosphate-based fertilizers and feed phosphates (MCP)

kt



Breakdown of export sales volumes of phosphate-based fertilizers and feed phosphate (MCP) by region

%



Segment CoGS and gross profit

We are largely self-sufficient in key raw materials for phosphate fertilizer production, and therefore not subject to price inflation for phosphate rock. Expenditure on potash, a key raw material for complex NPK fertilizers, increased 52% y-o-y in 2012, reaching RUB 4,598 million, due to a 21% y-o-y increase in volumes of potash purchased and a 26% increase in cost per tonne to RUB 8,202 from RUB 6,505. This was partially compensated for by a 26% y-o-y decline in expenditures on sulphur and sulphuric acid, to RUB 3,597 million in 2012 from RUB 4,838 million in 2011. Sulphur purchase prices declined by 25% to RUB 2,442 per tonne from RUB 3,271 per tonne, while volumes purchased decreased slightly (less than 1% y-o-y) in 2012. These factors, combined with a 4% increase in sales volumes of phosphate-based fertilizers, contributed to a 9% increase in cost of goods sold to RUB 55,276 million from RUB 50,631 million.

The phosphate segment's gross profit for 2012 decreased by 6% to RUB 35,957 million from RUB 38,351 million, resulting in a 2012 gross profit margin of 39%, compared to 43% in 2011.

Nitrogen fertilizer segment revenue increased 22% y-o-y in 2012, driven by the launch of our new 500 kt per annum urea production facility in the second half of the year.

Nitrogen fertilizers segment

RUB million

	2012	2011	% change
Revenue	13,048	10,727	22%
Inter-segment revenues	3,175	3,629	(13%)
Cost of goods sold	(7,632)	(7,495)	2%
Gross profit	8,591	6,861	25%

Revenue in the nitrogen segment was RUB 13,048 million in 2012, an increase of 22% from RUB 10,727 million in 2011. Sales volumes of nitrogen fertilizers increased 23% y-o-y in 2012, primarily as a result of the ramp up and launch of the new urea production unit at PhosAgro-Cherepovets during the second half of 2012.

Urea revenue increased 68% y-o-y to RUB 8,394 million in 2012 from RUB 5,004 million a year earlier as a result of a 62% y-o-y increase in sales volumes and a 3% y-o-y increase in export prices. This was partially offset by a 26% y-o-y decrease in revenue from ammonium nitrate (AN) sales to RUB 2,837 million from RUB 3,822 million due to lower production volumes.

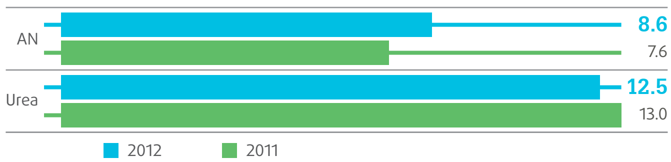
Segment CoGS and gross profit

The price of natural gas, which is the key raw material for nitrogen fertilizers, increased in 2012 as Gazprom continued its policy of moving towards liberalizing domestic gas prices. Since 1 July 2012, gas tariffs for Russian industrial consumers increased by 15%. PhosAgro's average natural gas purchase price increased by 8% from RUB 3,015 per th. m^3 (RUB 89 per mmBtu) in 2011 to RUB 3,248 roubles per th. m^3 (RUB 97 per mmBtu) in 2012.

As a result, nitrogen segment gross profit increased by 25% y-o-y to RUB 8,591 million in 2012, with a gross profit margin of 53%.

Revenue per tonne for principal fertilizers in the domestic market

'000 RUB

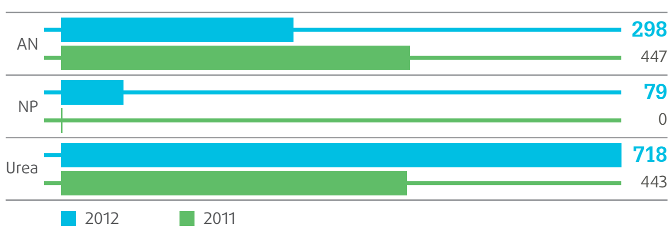


Revenue per tonne for principal fertilizers in the export market

'000 RUB

Sales volumes of principal nitrogen fertilizers

kt



Breakdown of export sales volumes of nitrogen fertilizers by region

%

Financial Review
(continued)

Our high levels of vertical integration and self-sufficiency enabled us to maintain stable profitability despite weak prices during most of 2012.

COST OF SALES

Cost of goods sold rose by 7% y-o-y in 2012 to RUB 60,136 million from RUB 56,196 million. This was in line with the 8% increase in fertilizer sales volumes.

Structure of cost of goods sold

	2012		2011		Change y-o-y	
	RUB million	% of cost of sales	RUB million	% of cost of sales	RUB mln	%
Materials and services	21,792	36%	20,006	36%	1,786	9%
Salaries and social contributions	11,963	20%	11,078	20%	885	8%
Potash	4,598	8%	3,026	5%	1,572	52%
Natural gas	5,733	9%	4,951	9%	782	16%
Depreciation	5,936	10%	5,486	10%	450	8%
Fuel	4,579	8%	4,207	7%	372	9%
Sulphur and sulphuric acid	3,597	6%	4,838	9%	(1,241)	(26%)
Electricity	3,255	5%	3,290	6%	(35)	(1%)
Other items	88	0%	51	0%	37	73%
Change in stock of WIP and finished goods	(1,405)	(2%)	(737)	(2%)	(668)	91%
Total	**60,136**	**100%**	**56,196**	**100%**	**3,940**	**7%**

The increase in cost of sales was primarily due to the following changes in 2012 compared to 2011:

- A 9% increase in materials and services costs due to higher fertilizer sales volumes and inflation (Russian PPI of 5% for 2012) to RUB 21,792 million from RUB 20,006 million;
- A 52% increase in expenditure on potash due to substantially higher NPK sales (up 39% y-o-y in volumes) as well as a 26% increase in potash cost per tonne to RUB 8,202 in 2012 from RUB 6,505 in 2011; and
- A 16% increase in expenditure on natural gas to RUB 5,733 million from RUB 4,951 million. This was due to an 8% increase in consumption of natural gas related to an 8% y-o-y increase in ammonia production and to the launch of a new 32 MW electricity generation unit at the Cherepovetsk nitrogen complex, as well as to an 8% y-o-y increase in the price of gas to RUB 3,248 per thousand cubic meters from RUB 3,015 in 2011.

Selling, General and Administrative Expenses

Administrative expenses rose by 10% y-o-y to RUB 6,646 million in 2012 from RUB 6,036 million, mainly due to an increase in salaries and social contributions of RUB 216 million, or 6%, primarily as a result of increases in salaries in line with CPI and continued pay-outs related to employee redundancy.

Selling expenses rose by 19% y-o-y to RUB 7,720 million in 2012 from RUB 6,492 million in 2011. The Russian Railways infrastructure tariff and operators' fees increased by 10% y-o-y to RUB 3,825 million from RUB 3,488 million as a result of a 6% increase in the Russian Railways tariff and increased transportation volumes. Port and stevedoring expenses rose by 47% to RUB 2,309 million from RUB 1,571 million y-o-y, primarily due to a 9% increase in export sales volumes of PhosAgro's end products and a substantial increase of CFR deliveries as a result of the introduction of container sales from the beginning of 2012.

Gross Profit, Operating Profit, EBITDA and Profit for the Period

Gross profit was up 2% y-o-y and totalled RUB 45,167 million in 2012 (FY 11: RUB 44,322 million) with gross margin decreasing slightly from 44% in 2011 to 43% in 2012.

Operating profit for 2012 declined 4% to RUB 28,174 million, compared to RUB 29,319 million in 2011. This decline was significantly lower than the 14% y-o-y decrease in the average price for the main phosphate fertilizer DAP in 2012, from USD 621 in 2011 to USD 535 (both FOB Tampa) in 2012. As a result, our operating margin decreased from 29% in 2011 to 27% or by just two percentage points. We calculate EBITDA based on operating profit, thus the 2% decline in EBITDA in 2012 to RUB 34,695 million (FY11: RUB 35,370 million) reflects the change in operating profit margin. Despite unfavourable market conditions we managed to achieve a solid EBITDA margin of 33%, compared to 35% in 2011. Our net profit for 2012 increased by 9% y-o-y and amounted to RUB 24,510 million, compared to RUB 22,476 million in 2011.

Rouble exchange rates experienced significant volatility in 2011 and 2012. The average RUB/USD rate for 2012 was 31.0930, an increase of 6% from the average for 2011 of 29.3874. We use foreign currency-denominated loans as a natural hedge against export sales that account for approximately 69% of revenue for 2012. While the weaker rouble increases export sales in rouble terms, we account for the foreign exchange rate gain or loss at the end of the period on foreign currency denominated loans. From 31 December 2011 the rouble appreciated against the USD from 32.1961 to 30.3727 as of 31 December 2012, resulting in an exchange rate gain of RUB 1,576 million compared with a loss of RUB 2,836 million recorded in 2011.

STATEMENT OF FINANCIAL POSITION

PhosAgro's balance sheet remains strong, with comfortable debt levels at the end of 2012 and a net debt to EBTIDA ratio of 0.77x as of 31 December 2012.

Total debt at 31 December 2012 amounted to RUB 36,469 million, versus RUB 32,153 million at the end of 2011. The increase in total debt was due to new short-term debt facilities obtained during the period, denominated in USD, EUR and RUB. Our debt portfolio is 94% dollar-denominated, which provides a natural hedge against our export revenue, which is also primarily denominated in US Dollars. The average duration of our debt portfolio at 31 December 2012 was two years.

Cash and cash equivalents stood at RUB 9,664 million as at 31 December 2012, compared to RUB 16,946 million as at 31 December 2011.

Our net debt stood at RUB 26,805 million as at the end of 2012, compared to RUB 15,207 million as at the end of 2011.

In February 2013 we placed on highly attractive terms our debut USD 500 million 5-year Eurobond with a coupon rate of 4.204%. The proceeds from the issue will be used for further consolidation of our stakes in key production subsidiaries and to refinance short-term bank loans that were mainly due in the first half of 2013.

INVENTORIES

Inventories increased by 22% y-o-y to RUB 12,324 million, largely due to an accumulation of raw materials and the stockpiling of products prior to the spring planting season.

STATEMENT OF CASH FLOWS

RUB million

	2012	2011	% change
Cash flows from operating activities	25,463	32,375	(21%)
Cash flows used in investing activities	(12,569)	(6,739)	87%
Cash flows used in financing activities	(20,036)	(13,989)	43%
Net (decrease)/increase in cash and cash equivalents	(7,142)	11,647	(161%)

Cash Flows from Operating Activities
Net cash flow from operating activities decreased by 21% y-o-y to RUB 25,463 million in 2012, compared to RUB 32,375 million in 2011. This decrease was principally due to a RUB 4,556 million negative movement in working capital, and increase of income tax and finance costs paid.

Cash Flows used in Investing Activities
Net cash used in investing activities totalled RUB 12,569 million in 2012, compared to RUB 6,739 million in 2011. The 87% increase was primarily due to higher capital expenditure, as investments in our new urea line and gas turbine power plant peaked ahead of the launch of these new capacities in the second half of the year; a significant portion of capital expenditure was also related to ongoing work on ore shaft № 2 at the Kirovsky underground mine at Apatit.

Cash Flows used in Financing Activities
Net cash used in financing activities amounted to RUB 20,036 million in 2012, compared to net cash used in financing activities of RUB 13,989 million in 2011. This 43% increase was primarily due to the fact that PhosAgro raised less debt in 2012 than in 2011, and to the acquisition of the Russian Federation's 20% share in Apatit at the privatisation auction.

CAPITAL EXPENDITURE

Our capital expenditure, which consists of all additions to property, plant and equipment, amounted to RUB 14,881 million in 2012, compared to RUB 16,801 million in 2011. The most significant portion of capital expenditure during 2012 was focused on the construction of the following facilities:

- ore shaft № 2 at the Kirovsky underground mine at Apatit;
- new production facilities such as the new urea plant at PhosAgro-Cherepovets (launched in 2H 2012);
- a 32 MW gas-powered electricity generation facility at PhosAgro-Cherepovets (launched in 2H 2012).

RUB million

	2012	2011	% change
Phosphate-based products/ Mining and Beneficiation	7,822	5,940	32%
Phosphate-based products/ Fertilizers facilities	2,343	2,070	13%
Nitrogen fertilizers	3,700	6,561	(44%)
Other	1,016	2,230	(54%)
Total capital expenditures	**14,881**	**16,801**	**(11%)**

Corporate Governance

At PhosAgro, our commitment to good corporate governance is a fundamental value for our business. We believe that good governance is a prerequisite for achieving our growth strategy. PhosAgro's governance system has been designed to support a productive and transparent relationship between the Company and its stakeholders, and to contribute to achieving stable results and creating long-term sustainable value for our shareholders.

PhosAgro's corporate governance system encompasses the management and control processes that help to ensure that we run the business effectively. It governs how decisions from shareholders' meetings, the Board of Directors and senior management are made and implemented throughout the company; and it also includes the business intelligence and risk management systems we use for decision-making as well as to monitor and control our operations.

We continually seek to ensure that our stakeholders have access to information about what is happening in the business and that they understand why strategic decisions are made.

Our dialogue with shareholders, for example, is extensive, including feedback received during meetings with PhosAgro's senior management who also sit on the Board of Directors. Important information received from regular meetings with investors is reported to the Board of Directors, and the Board can then analyse whether or how to react to this information. Several of the key events listed below are a direct result of this engagement, and in December 2012 PhosAgro was awarded for "Best Progress in Developing Corporate Governance" by Russia's Investor Protection Association.

We took important steps in 2012 to further strengthen PhosAgro's corporate governance and enhance interaction with stakeholders during the year, including:

1 GOVERNANCE STRUCTURES

In order to further implement best practice in corporate governance, in December 2012 the Board of Directors recommended, and shareholders approved, a new edition of PhosAgro's charter, which included a Management Board as the Company's governing executive body in addition to the CEO; the Board of Directors appointed the members of the Management Board in January 2013

2 INDEPENDENT DIRECTORS

Three independent non-executive directors served on the Board of Directors in 2012, occupying the positions of Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration and Human Resources Committee

Our corporate governance principles

ACCOUNTABILITY

The Board of Directors is accountable to PhosAgro's shareholders, and is responsible for:

- Formulation of the Company's strategy;
- Establishing and maintaining systems that enable it to monitor PhosAgro's performance; and
- Holding management accountable for successful implementation of the strategy.

TRANSPARENCY

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

EQUALITY

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

RESPONSIBILITY

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

3 DIALOGUE WITH SHAREHOLDERS

Senior management conducted 10 non-deal roadshows and took part in 20 investor conferences, in addition to ongoing one-on-one meetings with shareholders throughout the year

4 TRANSPARENCY & DISCLOSURE

We introduced quarterly reporting of IFRS financial results and operational results, with management-hosted conference calls in Russian and English for each of the 8 announcements

5 INFORMATION POLICIES

The Board approved new revisions to PhosAgro's inside information policy and a new information policy

Corporate Governance (continued)

Our corporate governance system complies with the requirements of Russian legislation, and our governance structures are based on the generally accepted standards and practices stipulated by the Russian Code of Corporate Conduct and the UK Corporate Governance Code. The corporate governance principles, structures, procedures and practices are set out in PhosAgro's Charter and Corporate Governance Code.

Corporate governance structure

General Shareholders' Meeting

BOARD OF DIRECTORS

SVEN OMBUDSTVEDT
Chairman, Independent non-executive director

MAXIM VOLKOV
Executive director

MARCUS RHODES
Independent non-executive director

IVAN RODIONOV
Independent non-executive director

VLADINIR LITVINENKO
Non-executive director

IGOR ANTOSHIN
Non-executive director

VASILY LOGINOV
Executive director

ROMAN OSIPOV
Executive director

COMMITTEE OF BOARD OF DIRECTORS

THE AUDIT COMMITTEE
Chairman – Marcus Rhodes

THE STRATEGY COMMITTEE
Chairman – Vladimir Litvinenko

THE REMUNERATION AND HUMAN RESOURCES COMMITTEE
Chairman – Ivan Rodionov

THE ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE
Chairman – Igor Antoshin

REVIEW COMMITTEE

Galina Kalinina
Olga Lizunova
Maxim Sinitsa

Internal Audit

External Audit

EXECUTIVE MANAGEMENT

MANAGEMENT BOARD

MAXIM VOLKOV
Chief Executive Officer

MIKHAIL RYBNIKOV
Chief Operating Officer

ANDREY GURIEV
Deputy CEO for Sales and Logistics

ROMAN OSIPOV
Director of Business Development

ALEXANDER SHARABAIKO
Chief Financial Officer

SENIOR MANAGEMENT TEAM

How it works

The Shareholders' Meeting is the principal forum through which the owners of the Company exercise their ability to decide on the most significant issues affecting PhosAgro. These include appointing corporate bodies, approving the financial statements and amending the by-laws.

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 implementation by the Management Board and CEO.

The Management Board, chaired by the Chief Executive Officer, manages the day-to-day operations of the Company and implements 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 re-organisation or liquidation of the Company;
- election and removal of members of the Board of Directors;
- increases or reductions in the Company's share capital;
- approval of the Company's external auditor;
- approval of the Company's annual reports and financial statements;
- distribution of profits, including payment of dividends;
- payment of remuneration to the members of the Board of Directors and the Review Committee.

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

Corporate Governance (continued)

Board of Directors

Our Board of Directors has been chaired by an Independent Director since 2011.

The Board of Directors is responsible for PhosAgro's long-term development, providing professional, considered and accurate guidance to the Company's management.

It operates in accordance with the Law on Joint Stock Companies, the Company's Charter, guidelines of the UK Corporate Governance Code and generally accepted good practice in corporate governance.

Some of the key activities undertaken by the Board of Directors in 2012 included:

- Monitoring implementation of the 2012 budget and strategic plans, and approving a new budget for 2013 based on the Company's operational needs and strategic priorities (for more information on PhosAgro's strategy see page 6–7);
- Recommending dividend payments for 2011, 1H 2012 and 9M 2012; dividend payments recommended by the Board have consistently been above the 20%-40% range we committed to during the IPO (for a discussion of past dividend payments see page 4);
- Review of the Company's plans with regards to the Apatit privatisation tender, and delegation of necessary decision-making powers to the CEO for PhosAgro to participate (for more information about PhosAgro's ownership of Apatit, see page 2–3).
- Other:
  - Election of the Chairman and Deputy Chairman of the Board;
  - Approval of the Board Committees and Committee members;
  - Review of IFRS financial reporting;
  - Approval of new internal by-laws, including the insider information regulations and PhosAgro's information policy;
  - Review of the external auditor's performance and determining the auditor's remuneration;
  - Approval of related party transactions.

MEMBERS OF THE BOARD OF DIRECTORS

As of 31 December 2012, the Board of Directors consisted of eight members, three of whom were Independent Non-Executive Directors (INEDs). The number of Directors and the membership of the Board of Directors are determined annually by the General Shareholders' Meeting, with the term of appointment being one year. 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 the Corporate Governance Code of PhosAgro, which accords with the UK Corporate Governance Code and meets the requirements of the UK Financial Services 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 or local state 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 Russian Federal Service for Financial Markets Code of Corporate Conduct, as well as internationally recognised good practice in corporate governance.

The members of the Board of Directors are normally elected at the Annual General Shareholders Meeting by cumulative voting.

During 2012, the Board of Directors held 20 meetings, six of which were carried out by absentee ballots.

Board of Directors and Committee Meeting Attendance in 2012

				Attendance at the meetings of									
				Board		Audit Committee		Strategy Committee		Remuneration and HR Committee		Health and Safety Committee	
Name	Year of birth	Position	Year appointed	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Sven Ombudstvedt	1966	Chairman of the Board of Directors Independent Non-Executive Director	2011	20	20	6	6			2	1		
Marcus Rhodes	1961	Independent Non-Executive Director	2011	20	20	6	6						
Ivan Rodionov	1953	Independent Non-Executive Director	2004	20	20	6	6			2	2		
Vladimir Litvinenko	1955	Non-Executive Director	2010	20	20			2	2			2	2
Igor Antoshin	1963	Deputy Chairman of the Board of Directors Non-Executive Director	2006	20	20			2	2	2	2	2	2
Maxim Volkov	1972	Executive Director	2007	20	20			2	2			2	2
Vasily Loginov	1962	Executive Director	2011	20	20							2	2
Roman Osipov	1971	Executive Director	2012	13	13			2	2				

From April 2013 Mr. Loginov no longer works at the Company.
On 30 May 2012 Roman Osipov was elected to the Board of Directors. He joined the Strategy Committee on 13 June 2012, taking the place of Sven Ombudstvedt, who had been a member of the Committee from 25 May 2011.

Board of Directors

Sven Ombudstvedt

Chairman of the Board of Directors
Member of the Audit and Remuneration and Human Resources Committees of the Board of Directors

Since 2011 — Chairman of the Board of Directors, OJSC PhosAgro
Since 2010 — 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
2003–2006 — Senior Vice President of Upstream Operations, Yara International ASA
2002–2003 — Senior Vice President of Corporate Strategy, Norsk Hydro 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)

Mr. Ombudstvedt holds 4,000 GDRs (3 GDRs represent 1 ordinary share), or the equivalent of 0.001% of the Company's authorised share capital.*

Marcus Rhodes

Chairman of the Audit Committee of the Board of Directors

Since 2011 — Member of the Board of Directors, OJSC PhosAgro
2002 – 2008 — Audit Partner, Ernst & Young
1998 – 2002 — Audit Partner, Arthur Andersen

EDUCATION AND MEMBERSHIPS

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

Member of the Board of Directors of Rosinter Group, Cherkizovo Group and Tethys Petroleum

Mr. Rhodes holds no shares in the Company.*

Ivan Rodionov

Chairman of the Remuneration and Human Resources Committee,
Member of the Audit and Remuneration and Human Resources Committees of the Board of Directors

Since 2004 — Member of the Board of Directors, OJSC PhosAgro
Since 2006 — Professor, Russian State University for the Humanities
Since 2003 — Professor, National Research University "Higher School of Economics"
2005–2007 — Member of the Board of Directors, OJSC MGTS
2004–2006 —Managing Director, AIG-Interros RCF Adviser
1997–2006 — Managing Director, AIG Brunswick Capital Management

EDUCATION AND MEMBERSHIPS

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

Chairman of the Board of Trustees of the Venture Innovation Fund

Mr. Rodionov holds no shares in the Company.*

Vladimir Litvinenko

Chairman of the Strategy Committee,
Member of the Environmental, Health and Safety Committee of the Board of Directors

Since 2010 — Member of the Board of Directors, OJSC PhosAgro
Since 1994 — Rector, St. Petersburg State Mining University

EDUCATION AND MEMBERSHIPS

Graduate degree in Mining from Leningrad Mining Institute named after G.V. Plekhanov (now St. Petersburg State Mining University, Russia)

Doctor of Engineering Science, Professor Member of the Russian Academy of Sciences

Mr. Litvinenko directly holds shares equivalent to 5.00% of the Company's authorised capital. Based on information available to the Company, Feivel Limited holds shares equivalent to 5.00% of PhosAgro's share capital. In addition, all the shares in Feivel Limited are ultimately held on trust, where Mr. Litvinenko is the economic beneficiary.*

* Information on Director shareholdings as of 22 April 2013.

Igor Antoshin

Deputy Chairman of the Board of Directors Chairman of the Environmental, Health and Safety Committee, Member of the Strategy, Remuneration and Human Resources Committees of the Board of Directors

Since 2006 — Member of the Board of Directors, OJSC PhosAgro
2009—2013 — Chief Executive Officer, LLC Engineering Centre of PhosAgro
2006—2009— Chief Executive Officer, OJSC PhosAgro
2004—2006 — Chief Executive Officer, CJSC PhosAgro AG
2002—2005 — Chief Executive Officer, OJSC PhosAgro
2002—2004 — Member of the Board of Directors, OJSC PhosAgro

EDUCATION
Graduate degree in Economics from St. Petersburg State Mining University (Russia)

Mr. Antoshin directly holds shares equivalent to 1.99% of the Company's authorised capital. Based on information available to the Company, Vindemiatrix Trading Limited holds shares equivalent to 5.01% of PhosAgro's share capital. In addition, all the shares in Vindemiatrix Trading Limited are ultimately held on trust, where Mr. Antoshin is the economic beneficiary.*

Maxim Volkov

Chief Executive Officer, OJSC PhosAgro Member of the Strategy, Environmental, Health and Safety Committees of the Board of Directors

Since 2009 — Chief Executive Officer, OJSC PhosAgro
Since 2007 — Member of the Board of Directors, OJSC PhosAgro
2011–2012 — Chief Executive Officer, CJSC PhosAgro AG
2006—2009 — Chief Executive Officer, CJSC PhosAgro AG
2005—2006 — Chief Executive Officer, OJSC PhosAgro
2003—2005 — Chief Financial Officer, CJSC PhosAgro AG
Deputy Chief Executive Officer for Economic Affairs and Finance, OJSC PhosAgro
2002—2004 — Member of the Board of Directors, OJSC PhosAgro
1996—2002 — Auditor, Arthur Andersen

EDUCATION
Graduate degree in Engineering from Baltic State Technical University "VOENMEH" named after D.F. Ustinov (Russia)
Master of Science degree from Bodø Graduate School of Business (Norway)

Mr. Volkov directly holds shares equivalent to 1.00% of the Company's authorised capital. In addition, Menoza Trading Limited holds shares and GDRs equivalent to 1.23% of PhosAgro's share capital. All the shares in Menoza Trading Limited are ultimately held on trust, where Mr. Volkov is the economic beneficiary. *

Vasily Loginov

Deputy Chief Executive Officer, OJSC PhosAgro Member of the Environmental, Health and Safety Committee of the Board of Directors

2012-2013 – Deputy Chief Executive Officer, OJSC PhosAgro
2011-2013 — Member of the Board of Directors, OJSC PhosAgro
Deputy Chief Executive Officer, CJSC PhosAgro AG
2011-2012 – Chief Executive Officer, LLC PhosAgro-Region
2008—2011 — Head of Sales and Foreign Affairs, CJSC PhosAgro AG
Since 2006 — Member of the Management Board, CJSC PhosAgro AG
2006—2007 — Member of the Board of Directors, the Research Institute for Fertilizers and Insectofungicides (NIUIF)
2006—2008 — First Deputy Chief Executive Officer, CJSC PhosAgro AG
2005—2006 —First Deputy Chief Executive Officerfor Sales and Logistics, CJSC PhosAgro AG
Prior to 2005 — Held various management positions at Mars LLC, CJSC Russian Product, CJSC Mistiko and CJSC Vital

EDUCATION
Diploma in Engineering from Riga Higher Military Aviation Engineering School named after Janis Alksnis (Latvia)
Qualified as an English-speaking officer at the Dzerzhinsky Higher School of the KGB (Russia)
Graduate degree in International Relations and Foreign Policy from the Red Banner Institute of the KGB named after Yuri Andropov (now the Academy of Foreign Intelligence, Russia)

Mr. Loginov holds no shares in the Company.*

Roman Osipov

Director of Business Development, OJSC PhosAgro Member of the Strategy Committee of the Board of Directors

Since 2013 – Director of Business Development, OJSC PhosAgro
2012–2013 – Advisor to the CEO, OJSC PhosAgro
2012 – Deputy CEO for Business Development, CJSC PhosAgro AG
2009–2012 – Chief Financial Officer, CJSC PhosAgro AG
2008–2009 – Deputy Chief Financial Officer, CJSC PhosAgro AG
2003–2008 – Held various financial management positions, GAZ Group
2002–2003 – Auditor, Ernst & Young
1998–2002 – Senior Consultant, Arthur Andersen

EDUCATION
Graduate degree from Baltic State Technical University "VOENMEH" named after D.F. Ustinov (Russia)
Master of Science degree from LETI Lovanium International School of Management (now the International School of Management, Russia)

Mr. Osipov holds no shares in the Company.*

- Independent Non-Executive Director
- Non-Executive Director
- Executive Director

Corporate Governance (continued)

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. In order to achieve this, Committee members seek to maintain a regular dialogue with management, the Company's external auditor and other advisors on the issues that fall under their remit.

PhosAgro's Board of Directors has the following committees:

The Audit Committee

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:
- 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;
- ensuring compliance with applicable legislation and relevant standards of business conduct.

As of 31 December 2012, 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
- **Ivan Rodionov,** Committee Member, Independent Non-Executive Director of the Board of Directors

During the reporting period, the Audit Committee held six 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 2012 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 PhosAgro's insurance policies and systems
- Review of related party transactions
- Recommendations relating to the introduction of new audit standards
- 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.

The Strategy Committee

The Strategy Committee assists the Board of Directors in the development of the Company's strategy and related processes, including the 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 responsibilities include:
- 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.

As of 31 December 2012, the Strategy Committee comprised:
- **Vladimir Litvinenko,** Committee Chairman, Non-Executive Director of the Board of Directors
- **Igor Antoshin,** Committee Member, Non-Executive Director of the Board of Directors
- **Maxim Volkov,** Committee Member, Executive Director of the Board of Directors
- **Roman Osipov,** Committee Member, Executive Director of the Board of Directors

In 2012, the Strategy Committee held two meetings, at which it focussed on:
- Review and recommendations regarding the draft 2013 business strategy
- Determining the key areas of focus for the Committee
- Issues regarding the strategic development of PhosAgro's subsidiaries

The Remuneration and Human Resources Committee

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 main objectives and responsibilities include:

- 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.

As of 31 December 2012, the Remuneration and Human Resources Committee comprised:

- **Ivan Rodionov,** Committee Chairman, Independent Non-Executive Director of the Board of Directors
- **Sven Ombudstvedt,** Committee Member, Independent Non-Executive Director of the Board of Directors
- **Igor Antoshin,** Committee Member, Non-Executive Director of the Board of Directors

During the reporting period, the Remuneration and Human Resources Committee held two meetings. The main issue considered by the Committee during 2012 was the development of a remuneration system for PhosAgro's top management.

The Environmental, Health and Safety Committee

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, 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 exclusive remit covers the following areas:

- 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.

As of 31 December 2012, the Environmental, Health and Safety Committee was composed of:

- **Igor Antoshin,** Committee Chairman, Non-Executive Director of the Board of Directors
- **Maxim Volkov,** Committee Member, Executive Director of the Board of Directors
- **Vladimir Litvinenko,** Committee Member, Non-Executive Director of the Board of Directors
- **Vasily Loginov,** Committee Member, Executive Director of the Board of Directors

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

- Review of plans for control and preventative workplace safety activities at PhosAgro's production facilities during 2012, and of implementation of these plans during the first nine months of the year.

Corporate Governance (continued)

The Executive Body

MANAGEMENT BOARD

In December 2012 shareholders approved the creation of the Management Board as a new executive body of the Company at an Extraordinary General Shareholders' Meeting. 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 acquisitions and disposals with regards to securities of PhosAgro subsidiaries;
- 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; and
- election and removal of the secretary of the Management Board and his/her powers.

The Management Board, which held its first meeting in 2013, consists of Maxim Volkov, Mikhail Rybnikov, Andrey Guriev, Roman Osipov and Alexander Sharabaiko. Biographies of each of the Management Board members are provided on pages 51 and 55.

THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer manages the Company's day-to-day activities, and prior to the creation of the Management Board at the end of 2012, the CEO was the sole executive body of PhosAgro in accordance with the Russian Federal Law on Joint Stock Companies, the Company's Charter and the Corporate Governance Code of the Company. According to the Company's Charter, the CEO 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 CEO, 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 CEO, 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 CEO, the CEO submits regular quarterly reports to the Board.

Some of the matters for which the CEO is responsible are:

- deciding on all issues relating to the Company that do not fall within the competence of the General Shareholders' Meeting and/or the Board of Directors;
- representing the Company before all federal and local authorities, and in meetings with organizations 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.

Maxim Volkov has been the Chief Executive Officer of the Company since 2009.

For biographical details of Mr. Volkov please see the Board of Directors section.

THE SENIOR MANAGEMENT TEAM

We consider the Senior Management Team to be the key individuals with responsibility for PhosAgro's operating and financial performance. Working with the Management Board and CEO, the senior management team oversees the day-to-day operations of the Company and implements the Company's strategy.

As of the date of publication of this annual report, the senior management team comprised the following:

Mikhail Rybnikov

Chief Executive Officer, CJSC PhosAgro AG
Chief Operating Officer, OJSC PhosAgro

Since 2013 – Chief Operating Officer, OJSC PhosAgro
Since 2012 – Chief Executive Officer, CJSC PhosAgro AG
2011–2012 – Chief Operating Officer, CJSC PhosAgro AG
2011 – Deputy Chief Operating Officer, CJSC PhosAgro AG
2008–2011 – Chief Operating Officer, CJSC PhosAgro AG
2006–2008 – Chief Financial Officer, CJSC PhosAgro AG
2004–2006 – Chief Financial Officer, OJSC Apatit
2001–2004 – Chief Financial Officer, Deputy Chief Executive Officer for Economic Affairs and Finance, OJSC Ammophos
1998–2001 – Deputy Chief Executive Officer for Economic Affairs and Finance, OJSC Voskresensk Mineral Fertilizers

EDUCATION
Master's degree in Economics from Lomonosov Moscow State University (Russia)

Andrey Guriev

Deputy CEO for Sales and Logistics, CJSC PhosAgro AG
Deputy CEO, OJSC PhosAgro

Since 2011 – Deputy CEO for Sales and Logistics, CJSC PhosAgro AG, Deputy CEO, OJSC PhosAgro
2010–2011 – First Deputy CEO, OJSC PhosAgro
2008–2011 – Trader, CJSC PhosAgro AG
2008–2010 – Chief Executive Officer, LLC Apsis Globe
2006–2008 – Export Sales Manager for Fertilizers, CJSC PhosAgro AG
2005–2006 – Economist at the Consolidation Department, OJSC PhosAgro
2004–2005 – Economist at the Clearing Department, the Department of Planning and Methodology, the Department of Planning and Accounting Methodology, CJSC PhosAgro AG
2003–2004 – Chief Specialist at the Department of Project Preparation, OJSC Federal Centre for Project Finance

EDUCATION
Bachelor's degree in Economics from University of Greenwich (UK)

Graduate degree from the Russian Presidential Academy of National Economy and Public Administration (Russia) PhD degree in Economics from St. Petersburg State Mining University (Russia)

Boris Levin

Director of Strategy, CJSC PhosAgro AG
Chief Executive Officer, OJSC NIUIF

Since 2013 – Chief Executive Officer of OJSC NIUIF
Since 2013 – Director of Strategy, CJSC PhosAgro AG
2010–2013 – Chairman of the Board of Directors, the Research Institute for Fertilizers and Insectofungicides (NIUIF)
2010–2013 – Head of Strategy and Technical Policy, CJSC PhosAgro AG
2006–2010 – First Deputy Chief Executive Officer for Strategy, CJSC PhosAgro AG
2005–2006 – Deputy Chief Executive Officer for Strategy, OJSC PhosAgro
2003–2005 – Chief Executive Officer, the Research Institute for Fertilizers and Insectofungicides (NIUIF)
2002–2003 – Head of Prospective Development Department, CJSC PhosAgro AG
1999–2002 – Head of Scientific Analytics Department, the Research Institute for Fertilizers and Insectofungicides (NIUIF)
1996–1998 – Associate Professor, Mendeleev University of Chemical Technology

EDUCATION
Graduate degree from Mendeleev University of Chemical Technology (Russia)

Alexander Sharabaiko

Chief Financial Officer, CJSC PhosAgro AG
Chief Financial Officer, OJSC PhosAgro

Since 2013 – Chief Financial Officer, OJSC PhosAgro
Since 2012 – Chief Financial Officer, CJSC PhosAgro AG
2011–2012 – Head of Corporate Finance, OJSC Uralkali
2010–2011 – Financial Advisor to Chief Executive Officer, OJSC Silvinit
2005–2010 – Held various positions from Chief Specialist to Chief Financial Officer at LLC Mineral Group
2003–2005 – 1st Class Analyst at Securities and Investments Department, OJSC Silvinit
1998–2003 – Held various positions at Belaruskali Production Association

EDUCATION
Bachelor degree in Economics with Honours from Belarus State Economic University (Belarus)

MBA in Finance from Nottingham University Business School (UK)

Aleksey Sirotenko

Head of Legal, CJSC PhosAgro AG,
Deputy CEO for corporate and legal affairs, OJSC PhosAgro

Since 2011 – Head of Legal, CJSC PhosAgro AG
2010–2011 – Deputy Chief Executive Officer for Corporate and Legal Matters, OJSC PhosAgro
2006–2011 – Head of Legal Department, CJSC PhosAgro AG;
2005–2006 – Deputy Chief Executive Officer for Legal Affairs, CJSC Lukoil- Neftekhim
2000–2005 – Head of Legal Department, Interkhimprom Group

EDUCATION
Master's degree in Law from Lomonosov Moscow State University (Russia)

Siroj Loikov

Human Resources Director, CJSC PhosAgro AG
Human Resources Director, OJSC PhosAgro

Since 2013 – Human Resources Director, OJSC PhosAgro
Since 2011 – Human Resources Director, CJSC PhosAgro AG
2009–2011 – Human Resources Director, CJSC Russian Standard
2008–2009 – Human Resources Director, Metinvest Ukraine
2005–2008 – Human Resources Director, Leman Commodities S.A.
1996–2005 – Held various positions at British American Tobacco (UK, Uzbekistan and Russia offices)

EDUCATION
Bachelor of Science degree in Business Management from Nottingham Trent University (UK)

Graduate degree in International Economic Relations from the Tashkent State University of Economics (Uzbekistan)

Sergey Cherkasov[24]

IT Director, CJSC PhosAgro AG

Since December 2012 – IT Director, CJSC PhosAgro AG
2010–2012 – Head of IT Support, CJSC PhosAgro AG
2008–2010 – Deputy Director for Corporate and Informational Systems, Systems Architect, OJSC Cherepovetsky Azot
2007–2008 – Held various positions from Head of IT to Deputy Manager, Systems Architect for Development and Support of the Corporate Information System, OJSC Apatit
2006–2007 – Head of IT, then Head of Information Systems Development and Support, CJSC PhosAgro AG
2003–2006 – Head of Mechanical Programming Department, then Technical Director, LLC Innotekh
2002–2003 – Leading Specialist for IT Development, CJSC PhosAgro AG
1997–2002 – Financial Analyst, then Leading Specialist for IT and Telecommunications, LLC Agrofinprom

EDUCATION
Bachelor's degree in Environmental Engineering from the Mendeleev Russian Chemical Technological University

MBA in Information Management from the Russian Presidential Academy of National Economy and Public Administration

24 Sergey Cherkasov became IT Director on 17 December 2012, replacing Pavel Vakhnin, who held the position throughout the remainder of 2012.

Corporate Governance (continued)

Other members of the senior management team:

Name	Position
Sergei Bormotov	Executive Director of Kirovsk Branch, CJSC PhosAgro AG (since 2013) Executive Director, CJSC PhosAgro AG (2012-2013)
Yuriy Krugovykh	Deputy CEO, OJSC PhosAgro, Deputy CEO for Social and Information Policies, CJSC PhosAgro AG
Konstantin Nikitin	Director of the Kirovsk Branch, CJSC PhosAgro AG Chief Executive Officer, OJSC Apatit
Alexei Grigoryev	Director of the Cherepovets Branch of CJSC PhosAgro AG, CEO of PhosAgro-Cherepovets
Vladimir Davydenko	First Deputy Director of the Kirovsk Branch of CJSC PhosAgro AG First Deputy CEO of OJSC Apatit
Alexei Gribkov	Director of the Balakovo Branch of CJSC PhosAgro AG, CEO, LLC Balakovo Mineral Fertilizers
Yevgeny Ivanov	Deputy CEO, CJSC PhosAgro AG
Vladimir Pomatilov	Deputy CEO of Mining and Chemical Engineering LLC Director of the Cherepovets Branch of Mining and Chemical Engineering LLC

During 2012 several changes to the management team took place in connection with corporate events at PhosAgro. These include:

- **Alexei Grigoriev** was named the CEO of the newly-created PhosAgro-Cherepovets, replacing Ammophos CEO Vladimir Pomatilov and Cherepovetsky Azot CEO Vladimir Davydenko;
- **Vladimir Motlokhov** was appointed the CEO of PhosAgro's new R&D unit Mining and Chemical Engineering LLC; and
- **Rafkat Usmanov** was appointed the Director of the Volkhov Branch of CJSC PhosAgro AG and the CEO of LLC Metachem following PhosAgro increasing its stake in the company to 74.76% in December 2012.

Unless otherwise indicated, all senior managers are employed by CJSC PhosAgro AG, which is the management company for the Group.

Remuneration of the Members of the Board of Directors and the Chief Executive Body of PhosAgro

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.

Remuneration of the Members of the Board of Directors and the Chief Executive Body of PhosAgro:

Members of the Board of Directors	Amount of compensation per quarter, in USD
Chairman of the Board	37,500
Other Independent Non-Executive Directors — base remuneration	4,500
Chairman of the Audit Committee — additional remuneration	24,786
Chairman of the Remuneration and Human Resources Committee — additional remuneration	7,280

Executive and Non-Executive Directors of the Board of Directors are not compensated for their service on the Board, and the total compensation for the year paid to the members of the Board of Directors shall not exceed USD 500,000. In 2012, the members of the Board of Directors received remuneration in the sum of RUB 9.7 million (USD 312 thousand[25]).

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 CEO's qualifications and takes into account the particular contribution of the CEO to the financial results of the Company.

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 CEO 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 contribution to achieving 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; and
- the Company's profit for the period under IFRS.

The aggregate amount of remuneration paid by the Company to the Chief Executive Officer and the 15 members of the Senior Management Team for their services to the Company in all capacities during the year ended 31 December 2012 was RUB 354.3 million in salary and additional compensation (2011 RUB 452 million).

25 Applied average USD/RUB exchange rate for 2012: 31.093

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 their job description, or in line with an internal company document, a contract with the company or a law or regulatory requirement. PhosAgro has established an internal structure that reports to the Board of Directors, the responsibility of which is to ensure 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. Those with access to insider information are prohibited from transactions involving the company's shares during the time they have access to insider information, and are required to notify the Corporate Secretary's office of all other transactions with shares.

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 disclosure of insider information and brings them to the knowledge 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; and
- 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 on such factors as the Company's earnings, cash requirements, and financial position.

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.

A decision on the payment of an interim dividend is made at the General Shareholders Meeting within three months of the end of the relevant period. If the dividends are approved by the General Shareholders' Meeting, they are payable to the Company's shareholders in Russian roubles within 60 days following the decision.

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.

According to PhosAgro's dividend policy, 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.

Corporate Governance (continued)

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 the risk management, 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

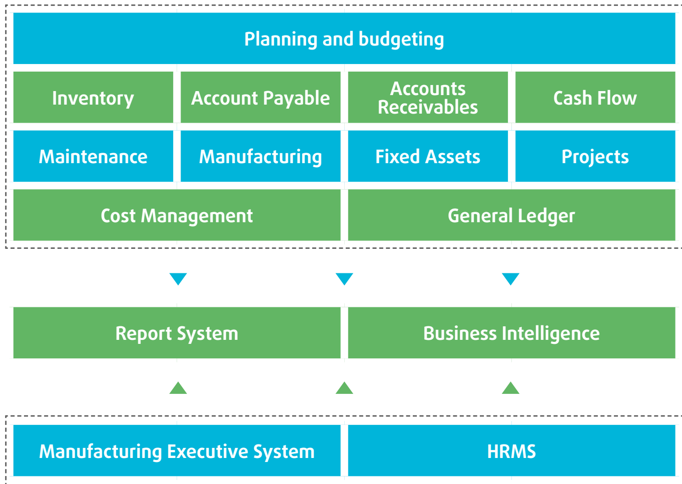
EFFECTIVE REPORTING

- 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

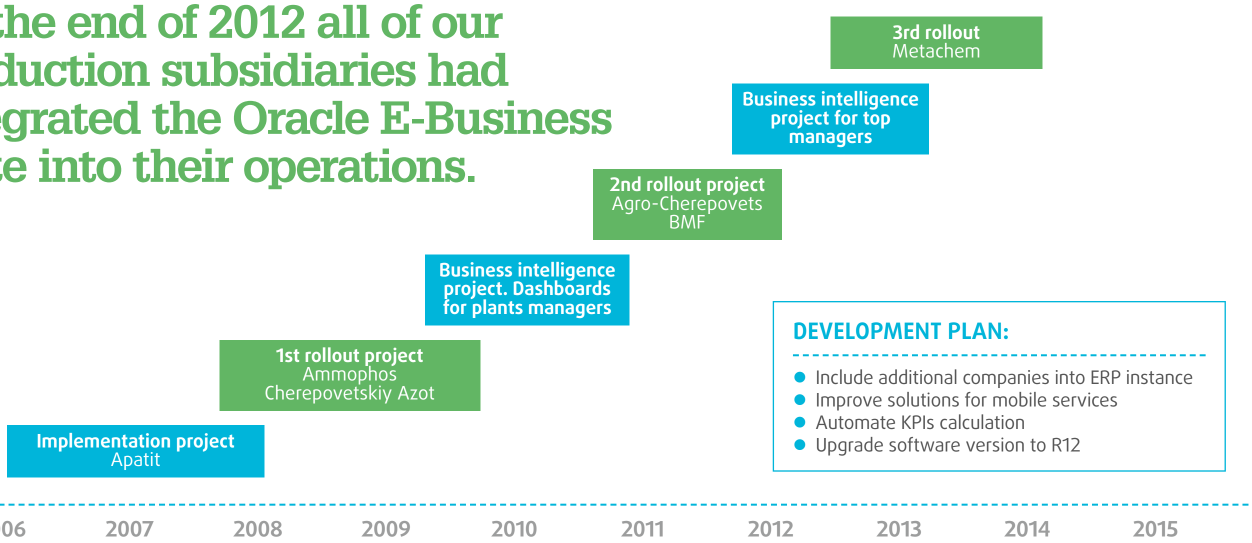
One of the key components of our internal control system is the corporate IT platform based on the Oracle E-Business Suite software. This system enables PhosAgro quickly to generate management accounting, and to prepare efficiently information for internal and external auditors as needed.



We began the introduction of this system in 2007, and have consistently expanded its integration into our operations since then. In 2012 one of the key achievements was implementation of a business intelligence project for top managers, which enables users to view key production and financial data from all of the enterprises where the system has been implemented, updated on a daily basis.

Progress installing Oracle e-Business Suite

By the end of 2012 all of our production subsidiaries had integrated the Oracle E-Business Suite into their operations.



DEVELOPMENT PLAN:

- Include additional companies into ERP instance
- Improve solutions for mobile services
- Automate KPIs calculation
- Upgrade software version to R12

Primary internal control responsibilities are implemented by:

Internal control body	Review Committee	Audit Committee of the Board of Directors	Board of Directors	Chief Executive Officer	Internal Audit Department	External Auditor
Appointed by	General Shareholders' Meeting	Board of Directors	General Shareholders' Meeting	Board of Directors	Board of Directors	General Shareholders' Meeting
Reports to	General Shareholders' Meeting	Board of Directors	Shareholders	Board of Directors	Functional: Audit Committee Administrative: CEO	Audit Committee
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 • Ensure compliance with Russian Accounting Standards (RAS) • Monitor 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 like: — 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.	• 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	• Responsible for the 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 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. • ZAO KPMG is currently PhosAgro's external auditor.

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 CEO 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.

Corporate Governance
(continued)

Risk Management

We are exposed to a number of exogenous and endogenous risks due to the nature of our business. PhosAgro's risk management framework is designed to identify, evaluate and manage the financial and operational risks and uncertainties facing the Company. The Board of Directors has overall responsibility for managing both financial and non-financial risks. Individual line managers are responsible for identifying, monitoring and managing risks within our risk management framework.

Our approach:
PhosAgro has established risk management policies to identify, monitor and analyse risks, and specific rules and procedures to mitigate against these risks, and to ensure compliance. The Board of Directors periodically reviews PhosAgro's risk management policies and systems to reflect changes in market conditions and the Company's activities.

Risk management policies are implemented by individual managers within their areas of responsibility, while the Internal Audit Department, Review Committee and senior executives have responsibilities for monitoring and verifying the work of these managers.

Key objectives:
- Identify and manage all possible risks and uncertainties facing the Company;
- Improve the decision-making processes to respond promptly to risks as they emerge.

KEY RISK MANAGEMENT ROLES

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 policies

AUDIT COMMITTEE
- Regular review of risk management systems and policies
- Provides recommendations to Board on changes and improvements to risk management systems

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
- Develops recommendations on strategic changes to risk management systems for Audit Comittee and Board review

PHOSAGRO MANAGEMENT
- Implementation of and adherence to risk management policies
- Monitoring and management of risks relevant to job function
- Risk identification and reportiing

Below is a discussion of some of the key risks that PhosAgro faces in the course of its operations, and the measures we take to manage these risks:

Key Risks	Description	Mitigation
MARKET RISKS		
Risks related to operating in the fertilizer industry, which is cyclical in nature	PhosAgro operates in a cyclical industry, and demand for and prices of the Company's products are difficult to forecast. Historically, demand and prices for PhosAgro's products have fluctuated significantly in response to changes in market conditions.	PhosAgro's phosphate-based fertilizer production lines are flexible and can switch between MAP, DAP, NPK and NPS, within two working shifts. This allows the Company to move between phosphate fertilizers and complex fertilizers at short notice in response to changes in market demand. More details are available on page 14. Such production flexibility helps the Company to maximise its profitability during periods of growth, as well as to maintain high capacity utilisation levels and stable margins when market conditions are weaker.
Risks related to a potential decrease in demand for mineral fertilizers and/or apatite concentrate	A decrease in the demand for mineral fertilizers and/or apatite concentrate may occur due to: — Reduced usage of fertilizers by farmers in markets affected by economic factors, weather conditions or other natural occurrences; — Introduction and/or extension of anti-dumping measures in importing countries leading to a decrease in supply requirements and/or a need to find other markets, resulting potentially in higher logistics costs; — Introduction of export quotas and duties by the Russian Government on products, leading to the restriction of export activities and therefore negatively impacting the financial results of the Company; — Changes in the freight market related to a reduction in the availability of vessels of the required tonnage, leading to an increase in logistics costs.	Our flexible sales and production model helps to reduce the risk of declining demand in particular markets or for particular products. We continuously work to diversify and optimise our product range, and also on optimising gross output and phosphate export volumes, in order to minimise the negative impact of a potential decrease in demand. More details are available on page 14. PhosAgro also sells its products on a variety of markets, achieving a good range of delivery destinations on the basis of maximising the netback price (selling price less selling costs), which helps to reduce risks associated with logistics. More details are available on page 14.
Risks related to intense competition	The Company is subject to intense competition from both domestic and foreign producers. Fertilizers are global commodities with little or no product differentiation. Customers make their purchasing decisions primarily on the basis of delivered price, and to a lesser extent on customer service and product quality. PhosAgro competes with a number of domestic and foreign producers, including state-owned and government-subsidised entities.	PhosAgro is currently one of the lowest-cost producers of MAP/DAP globally, and we are pursuing a strategy of further increasing cost advantages through vertical integration in key feedstocks like phosphate rock and ammonia. Our management team believes that this strategy will help us to remain competitive globally in the long term. More details are available on page 15.

Corporate Governance (continued)

Key Risks	Description	Mitigation
Risks related to changes in prices for raw materials and third-party supply	The principal raw material used for the production of ammonia is natural gas, which PhosAgro purchases from domestic gas suppliers. The key risk is the potential increase in prices for natural gas, as the Russian government announced plans to increase domestic gas prices by up to 15% per year for the years 2013 to 2015, with the aim of ultimately reaching netback parity with Gazprom's European export prices. One of the major raw materials used for the production of phosphate fertilizers is sulphur, which the Company purchases from external suppliers. It is possible that electricity tariffs will increase more than anticipated by our strategic plans. While production flexibility enables the company to respond to market demand, production of NPK fertilizers requires the use of potash as a raw material, the prices of which may be higher than anticipated by our business plans.	The main factors mitigating risks related to third-party supply of raw materials is our high degree of vertical integration in key feedstocks like phosphate rock, ammonia and electricity, combined with the fact that no external feedstock accounts for more than 10% of our cash costs for the production of DAP. In order to reduce overall consumption of natural gas, PhosAgro is modernising its ammonia production facilities to decrease gas consumption per unit of output. In order to mitigate risks related to sulphur prices, we use a diversified sulphur supply. PhosAgro purchases sulphur from Gazprom, Kazakh companies and non-ferrous metals producers. In 2012 we commissioned a new natural gas-powered electricity generation facility at the Cherepovets production site, with a generation capacity of 32 MW, which has brought PhosAgro's total electricity capacity to 183 MW, and overall energy self-sufficiency to more than 40%, up from 35% in 2011. We plan to build new a ammonia production facility using the latest available technologies, which, together with its new gas turbine power plant, is expected to have a gas consumption per tonne of ammonia of 941.5 sm./t, significantly below the CIS average of 1,155 sm./t.
Risks related to transportation and logistics	Railway transportation is PhosAgro's principal means of transporting raw materials and products. Moreover, the Company's production facilities are located at considerable distances from most of the destination markets and ports. As a result, the Company's operations are heavily dependant on the Russian railway system, and rely predominantly on the rail freight network operated by Russian Railways, a state-owned monopoly company handling a significant majority of all railway freight in Russia. The Russian Government sets rail tariffs and may further increase these tariffs, which are index-linked to the inflation rate. Access to rolling stock has become more complicated, mainly due to the restructuring of Russian Railways and the transfer of the rolling stock to its subsidiary Federal Freight and its former subsidiary Freight One.	We mitigate this risk by running our own transportation and logistics company, PhosAgro-Trans, for the transportation of our products, including phosphate rock and downstream products, PhosAgro-Trans operates more than 7,000 railcars. In order to reduce reliance on third-party railcar providers, we have increased and refurbished our own railcar fleet, adding railcars with an increased load capacity. PhosAgro has a well-developed transportation infrastructure within its production facilities, including maintenance depots for the rolling stock. To reduce the number of empty runs made by our rolling stock, the Company is optimising its haul distance strategy.
OPERATIONAL RISKS		
Risks relating to mining activities	The Group's apatite-nepheline ore mining operations are subject to the hazards and risks normally associated with the exploration and extraction of natural resources through open pit and underground mining activities. Such risks could result in extraction shortfalls, unexpected production stoppages, injuries or damage to property.	We implement an ongoing technical programme to explore and assess ore reserves, which ensures that production is continuous and at an even pace. PhosAgro has introduced systems to monitor and control mining production units, together with other safety measures, and we are constantly looking for ways to improve them further.

Key Risks	Description	Mitigation
FINANCIAL RISKS		
Credit Risk	The Company's credit risk is the risk of financial loss if a customer, or a counterparty to a financial instrument, fails to meet its contractual obligations. Credit risk principally arises in connection with the Company's receivables from customers and from loans issued to related parties.	The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard terms and conditions for delivery and payment are offered. These state that substantial customers/traders must pay for the delivery of fertilizers not later than ten days following the receipt of the shipping documents, while less substantial customers and those who fail in other ways to meet the Company's creditworthiness criteria may only transact with the Company on a prepayment basis. The credit review includes analysing external ratings (when available) and, in some cases, bank references. The majority of PhosAgro's customers have done business with the Company for a number of years, and losses from bad debts have been rare. In monitoring customer credit risk, customers are grouped according to their credit characteristics. New customers are required to deal with the Company on a prepayment basis or to present an acceptable bank guarantee. The Company maintains an allowance for impairment, which represents its estimate of losses incurred in respect of trade and other receivables and investments.
Liquidity Risk	Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.	The Company's approach to managing liquidity is to ensure, to the extent possible, that it will at all times have sufficient liquid funds to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, it 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 force majeure circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains several lines of credit with a number of Russian and international banks. In February 2013 PhosAgro issued a 5-year, USD 500 million Eurobond, some of the proceeds from which were used to refinance short-term bank loans, thus reducing liquidity risk related to short-term refinancing.
Currency Risk	The Company's presentation and functional currency is the Russian rouble, and it is exposed to currency risk on sales, purchases and borrowings that are denominated in other currencies, primarily the US Dollar and the Euro.	PhosAgro's currency risk relates to the majority of its revenue coming from foreign-currency-denominated export sales, and is mitigated by a natural hedge effectively created by borrowings denominated in foreign currencies. The Company also buys and sells foreign currencies at spot rates when necessary to address short-term imbalances. It also sometimes uses derivative financial instruments (mainly FX forwards) in order to manage its exposure to currency risk.
Interest Rate Risk	Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Company.	The Company's management does not have a formal policy for determining the proportion of exposure that should be at fixed or variable rates. However, the Company's management exercises its judgment to decide whether a fixed or variable rate would be more favourable over the expected period until maturity. PhosAgro does not hedge its interest risk exposure at present, but may consider doing so in the future. The Company carefully monitors its borrowing levels, and does not plan to substantially increase net debt from the current levels, except for sensibly structured M&A deals or major projects for the construction of production facilities. In February 2013 PhosAgro issued its debut Eurobond on highly attractive terms. The 5-year, USD 500 million facility has an annual coupon of 4.204%. This has reduced interest rates risks due to the long-term and fixed rate of the issue.

Corporate Social Responsibility: Sustainable Growth, Sustainable Business

While our growth strategy is aimed at achieving sustainable growth in shareholder value, we can only achieve truly long term sustainability by ensuring that our business practices address the interests and needs of all our stakeholders. For us this means taking care of potential, current and former employees, minimizing our impact on the environment, and contributing to the local communities where we operate. All of these actions are part of our growth strategy aimed at building sustainable shareholder value.

PHOSAGRO'S CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES ARE UNDERPINNED BY THE FOLLOWING KEY PRINCIPLES:

- Ensuring professional and personal growth opportunities for our employees
- Engaging in business practices that support a safe and healthy workforce
- Implementing measures to reduce our impact on the environment and improve efficiency while ensuring full compliance with environmental rules and regulations
- Supporting sports, culture and education in the regions in which we operate

Two Board committees share responsibility for our CSR activities: the Remuneration and Human Resources Committee, and the Environmental, Health and Safety Committee (see pages 52–53). Each of our subsidiaries have internal departments responsible for employees' welfare, environmental control and occupational health and safety. In addition, an internal CSR audit is carried out at all of PhosAgro's enterprises in accordance with established corporate procedures.

The purpose of the CSR audit is to confirm the compliance of the quality management system with ISO 9001, ISO 14001 and OHSAS 18001 standards and with the Company's own requirements. The annual audit is also intended to identify areas for improvement.

Our Employees

We view our employees as our most valuable asset and vitally important stakeholders. We employ and retain high quality employees to ensure the successful, efficient operation of our production facilities, as well as administrative and management functions. With this in mind, we seek to be an 'employer of choice', hiring, developing and retaining motivated staff, who share our professional values.

OUR KEY AREAS OF FOCUS WITH REGARDS TO EMPLOYEES

Social guarantees

SUPPORT THE SOCIAL PARTNERSHIP BETWEEN PHOSAGRO AND ITS EMPLOYEES

- Financial / material support
- Medical insurance
- Paid holidays
- Affordable housing
- Pension programmes

Motivation schemes

PROPERLY MOTIVATE EMPLOYEES TO ENSURE SAFE AND EFFICIENT OPERATIONS

- Ad hoc and regular bonuses based on achievement of individual targets and Company results
- Participation in additional medical, holiday, pension and educational programmes

Professional and personal development

BUILD TEAMS OF QUALIFIED SPECIALISTS WITH KNOWLEDGE AND SKILLS TO RUN OUR BUSINESS

- Staff reserve programme for Company management
- Youth talent programme for recent graduates
- Professional training / development programmes

WORKFORCE EFFICIENCY

One of our key areas of focus has been to increase workforce efficiency while increasing output and fully meeting our social obligations. These increases have been achieved by a combination of workforce optimisation (see table) and increased production output (detailed on pages 32–35). We have been able to reduce the total workforce by eliminating duplicate functions, expanding areas of responsibilities to combine certain functions, centralising core business services and by refining business processes to increase efficiency.

Average number of employees during the year

	2012	2011	2010
Phosphate rock division	12,528	13,027	13,296
Phosphate-based fertilizers and feed phosphate division	9,765*	7,942	7,880
Ammonia and nitrogen fertilizers division		2,811	2,920
Storage and distribution network	413	230	398
Transportation unit	82	85	76
Research and development unit	303	93	108
Other	592	324	505
TOTAL	**23,682**	**24,512**	**25,174**

* In 2012 these two divisions were combined following the merger of Cherepovetsky Azot and Ammophos into PhosAgro-Cherepovets

Corporate Social Responsibility (continued)

SOCIAL GUARANTEES

Relationships between PhosAgro (or its subsidiaries) and its employees are based on the principles of social partnership. The Company's enterprises encourage their employees' loyalty and commitment by guaranteeing extra social protection and support. This principle is a key component in collective agreements signed between the trade unions and the management of each enterprise.

We pay special attention to social security programmes for our employees, these include provisions on:

- Programmes for the professional development of employees;
- Social benefits, such as financial support to employees who return to work after serving in the army, and to recent graduates who join the Company after graduating from universities or colleges;
- Support in the event of unexpected personal or family situations;
- Voluntary medical insurance;
- Wellbeing and recreation programmes for the Company's employees and their families;
- The construction of housing for employees and the provision of interest-free loans;
- Additional provision of non-government pension benefits;
- Various other social programmes, including sports and cultural events.

Following the merger of Ammophos and Cherepovetsky Azot into PhosAgro-Cherepovets in 2012, a new collective agreement was signed for the period 2012-2014. This agreement details the social guarantees and benefits (listed above) to which employees are entitled.

PENSIONS

PhosAgro's enterprises in Cherepovets provide their employees with additional non-government pension payments. A special programme called "Pensioner" was also introduced at Apatit, which includes an additional payment to support employees during the resettlement process. Pensions are calculated according to the period worked by the employee at PhosAgro or its subsidiaries. In addition, PhosAgro provides World War II veterans and the pensioners with various benefits in relation to public holidays, including Victory Day, Chemist's Day and Old People's Day.

HOUSING

At PhosAgro-Cherepovets we run a programme to improve employees' living conditions. Since the programme's launch more than 1,312 apartments have been provided to employees and their families. In July 2013 we plan to complete construction of a new 90-apartment building, which will further expand housing available for PhosAgro-Cherepovets employees.

PROFESSIONAL TRAINING AND SCHOLARSHIPS

Every year more than 600 existing and prospective mining experts undergo training and retraining programmes at the Apatit training centre. Every retrained employee is awarded a higher qualification category, which also leads to an increase in the employee's salary. Apatit sponsors 50 students obtaining professional qualifications that are in demand at the enterprise. Currently Apatit employs one Doctor of Engineering Science and eleven Associates of Science. All of them obtained their degrees on the job.

MOTIVATION PROGRAMME

An important element of human resources management is the motivation programme we implement for our employees. Our main focus is on increasing employees' commitment to the Company and management of their motivation. During 2012 we worked with external consultants to develop a system of KPIs for managers at the N-1 and N-2 levels (N-1: direct reporting to CEO; N-2: direct reporting to N-1). Development of the N-1 and N-2 KPI system was completed in 2012 and we plan to implement it throughout the Group during 2013. Our goal is to further integrate a KPI-based motivation programme, and during 2013 we plan to expand it to N-3 and N-4 managers at our Cherepovets production site. At production sites with automated monitoring systems installed, we seek to integrate these systems into KPI-based motivation programmes.

AUTOMATED DISPATCHING SYSTEM AT APATIT

GOAL

Based on research and analysis conducted by our R&D unit NIUIF, we identified optimisation of our mining fleet operations as a key area of potential cost savings in our apatite-nepheline ore mining. NIUIF researchers found that the fleet was losing up to 25% of its potential productivity due to excess idle time. Researchers identified ways to decrease the cost of apatite-nepheline ore mining and increase the efficiency of the mining fleet with the help of an automated dispatching system.

KPIs

1. Increase efficiency of Vostochny mining fleet by 5%
2. Decrease diesel fuel use by 5%

THE SOLUTION

The automated dispatching system enabled us to introduce a KPI-based motivation programme for our mining fleet operators. Drivers' salaries are paid based on data from the automated dispatching system, meaning they are motivated to maximise the productivity, efficiency and uptime of the equipment. It has also enabled us to better manage the fleet, including scheduling maintenance and repair stops more efficiently.

The system collects real time information about the mining fleet and sends it to the central dispatcher, including: speed, geolocation data, incline, fuel levels, RPM, oil pressure, onboard electrical voltage, cooling liquid temperature, uptime and mileage.

THE RESULTS

We achieved:

- Mass transported per haul has increased from 101 to a maximum of 120 tonnes;
- Monthly fleet productivity has increased by approximately 25%;
- Fuel consumption has decreased by 12.6%.

PROFESSIONAL AND PERSONAL DEVELOPMENT

We support our employees' professional and personal development. The main task of the human resources managers at PhosAgro is to create teams of qualified specialists who have the theoretical and practical knowledge and competence required to carry out technical and support functions at the enterprises. This is achieved by attracting and retaining qualified personnel, as well as by assisting current staff to realise their potential.

STAFF RESERVE

PhosAgro pays particular attention to maintaining a 'staff reserve' of employees, who have demonstrated the potential to advance to more senior roles within the Company. We launched our first pilot programme to build and implement a staff reserve at Apatit in 2011. This project was expanded to cover all of our production subsidiaries in 2012, and we plan to complete it in 2013.

The goal of the staff reserve project is to establish a unified, working system at our main production facilities that identifies talent in order to ensure continuity, and to create internal centres of competence within the human resources function.

Our approach to the staff reserve system is to maintain the best practices and successful experience of PhosAgro's production facilities. We take into account the unique features of each of the businesses and, where necessary, adapt the general approach to the specific needs of each business unit. At each stage of this project we actively involve management at the operational and Company-wide levels.

The key results of our staff reserve programme in 2012 include:

- Production facilities: created a mechanism for building a 'reserve bench' of potential managers; this system has helped to increase the quality of preparation of future management staff; a transparent system for creating the staff reserve helps retain qualified personnel and makes our subsidiaries more attractive employers in the regions where they operate.
- PhosAgro: established unified standards for personnel management, developed coordinated personnel policies at subsidiaries; put in place group-wide criteria for evaluating staff reserve candidates using competency models for positions such as Production Manager or Head of Service/Department/Division across the business.

In total we plan to evaluate 1,060 employees as part of the staff reserve programme. As of the end of 2012, we had evaluated 570, and we will complete the process in 2013.

PROFESSIONAL TRAINING

We launched our Talented Young Specialists programme in 2011 with the goal of recruiting talented graduates from technical universities to work at PhosAgro. We seek to attract graduates with the potential to address the challenges facing our industry, who have strong leadership qualities and demonstrate a desire to continuously increase their educational and professional qualifications.

The goals of this project are to ensure PhosAgro is able to attract and retain the young specialists it needs to continue its operations in the long term, and to identify candidates for the staff reserves at our subsidiaries.

During 2012 we chose candidates from the top university graduates in several stages: first we evaluated their professional, leadership and personal qualities through the use of questionnaires, testing, competence-based interviews, and university recommendations. PhosAgro and its subsidiaries hired 37 university graduates through this programme in 2012.

In 2012, PhosAgro provided training for 11,002 employees, including 3,055 managers and experts and 7,947 operational personnel. We invested RUB 46 million in the professional and personal development of employees in 2012, including RUB 6 million for special development programmes for 147 current and future managers from the staff reserve.

TRADE UNIONS

There are five active trade unions at PhosAgro – at Apatit, PhosAgro-Cherepovets, BMF, NIUIF, and Metachem. These unions represent workers in like production facilities, and function at subsidiaries of one parent company, so they have joined together as the "Minudobreniya" Association of Trade Unions. The trade unions at Apatit, PhosAgro-Cherepovets, BMF and NIUIF are part of the Russian Professional Union of Chemical Industry Workers. The Metachem trade union is part of the Metals & Mining Union of Russia. The majority of PhosAgro employees are members of these unions (see table). The Company's collective bargaining agreements establish the basic principles of the labour relations between the Company and its employees, employees' labour rights and obligations, and the rights and obligations of the Company's trade unions. PhosAgro's management considers its relations with these trade unions and with employees to be satisfactory. The Company has not experienced any collective action by its employees since it was founded in 2001.

Enterprise	Union membership, %
Apatit	83%
PhosAgro-Cherepovets	59%
BMF	83%
Metachem	78%
NIUIF	71%

Corporate Social Responsibility (continued)

Health and Safety

PhosAgro's health and safety initiatives are carefully monitored from operational management up to the Board of Directors. Safe work places and a healthy workforce help to ensure the stability and sustainability of our operations and protect us from risks.

KEY ELEMENTS OF OUR HEALTH AND SAFETY PROGRAMMES

Safe workplaces

MINIMISE HEALTH AND SAFETY RISKS TO OUR WORKFORCE

- Regular workplace risk assessment
- Annual safety seminars
- Training for new employees
- Regular monitoring of condition of production equipment

Healthy workforce

SUPPORT THE HEALTH AND WELLBEING OF OUR WORKFORCE

- Voluntary medical insurance programmes
- Medical facilities and staff at production subsidiaries
- Annual medical check-ups and vaccinations
- Resort facilities for employee and their families
- Gym, sports and cultural facilities

We work to improve health and safety levels across our operations on an ongoing basis. PhosAgro adheres to the Russian industry safety standards that are applicable to its operations, and has developed and introduced a number of internal policies in the areas of health and safety, with the primary objective of reducing the number of injuries and fatalities to the lowest possible level. These efforts have yielded positive results, with the overall number of injuries and fatalities steadily declining over the past five years, and no fatalities in 2012.

We believe that the decline in overall injuries and fatalities is mainly a result of stricter control over compliance with the prescribed rules and regulations in the workplace, as well as tougher measures against those who breach the rules.

Injuries and fatalities due to workplace accidents

	Minor injury	Serious injury	Fatal incident
2008	44	5	14
2009	39	5	4
2010	44	3	5
2011	36	9	2
2012	31	8	-

In the five years between 2008 and 2012 total injuries and fatal incidents declined by 38%

HEALTH AND SAFETY INITIATIVES

As we strive to improve the health and safety of the working environment at each of PhosAgro's mining and production sites and facilities, regular workplace risk assessments are undertaken and appropriate safety measures are implemented. We educate our employees regarding these risks with annual occupational safety workshops, and we try to ensure that they have adequate knowledge of workplace safety procedures before they are permitted to work on a site or in a facility.

Apatit and PhosAgro-Cherepovets have safety policies supported by regulations and standing instructions, which apply to all operations and job categories. Each of PhosAgro's facilities has health and safety programmes for operational and technical issues, which are updated and re-issued at the end of each year. Each has a representative who coordinates the safety inspection and investigation teams that compile shift reports on all aspects of health and safety.

PhosAgro obtained an integrated quality, environmental, health and safety management system OHSAS 18001:2007 certificate for PhosAgro-Cherepovets in 2012.

Environmental Protection

Reducing the negative impact of our operations on the environment is an important long-term goal.

PhosAgro seeks to minimise the negative impact of its activities on the environment. Our environmental protection strategy is guided by the Russian Federation's environmental doctrine, current environmental legislation, governmental orders and our own environmental strategy.

Our key activities in this area include:

- Efficient use of raw materials and energy resources;
- Construction of new production facilities, and modernisation and technical re-equipping of existing facilities, using the best available technology and technical solutions;
- Introduction of automated control systems for production processes, including control over emissions of pollutants;
- Reduction of the discharge of pollutants by the Company's enterprises into the atmosphere and surface water by improving air and water treatment systems;
- Reduction in the production of by-products that require long-term storage and increasing the amount of re-processing of secondary raw materials;
- Increasing the energy efficiency of production capacities through use of secondary energy sources, energy-efficient equipment, decreasing losses in power and heat networks, all resulting in a decline in the use of primary energy sources and the emissions associated with such sources;
- Measures to reduce the environmental impact of waste storage by improving how we use them and adopting new environmentally safe practices;
- Continuous improvement of the Company's environmental management system (EMS), which is based on ISO 14001:2004 environmental standards, EU environmental protection directives and international agreements, including the Basel Convention, the Helsinki Convention etc.

PhosAgro's downstream facilities have achieved ISO 14001:2004 Environmental Management System certificates, which are confirmed as needed. In 2013, we plan to complete ISO 14001:2004 certification for Apatit.

Exposure assessments, international format safety data sheet, and recommendations for safe handling and first aid measures are developed in compliance with the requirements under the 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.

During 2012, we experienced no accidents or emergencies that could have caused a negative impact on the environment, and our statutory payments for negative impact on the environment in 2012 were largely unchanged compared to previous periods.

Our plans to construct new ammonia, NPK and PKS capacities will lead to an overall increase in our environmental liabilities due to the expanded scale of our operations. However, we believe this impact will be minimal due to our accepted practice of using only the best available techniques for new investment projects. For example, nitrogen oxide emissions for the new ammonia plant will be restricted to under 20 ppm.

ENVIRONMENTAL INITIATIVES

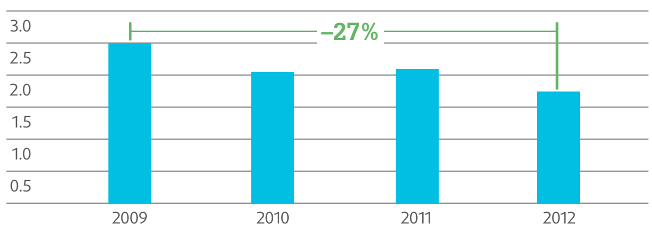
AIR QUALITY

All of PhosAgro's enterprises are equipped with modern exhaust gas purification systems. Each enterprise has set up its own environmental protection department, which monitors atmospheric emissions and air quality.

The underground crushing facilities at Apatit are equipped with gas handling and dust capture systems. The amount of dust from the tailing dumps is minimised by using chemical compounds to form a crust on the dust-generating surfaces as well as by replanting and biologically restoring the dumps. In 2012 we spent approximately RUB 130 million on these activities. We also continued implementation of a program to minimise dust formation, which prevented 3.7 thousand tonnes of dust from entering the atmosphere from tailing dumps at Apatit, thereby reducing overall dust emissions in 2012 four-fold compared to 2011, to 136 tonnes of dust. Greenhouse gas emissions declined significantly at our ammonia production line to 370 thousand tonnes of CO_2 on an annualised basis. This was a result of our use of these gasses in the urea production process at our new urea line launched in the second half of 2012.

Successful implementation of programmes and projects for technical upgrades at our production facilities in accordance with our environmental strategy has enabled us to significantly lower emissions of pollutants into the air in recent years.

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



Corporate Social Responsibility (continued)

WATER TREATMENT

In 2012 we upgraded Apatit's water intake mains from Lake Imandra. This contributed to a reduction in fresh water used by Apatit and by PhosAgro as a whole. At Apatit's Vostochny mine we installed a system of wells designed to reduce the overall groundwater level, thus enabling us to eliminate contamination of the groundwater. While water withdrawal volumes declined in 2012, the increased volume of water discharge was due to the sharp increase in the inflow of floodwater, mainly into the tailings dump at Apatit.

At Balakovo Mineral Fertilizers we have the only fertilizer-manufacturing site in Russia with a closed water circulation system that does not discharge wastewater into the regional water basin. The introduction of this technology is especially important for the company, as it is located in the Saratov region in the vicinity of the river Volga.

At PhosAgro-Cherepovets we continuously carry out inspections of the water-based phosphogypsum removal systems and its sludge storage facility, as well as conducting geomonitoring of the groundwater. Our main objective is to avoid potential contamination of the groundwater. In the phosphate complex of PhosAgro-Cherepovets we are reconstructing the water treatment facilities in order to increase the throughput of our wastewater treatment facilities. Our modernisation efforts have enabled us to reduce the use of fresh water to 24% below the limit.

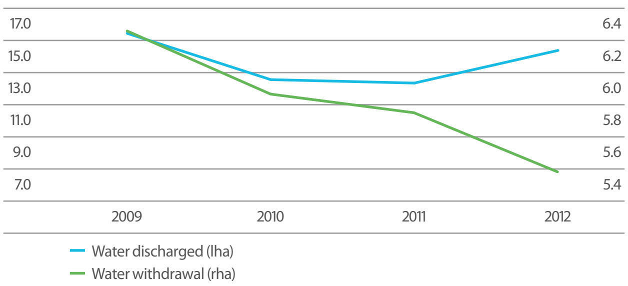
Total PhosAgro water withdrawal, 000 m^3*	78,877
Including:	
Apatit	49,616
PhosAgro-Cherepovets	22,513
Agro-Cherepovets	0
BMF	6,748

* partial disclosure according GRI G3.1 indicators (code EN8)

Total PhosAgro water discharge, 000 m^3*	210,752
Including:	
Apatit	200,385
PhosAgro-Cherepovets	10,367
Agro-Cherepovets	0
BMF	0

* partial disclosure according GRI G3.1 indicators (code EN21)

Emissions into surface water per unit of production and water intake per unit of production, m^3/t



ENERGY EFFICIENCY

We continued our energy saving and energy efficiency programmes in 2012. This programme is for the period until 2015 and was developed in full compliance with the Federal Law № 261-FZ "On energy saving and energy efficiency and on Amendments to Certain Legislative Acts of the Russian Federation" dated 23 November 2009.

In accordance with the accepted system of classification, activities under this programme are divided into two main categories:

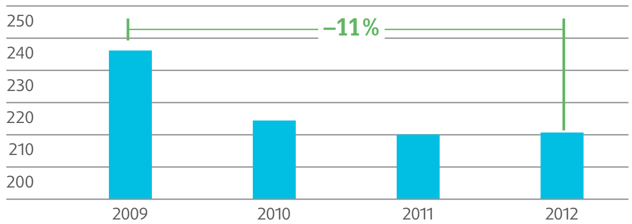
- Priority activities intended to improve energy efficiency at our subsidiaries;
- Activities aimed at increasing the reliability and safety of energy supply at the facilities.

One of the most significant achievements of this programme is the modernisation of the sorting system in the ore grinding cycle of ANBP-3 at Apatit. This is intended to reduce energy consumption at the enterprise and is planned to be completed in 2014. As of the end of 2012, we had installed new sorting equipment for the first of the six grinding mills due to be modernised.

In the second half of 2012 we also commissioned a state-of-the-art urea production line and a new 32 MW gas turbine. The new urea capacity has allowed us to almost fully utilise the carbon dioxide (a major greenhouse gas) resulting from the production of ammonia, while the gas turbine power plant almost completely covers the company's electricity needs. These new facilities have significantly improved our energy efficiency levels.

With the new power generation capacity at PhosAgro-Cherepovets, our overall electricity capacity has reached 134 MW, making PhosAgro-Cherepovets about 85% self-sufficient in energy.

PhosAgro electricity consumption per unit of production (kWh per tonne)



Social Programmes

We view our social programmes as investments into the long-term sustainability of the communities where we operate. We strive to be a good "corporate citizen" – but we also believe that supporting education, sport and culture helps to ensure that our businesses will be able to recruit qualified workers, and retain them over the long term. We believe that the healthy, happy and well-educated communities we support will be more stable and provide us with the human resources we need to operate our production facilities.

Through social programmes, we aim to address some of the important challenges facing the communities where we work. In implementing these programmes we aim to build positive long-term relationships and to have an open dialogue with non-governmental organisations, local authorities and other stakeholders.

PhosAgro believes that, in the long run, investment in social programmes will contribute to the rapid development of the Company, and that the Company's operations will benefit if local communities are thriving. We seek to tailor our social programmes to the needs of each of the communities where we work, within the bounds of the key priority areas listed below:

SPORT AND HEALTHY LIFESTYLE

Our focus is to support healthy lifestyles from a young age, helping to ensure the health of future generations in the communities where we operate. We do this by supporting youth sport organisations, clubs and teams, as well as professional teams and federations in Russia.

Sport

The sports organisations that PhosAgro supports and sponsors include:

- Non-commercial partnership DROZD (and its regional affiliates)
- Non-profit Organization St. Petersburg Regional Judo Federation
- Independent Non-profit Organisation Sports club "Speedway" (Balakovo, Russia)
- Russian Chess Federation
- Russian Swimming Federation
- Russian Rhythmic Gymnastics Federation
- Russian Olympians Foundation
- The Champion Foundation for the support and development of sport
- Apatit-Sport

We provided over RUB 150 million to support these and other organisations during 2012.

Health and Wellbeing

All our businesses are committed to implementing healthcare and wellbeing programmes for employees, their families and the local communities. To ensure the implementation of these programmes, PhosAgro constantly works on improving its existing facilities, which include:

- Clinics and first aid centres based in the operating units
- Canteens
- Health centres and recreation resorts ("Emerald" sanatorium (BMF), "Tirvas" sanatorium (Apatit))
- "Sosnovka" leisure centre (PhosAgro-Cherepovets)
- Holiday homes and camps for children
- Gyms and sport centres
- Community centres

DROZD: Promoting sport for Russia's youth

Following the initiative in 2003 of Andrey Guriev, member of the Federal Assembly from the Murmansk region, PhosAgro together with the State Educational Centre "Sambo-70" established a Non-commercial Partnership "DROZD". Since then the Company has been supporting "DROZD", which is aimed at promoting education and a healthy lifestyle among children. Within the framework of this partnership, several independent non-profit organisations were set up in Balakovo, Cherepovets and Khibiny, where PhosAgro is present. These educational and sports centres monitor the state of health of children and teenagers in these regions, promote a healthy lifestyle, and provide the local communities with various sports and educational activities.

EDUCATION

We aim to promote the teaching of chemistry in primary educational institutions were our operations are located, and to support higher education institutions that specialise in areas relevant to our business. Some of our key programmes in the area of education include:

- Ongoing all-round support to the St. Petersburg State Mining University;
- Sponsorship of "Apatit-class" chemistry classrooms in schools in Kirovsk and Apatity;
- Funding for playground equipment at schools in the areas where we operate.

VULNERABLE GROUPS OF SOCIETY

PhosAgro supports disabled people, World War II veterans and veterans of labour. We regularly donate to support World War II veterans in events marking Victory Day and Defender of the Fatherland Day in Kirovsk and Apatity.

Furthermore, PhosAgro sponsors the following organisations:

- Non-profit Organisation of veterans in the Vologda region "Veteran";
- Charity Fund "For a Good Cause" ("Vo imya dobra");
- All-Russia Society of Disabled People;
- Russian Union of Disabled Sportsmen.

CULTURE

We support cultural programmes to promote the preservation and development of the cultural, spiritual and historical heritage of Russia, as well as to enhance the quality of life of our local communities.

We aim to maintain the necessary infrastructure to support vibrant cultural life at a local level, while also sponsoring national theatres, and bringing performances to the cities where our production facilities are located.

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 2012 were approved by the Company's management on 24 April 2013.

Chairman of the Management Board and Chief Executive Officer

Maxim Volkov

Consolidated Financial Statements for the year ended 31 December 2012

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317
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Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Auditors' Report

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 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, 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 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

Romanenko A.M.
Director, power of attorney dated 1 October 2010 No. 47/10
ZAO KPMG

24 April 2013
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: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and 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 Comprehensive Income for the year ended 31 December 2012

	Note	2012 RUB Million	2011 RUB Million
Revenues	8	105,303	100,518
Cost of sales	10	(60,136)	(56,196)
Gross profit		**45,167**	**44,322**
Administrative expenses	11	(6,646)	(6,036)
Selling expenses	12	(7,720)	(6,492)
Taxes, other than income tax		(1,634)	(1,411)
Other expenses, net	13	(993)	(1,064)
Operating profit		**28,174**	**29,319**
Negative goodwill on consolidation of LLC "Metachem"	35	678	-
Finance income	14	2,070	824
Finance costs	14	(1,450)	(1,329)
Foreign exchange gain/(loss)		1,576	(2,836)
Share of profit of associates	17	166	2,318
Profit before taxation		**31,214**	**28,296**
Income tax expense	15	(6,704)	(5,820)
Profit for the year		**24,510**	**22,476**
Attributable to:			
Non-controlling interests		3,856	2,541
Shareholders of the Parent		20,654	19,935
Other comprehensive income/(loss)			
Revaluation of available-for-sale securities	17	282	(361)
Recycling of revaluation surplus on available-for-sale securities to profit and loss	17	-	(2,076)
Actuarial gains and losses, net of tax	27	(276)	17
Foreign currency translation difference		(396)	334
Other comprehensive loss for the year		(390)	(2,086)
Total comprehensive income for the year		**24,120**	**20,390**
Attributable to:			
Non-controlling interests		3,794	2,514
Shareholders of the Parent		20,326	17,876
Basic and diluted earnings per share (in RUB)	25	166	161

The consolidated financial statements were approved on 24 April 2013:

Chief executive officer
Volkov M.V.

Chief accountant
Valenkova E.V.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 80 to 105.

Consolidated Statement of Financial Position as at 31 December 2012

	Note	31 December 2012 RUB Million	31 December 2011 RUB Million
ASSETS			
Non-current assets			
Property, plant and equipment	16	66,528	57,116
Intangible assets		553	640
Investments in associates	17	9,620	7,910
Other non-current assets	19	3,071	3,556
		79,772	**69,222**
Current assets			
Other current investments	20	833	2,123
Derivative financial assets		45	-
Inventories	21	12,324	10,096
Current income tax receivable		769	166
Trade and other receivables	22	11,874	10,734
Cash and cash equivalents	23	9,664	16,946
Assets held for sale, net	7	346	-
		35,855	**40,065**
Total assets		**115,627**	**109,287**
EQUITY AND LIABILITIES			
Equity	24		
Share capital		360	360
Share premium		1,099	1,099
Retained earnings		48,294	42,265
Other reserves		(267)	61
Equity attributable to shareholders of the Parent		49,486	43,785
Equity attributable to non-controlling interests		12,389	16,923
		61,875	**60,708**
Non-current liabilities			
Loans and borrowings	26	14,452	16,592
Defined benefit obligations	27	1,257	922
Deferred tax liabilities	18	2,973	2,850
		18,682	**20,364**
Current liabilities			
Trade and other payables	29	12,377	11,407
Current income tax payable		676	801
Loans and borrowings	26	22,017	15,561
Derivative financial liabilities		-	446
		35,070	**28,215**
Total equity and liabilities		**115,627**	**109,287**

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 80 to 105.

Consolidated Statement of Cash Flows for the year ended 31 December 2012

	Note	2012 RUB Million	2011 RUB Million
OPERATING ACTIVITIES			
Profit before taxation		31,214	28,296
Adjustments for:			
Depreciation and amortisation	10, 11, 12	6,521	6,051
Negative goodwill on consolidation of LLC "Metachem"	35	(678)	-
Reversal of impairment loss	13	-	(190)
Loss on disposal of fixed assets	13	193	24
Finance costs	14	1,450	1,329
Finance income	14	(2,070)	(824)
Share of profit of associates	17	(166)	(2,318)
Foreign exchange (gain)/loss		(1,203)	2,967
Operating profit before changes in working capital and provisions		35,261	35,335
Increase in inventories		(1,843)	(2,379)
(Increase)/decrease in trade and other receivables		(324)	4,499
Increase in trade and other payables		915	1,184
Cash flows from operations before income taxes and interest paid		34,009	38,639
Income tax paid		(7,117)	(5,399)
Finance costs paid		(1,429)	(865)
Cash flows from operating activities		**25,463**	**32,375**
INVESTING ACTIVITIES			
Loans issued/(repaid)		(153)	3,125
Acquisition of intangible assets		(110)	(115)
Acquisition of property, plant and equipment		(13,370)	(12,905)
Proceeds from disposal of property, plant and equipment		251	527
Proceeds from disposal of investments		669	1,391
Acquisition of investments		(21)	(950)
Acquisition of investments in associates		(987)	(471)
Consolidation of LLC “Metachem”	35	84	-
Additional equity contribution in associates		(511)	-
Finance income received		1,569	819
Dividends received		10	1,840
Cash flows used in investing activities		**(12,569)**	**(6,739)**

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 80 to 105.

	Note	2012 RUB Million	2011 RUB Million
FINANCING ACTIVITIES			
Proceeds from borrowings		21,375	38,967
Repayment of borrowings		(15,941)	(19,999)
Proceeds from disposal of treasury shares		-	791
Acquisition of non-controlling interests		(12,047)	(9,196)
Proceeds from disposal of non-controlling interests		-	9,864
Dividends paid to non-controlling interests		(364)	(1,676)
Dividends paid to shareholders of the Parent		(11,890)	(32,253)
Finance leases paid		(1,169)	(487)
Cash flows used in financing activities		**(20,036)**	**(13,989)**
Net (decrease)/increase in cash and cash equivalents		(7,142)	11,647
Cash and cash equivalents at beginning of the year		**16,946**	**5,261**
Effect of changes in exchange rates		(140)	38
Cash and cash equivalents at end of the year		**9,664**	**16,946**

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 80 to 105.

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

	Attributable to shareholders of the Parent		
RUB Million	Share capital	Share premium	Retained earnings
Balance at 1 January 2011	360	496	55,311
Total comprehensive income for the year			
Profit for the year	-	-	19,935
Revaluation of available-for-sale securities		-	-
Recycling of revaluation surplus on available-for-sale securities to profit and loss	-	-	-
Actuarial gains and losses, net of tax	-	-	-
Foreign currency translation difference	-	-	-
	-	**-**	**19,935**
Transactions with owners recognised directly in equity			
Acquisition and disposal of non-controlling interest in a subsidiary	-	-	91
Disposal of treasury shares, net of tax	-	603	-
Dividends to shareholders of the Parent	-	-	(33,072)
Dividends to non-controlling interests	-	-	-
	-	**603**	**(32,981)**
Balance at 31 December 2011	**360**	**1,099**	**42,265**
Balance at 1 January 2012	**360**	**1,099**	**42,265**
Total comprehensive income for the year			
Profit for the year	-	-	20,654
Revaluation of available-for-sale securities	-	-	-
Actuarial gains and losses, net of tax	-	-	-
Foreign currency translation difference	-	-	-
	-	-	20,654
Transactions with owners recognised directly in equity			
Effect of merger, see note 24(d)	-	-	846
Acquisition of non-controlling interest in a subsidiary, see note 24(e)	-	-	(3,583)
Consolidation of LLC "Metachem", see note 35	-	-	-
Dividends to shareholders of the Parent, see note 24(c)	-	-	(11,888)
Dividends to non-controlling interests	-	-	-
	-	**-**	**(14,625)**
Balance at 31 December 2012	**360**	**1,099**	**48,294**

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 80 to 105.

Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Treasury Shares	Attributable to non-controlling interests	Total
2,132	(177)	165	(37)	15,079	73,329
-	-	-	-	2,541	22,476
(361)	-	-	-	-	(361)
(2,076)	-	-	-	-	(2,076)
-	44	-	-	(27)	17
-	-	334	-	-	334
(2,437)	**44**	**334**	**-**	**2,514**	**20,390**
-	-	-	-	577	668
-	-	-	37	-	640
-	-	-	-	(33,072)	
-	-	-	-	(1,247)	(1,247)
-	**-**	**-**	**37**	**(670)**	**(33,011)**
(305)	**(133)**	**499**	**-**	**16,923**	**60,708**
(305)	**(133)**	**499**	**-**	**16,923**	**60,708**
-	-	-	-	3,856	24,510
282	-	-	-	-	282
-	(214)	-	-	(62)	(276)
-	-	(396)	-	-	(396)
282	(214)	(396)	-	3,794	24,120
-	-	-	-	(1,213)	(367)
-	-	-	-	(7,527)	(11,110)
-	-	-	-	773	773
-	-	-	-	-	(11,888)
-	-	-	-	(361)	(361)
-	**-**	**-**	**-**	**(8,328)**	**(22,953)**
(23)	**(347)**	**103**	**-**	**12,389**	**61,875**

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 80 to 105.

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

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. The Company was registered in October 2001. The Company's registered office 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 10% of the Company's ordinary shares each. The majority of the shares of the Company are ultimately owned by trusts, where the economic beneficiary is Mr. Andrey Guriev 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 CURRENCY

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the functional currency of the Parent and its subsidiaries. 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 of 31 December 2012 were translated at the closing exchange rate of RUB 30.3727 for USD 1 (31 December 2011: RUB 32.1961 for USD 1);
- Profit and loss items were translated at the average exchange rate for 2012 of RUB 31.0930 for USD 1 (2011: RUB 29.3874 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 RUR 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.

(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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Consolidation of OJSC "Apatit", see note 34(a).

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 those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Acquisitions and disposals of non-controlling interests

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

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

(iv) Associates

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

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) FOREIGN CURRENCIES

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

(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.

(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. The derivates 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 recognized in profit and loss.

(f) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(g) TRADE AND OTHER RECEIVABLES

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

(h) CASH AND CASH EQUIVALENTS

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

(i) IMPAIRMENT

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. a financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers 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.

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) Preference share capital

Preference share capital, which is non-redeemable and non-cumulative, is classified as equity.

(ii) 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.

(iii) 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.

(ii) Long-term service benefits other than pensions

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(iii) State pension fund

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

(m) PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

(o) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) REVENUES

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Transfer may occur when the product is dispatched from the Group companies' warehouses (mainly for domestic dispatches) or upon loading the goods onto the relevant carrier (mainly for export).

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) 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.

(s) 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.

(t) 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.

(u) 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 2012, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IAS 19 (2011) **Employee Benefits.** The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 January 2013 and early adoption is permitted. The amendment generally applies retrospectively.
- IAS 28 (2011) **Investments in Associates and Joint Ventures** combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning on or after 1 January 2013 with retrospective application required. Early adoption of IAS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).
- Amendments to IAS 32 **Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities**, specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- IFRS 7 **Disclosures of offsetting Financial Assets and Financial Liabilities**, effective for annual periods beginning on or after 1 January 2013, would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position.
- IFRS 9 **Financial Instruments** will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 **Financial Instruments: Recognition and Measurement.** The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early. The Standard has not yet been endorsed in the Russian Federation.
- IFRS 10 **Consolidated Financial Statements** will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).
- IFRS 12 **Disclosure of Interests in Other Entities** will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as

contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 **Fair Value Measurement** will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 **Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income**.
  The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.
- IFRIC 20 **Stripping Costs in the Production Phase of a Surface Mine** is effective for annual periods beginning on or after 1 January 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset.

Various **Improvements to IFRSs** have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for future annual periods. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

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

The fair value is assessed using discounted cash flow technique, where possible using observable inputs, which corresponds to level 2 of the hierarchy of the fair value measurements.

(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 FINANCIAL RISK MANAGEMENT

(a) OVERVIEW

The Group has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk;
- market risk.

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) 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 principally from the Group's receivables from customers, and loans issued to related parties.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual specific characteristics of each customer. The general characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum amount of outstanding receivables; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The majority of the Group's customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics. Trade and other receivables relate mainly to the Group's wholesale customers.

The Group does not require collateral in respect of trade and other receivables, except for new customers who are required to work on a prepayment basis or present an acceptable bank guarantee or set up letter of credit with an acceptable bank.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Current and non-current financial assets and cash and cash equivalents

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.

Cash and cash equivalents are primarily held with banks with high credit rating. In order to manage liquidity, the Group buys promissory notes of banks with high credit rating.

(iii) 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.

(c) 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.

(d) 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.

(e) 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, being the Russian Rouble (RUB). The currencies giving rise to this risk are primarily USD and Euro.

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.

(f) INTEREST RATE RISK

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.

(g) 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, see note 26.

6 SEGMENT INFORMATION

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- **Phosphate-based products segment** includes mainly production and distribution of ammophos, diammoniumphosphate 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" line. 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.

Business segment information of the Group as at 31 December 2012 and for the year 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,	91,233	13,048	1,022	-	105,303
thereof:					
Export	60,759	11,404	-	-	72,163
Domestic	30,474	1,644	1,022	-	33,140
Inter-segment revenues	-	3,175	-	(3,175)	-
Cost of goods sold	(55,276)	(7,632)	(1,687)	3,175	(61,420)
Gross segment profit/(loss)	**35,957**	**8,591**	**(665)**	**-**	**43,883**
Certain items of profit and loss					
Amortisation and depreciation	(5,089)	(688)	(135)	-	(5,912)
Total non-current segment assets	45,200	13,309	2,657	-	61,166
Additions to non-current assets	**9,855**	**3,700**	**64**	**-**	**13,619**

Business segment information of the Group as at 31 December 2011 and for the year 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,	88,982	10,727	809	-	100,518
thereof:					
Export	60,837	9,426	-	-	70,263
Domestic	28,145	1,301	809	-	30,255
Inter-segment revenues	-	3,629	-	(3,629)	-
Cost of goods sold	(50,631)	(7,495)	(2,042)	3,629	(56,539)
Gross segment profit/(loss)	**38,351**	**6,861**	**(1,233)**	**-**	**43,979**
Certain items of profit and loss					
Amortisation and depreciation	(4,887)	(413)	(109)	-	(5,409)
Total non-current segment assets	40,310	10,296	1,948	-	52,554
Additions to non-current assets	**8,314**	**6,561**	**368**	**-**	**15,243**

The analysis of export revenue by regions is as follows:

	2012 RUB Million	2011 RUB Million
North and South America	24,380	28,287
Europe	16,822	16,197
Asia	9,051	6,396
India	7,454	12,029
Africa	7,579	3,016
CIS	6,877	4,338
	72,163	**70,263**

The Group distributes its products globally through large independent traders and distributors. The sales volume may vary from one trader to another. In 2012, revenue from sales of phosphate-based products to one single trader amounted to approximately 10% (RUB 10,857 million) of the Group's total revenue. In 2011, revenue to another single trader amounted to approximately 28% (RUB 27,725 million) of the Group's total revenue.

	2012 RUB Million	2011 RUB Million
Total segment revenues	105,303	100,518
Consolidated revenues	**105,303**	**100,518**

	2012 RUB Million	2011 RUB Million
Total segmental profit	**43,883**	**43,979**
Difference in depreciation and amortisation	(338)	(77)
Difference in timing of expenses recognition	191	(168)
Reallocation of administrative expenses	(145)	(89)
Reallocation of selling expenses	(160)	(184)
Reallocation of other income	887	297
Reallocation of capitalized expenses	387	-
Elimination of unrealized profit	(224)	(8)
Recognition of finance lease	794	350
Other adjustments	(108)	222
Consolidated gross profit	**45,167**	**44,322**

	2012 RUB Million	2011 RUB Million
Total non-current segment assets	61,166	52,554
Difference in the carrying value of the tangible assets	5,915	5,502
Consolidated non-current assets	**67,081**	**57,756**

7 DISPOSAL GROUP HELD FOR SALE

CJSC "Pikalevskaya soda" and part of manufacturing facilities within LLC "Metachem" are presented as a disposal group held for sale following the commitment of the Group's Management to a plan to sell the facilities. Efforts to sell the disposal group have commenced, and a sale is expected by June 2013.

At 31 December 2012, the disposal group comprised the following assets and liabilities.

	RUB million
Property, plant and equipment	149
Inventories	27
Trade and other receivables	150
Cash and cash equivalents	82
Trade and other payables	(62)
Assets held for sale, net	**346**

8 REVENUES

	2012 RUB Million	2011 RUB Million
Sales of chemical fertilisers	79,956	79,714
Sales of apatite concentrate	19,452	14,480
Sales of ammonium	1,023	1,824
Sales of nepheline concentrate	721	771
Other sales	4,151	3,729
	105,303	**100,518**

The domestic sales prices for apatite concentrate are subject to various regulations of the Federal Anti-monopoly Service and Russian law "On protection of competition". Domestic revenue of the Company is to a significant extent dependent on the decisions taken on the basis of these laws and regulations.

The domestic sales of apatite concentrate included in these consolidated financial statements amounted to RUB 10,976 million (2011: RUB 8,763 million).

9 PERSONNEL COSTS

	2012 RUB Million	2011 RUB Million
Cost of sales	(11,963)	(11,078)
Administrative expenses	(3,847)	(3,403)
Selling expenses	(341)	(537)
	(16,151)	**(15,018)**

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

10 COST OF SALES

	2012 RUB Million	2011 RUB Million
Materials and services	(21,792)	(20,006)
Salaries and social contributions	(11,963)	(11,078)
Potash	(4,598)	(3,026)
Natural gas	(5,733)	(4,951)
Depreciation	(5,936)	(5,486)
Fuel	(4,579)	(4,207)
Sulphur and sulphuric acid	(3,597)	(4,838)
Electricity	(3,255)	(3,290)
Other items	(88)	(51)
Change in stock of WIP and finished goods	1,405	737
	(60,136)	**(56,196)**

11 ADMINISTRATIVE EXPENSES

	2012 RUB Million	2011 RUB Million
Salaries and social contributions	(3,847)	(3,631)
Professional services	(692)	(677)
Depreciation and amortisation	(524)	(499)
Other	(1,583)	(1,229)
	(6,646)	**(6,036)**

12 SELLING EXPENSES

	2012 RUB Million	2011 RUB Million
Russian Railways infrastructure tariff and operators' fees	(3,825)	(3,488)
Port and stevedoring expenses	(2,309)	(1,571)
Materials and services	(1,184)	(1,027)
Salaries and social contributions	(341)	(340)
Depreciation and amortisation	(61)	(66)
	(7,720)	**(6,492)**

During the current period the Group made a decision to re-classify some part of expenses on depreciation, amortisation, salaries and social contributions, previously included in selling expenses, to administrative expenses. As a result selling expenses decreased by RUB 96 million from RUB 6,588 million to RUB 6,492 million for the year ended 31 December 2011.

13 OTHER EXPENSES, NET

	2012 RUB Million	2011 RUB Million
Social expenditures	(852)	(1,191)
Loss on disposal of fixed assets	(193)	(24)
Decrease in provision for inventory obsolescence	7	4
(Increase)/decrease in provision for bad debt	(32)	40
Reversal of impairment losses	-	190
Other income/(expenses)	77	(83)
	(993)	**(1,064)**

During the current period the Group made a decision to re-classify amortisation, depreciation and some part of social expenditures, previously included in other expenses, to administrative expenses. As a result other expenses, net decreased by RUB 182 million from RUB 1,246 million to RUB 1,064 million for the year ended 31 December 2011.

14 FINANCE INCOME AND FINANCE COSTS

	2012 RUB Million	2011 RUB Million
Interest income	1,071	819
Gain on revaluation of derivative financial instruments	679	-
Dividend income	10	5
Other finance income	310	-
Finance income	**2,070**	**824**
Interest expense	(1,193)	(883)
Loss on revaluation of derivative financial instruments	-	(446)
Other finance costs	(257)	-
Finance costs	**(1,450)**	**(1,329)**
Net finance income/(costs)	**620**	**(505)**

In May 2012, OJSC "Apatit" filed a claim against the tax authorities of Murmansk region for a compensation of interest on excessive tax payments for 2001 and 2003 tax years in the amount of RUB 350 million. In October 2012, the parties reached an out-of-court agreement according to which the tax authorities agreed to repay RUB 310 million. The amount of tax asset was recognised in these consolidated financial statements as other finance income. The cash was received in October 2012.

15 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2011: 20%).

	2012 RUB Million	2011 RUB Million
Current tax expense	(6,431)	(5,670)
Origination and reversal of temporary differences, including change in unrecognised assets	(273)	(150)
	(6,704)	**(5,820)**

Reconciliation of effective tax rate:

	2012 RUB Million	%	2011 RUB Million	%
Profit before taxation	31,214	100	28,296	100
Income tax at applicable tax rate	(6,243)	(20)	(5,659)	(20)
Over provided in respect of prior years	7	-	35	-
Income tax on intra-group dividends	(416)	(1)	(230)	(1)
Unrecognised tax liability on income from associates	33	-	464	2
Recognition of previously unrecognised deferred tax assets	461	1	-	-
Non-deductible items	(249)	-	(593)	(2)
Change in unrecognised deferred tax assets	(297)	(1)	(284)	(1)
Unrecognised foreign exchange difference relating to intra-group transfer of investments	-	-	118	-
Increase of tax loss carry-forward due to intra-group transfer of investments	-	-	329	1
	(6,704)	**(21)**	**(5,820)**	**(21)**

16 PROPERTY, PLANT AND EQUIPMENT

RUB million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2011	12,262	36,232	2,215	15,455	66,164
Reclassification	-	541	(541)	-	-
Additions	-	1,738	313	14,750	16,801
Transfers	1,778	7,487	-	(9,265)	-
Disposals	(184)	(662)	(38)	(190)	(1,074)
At 1 January 2012	13,856	45,336	1,949	20,750	81,891
Reclassification	465	(2,097)	1,632	-	-
Additions	394	1,269	417	12,801	14,881
Consolidation of LLC "Metachem"	444	346	69	421	1,280
Transfers	5,504	9,685	59	(15,248)	-
Disposals	(153)	(893)	(114)	(44)	(1,204)
At 31 December 2012	**20,510**	**53,646**	**4,012**	**18,680**	**96,848**

RUB million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Accumulated depreciation					
At 1 January 2011	(3,008)	(15,772)	(714)	(190)	(19,684)
Depreciation charge	(794)	(4,757)	(253)	-	(5,804)
Reversal of impairment	-	-	-	190	190
Disposals	80	415	28	-	523
At 1 January 2012	(3,722)	(20,114)	(939)	-	(24,775)
Reclassification	(37)	1,139	(1,102)	-	-
Depreciation charge	(792)	(5,040)	(471)	-	(6,303)
Disposals	43	637	78	-	758
At 31 December 2012	**(4,508)**	**(23,378)**	**(2,434)**	**-**	**(30,320)**
Net book value at 1 January 2011	**9,254**	**20,460**	**1,501**	**15,265**	**46,480**
Net book value at 1 January 2012	**10,134**	**25,222**	**1,010**	**20,750**	**57,116**
Net book value at 31 December 2012	**16,002**	**30,268**	**1,578**	**18,680**	**66,528**

(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 to 8 years and a terminal value was derived after the forecast period. The following assumptions were applied in the impairment testing:

- After-tax discount rate 12.9% (2011: 13.8%)
- Terminal growth rate 3% (2011: 3%)

Based on the analysis, no impairment loss was recognised. a 2% change in the discount rate would not have resulted in an impairment loss.

(b) SECURITY

Properties with a carrying amount of RUB 1,270 million (31 December 2011: RUB 1,783 million) are pledged to secure bank loans, see note 26.

(c) LEASING

Plant and equipment (railway wagons) with the carrying value of RUB 3,679 million (31 December 2011: RUB 2,620 million) is leased under various finance lease agreements, see note 28.

17 INVESTMENTS IN ASSOCIATES

PhosInt Limited

In September and October 2010, two Group subsidiaries, PhosInt Limited and PhosAsset GmbH, increased their share capital which was subscribed by a related party resulting in the dilution of the Group's shareholding in these entities to 49%. As a consequence these entities and Nordwest AG, a subsidiary of PhosAsset GmbH (further the PhosInt Group) were deconsolidated from the Group. At the same time, the Group retained its right for the distribution of all accumulated earnings and reserves relating to these entities prior to the date of loss of control as determined by the executive management by reference to the IFRS financial statements of these entities. In 2011, dividend in the amount of RUB 1,840 million was accrued and paid from PhosInt Group to the Company out of the opening balance of retained earnings.

As at 31 December 2010, 2011 and 2012 these entities held primarily equity and debt instruments of Russian issuers recognized at fair value, loans issued and cash. Accordingly, the fair value of the net assets of these entities approximated the book value.

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.

No consideration was received by the Group on disposal and the financial result of this transaction was nil.

LLC "Metachem"

In May 2011, the Group entered into acquisition agreement for 24% of LLC "Metachem" and 21.85% of CJSC "Pikalevskaya soda" for a total consideration of RUB 313 million. In July 2011, the Group sold its investment in CJSC "Pikalevskaya soda" for RUB 145 million to CJSC "Metachem". In December 2012, the Group contributed RUB 1,200 million to the charter capital of LLC "Metachem" increasing the Group's ownership to 74.76%, see note 35.

CJSC "Nordic Rus Holding"

In October 2012, the Group acquired 24% of CJSC "Nordic Rus Holding" for a total consideration of USD 31.76 million (RUB 987 million). CJSC "Nordic Rus Holding" is a minority shareholder of OJSC "Apatit".

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

	2012 RUB Million	2011 RUB Million
Balance at 1 January	7,910	9,365
Acquisition of LLC "Metachem" and CJSC "Pikalevskaya soda"	-	313
Disposal of CJSC "Pikalevskaya soda"	-	(145)
Share in profit for the year	166	2,318
Share in revaluation gain/(loss) on available-for-sale securities	282	(359)
Share in re-cycling of revaluation surplus on available-for-sale securities to profit and loss	-	(2,076)
Foreign currency translation difference	(396)	334
Dividends accrued	-	(1,840)
Additional equity contributions	1,081	-
Acquisition of CJSC "Nordic Rus Holding"	987	-
Consolidation of LLC "Metachem"	(410)	-
Balance at 31 December	9,620	7,910

Carrying values of the Group's investment in associates at 31 December 2012 and 2011 are as follows:

	2012 RUB Million	2011 RUB Million
PhosInt Group	7,661	7,646
Metachem Group	-	264
PHOSAGRO-UKRAINE	111	-
Khibinskaya Teplovaya Kompaniya	400	-
Nordic Rus Holding	1,448	-
	9,620	**7,910**

Summary financial information for associates is as follows:

2012	Total assets RUB Million	Total liabilities RUB Million	Net assets RUB Million	Revenue RUB Million	Profit for the year RUB Million
PhosInt Group	9,435	(1,553)	7,882	2,754	325
Metachem Group [26]	4,370	(1,309)	3,061	7,017	606
PHOSAGRO-UKRAINE	352	(359)	(7)	2,112	20
Khibinskaya Teplovaya Kompaniya	1,649	(750)	899	4	2
Nordic Rus Holding [27]	5,888	(49)	5,839	-	49
	21,694	**(4,020)**	**17,674**	**11,887**	**1,002**

2011	Total assets RUB Million	Total liabilities RUB Million	Net assets RUB Million	Revenue RUB Million	Profit for the year RUB Million
PhosInt Group	10,213	(2,600)	7,613	291	2,441
Metachem Group [28]	2,593	(1,493)	1,100	5,007	399
PHOSAGRO-UKRAINE	76	(363)	(287)	2,200	21
	12,882	**(4,456)**	**8,426**	**7,498**	**2,861**

26 For the period ended 21 December 2012, the date of consolidation
27 For the three-month period ended 31 December 2012
38 For the seven-month period ended 31 December 2011

18 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 2012	Liabilities 2012	Net 2012	Assets 2011	Liabilities 2011	Net 2011
Property, plant and equipment	9	(3,990)	(3,981)	5	(3,270)	(3,265)
Other long-term assets	67	(41)	26	47	(219)	(172)
Current assets	271	(315)	(44)	220	(255)	(35)
Liabilities	1,055	(1)	1,054	620	(56)	564
Tax loss carry-forwards	781	-	781	570	-	570
Provision for tax loss carry-forwards	(781)	-	(781)	(438)	-	(438)
Unrecognised deferred tax assets	(28)	-	(28)	(74)	-	(74)
Tax assets / (liabilities)	1,374	(4,347)	(2,973)	950	(3,800)	(2,850)
Set off of tax	(1,374)	1,374	-	(950)	950	-
Net tax assets / (liabilities)	**-**	**(2,973)**	**(2,973)**	**-**	**(2,850)**	**(2,850)**

The unrecognised tax losses expire within eight years from the reporting date.

The aggregate amount of temporary differences associated with investment in subsidiaries at the reporting date is RUB 32,347 million (31 December 2011: RUB 18,970 million). The deferred tax liability for these temporary differences has 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.

The unrecognised temporary differences relating to investments in associates at the reporting date is RUB 5,167 million (31 December 2011: RUB 5,234 million).

(b) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	2012	Recognised in profit and loss	Recognised in other comprehensive income	2011
Property, plant and equipment	(3,981)	(716)	-	(3,265)
Other long-term assets	26	198	-	(172)
Current assets	(44)	(9)	-	(35)
Liabilities	1,054	340	150	564
Tax loss carry-forwards	781	211	-	570
Provision for tax loss carry-forwards	(781)	(343)	-	(438)
Unrecognised deferred tax assets	(28)	46	-	(74)
Net tax assets / (liabilities)	**(2,973)**	**(273)**	**150**	**(2,850)**

	2011	Recognised in profit and loss	2010
Property, plant and equipment	(3,265)	(378)	(2,887)
Other long-term assets	(172)	(74)	(98)
Current assets	(35)	(183)	148
Liabilities	564	366	198
Tax loss carry-forwards	570	403	167
Provision for tax loss carry-forwards	(438)	(271)	(167)
Unrecognised deferred tax assets	(74)	(13)	(61)
Net tax assets / (liabilities)	**(2,850)**	**(150)**	**(2,700)**

19 OTHER NON-CURRENT ASSETS

	31 December 2012 RUB million	31 December 2011 RUB million
Advances issued for property, plant and equipment	1,511	1,976
Financial assets available-for-sale, at cost	753	748
Finance lease receivable	58	315
Loans issued to employees, at amortised cost	325	165
Financial assets available-for-sale, at fair value	75	64
Loans issued to related parties, at amortised cost	38	11
Other long-term receivables	311	277
	3,071	**3,556**

20 OTHER CURRENT INVESTMENTS

	31 December 2012 RUB million	31 December 2011 RUB million
Loans issued to associates, at amortised cost	664	944
Bank promissory notes	-	669
Loans issued to employees, at amortised cost	82	-
Loans issued to related parties, at amortised cost	57	441
Other loans issued, at amortised cost	30	69
	833	**2,123**

Loans issued to associates represent a RUB-denominated loan issued in 2012 by OJSC “Apatit” to OJSC “Khibinskaya Teplovaya Kompaniya”, bearing interest of 9%. The loan was repaid in March 2013.

21 INVENTORIES

	31 December 2012 RUB million	31 December 2011 RUB million
Raw materials:		
Raw materials and spare parts	5,937	5,796
Apatite concentrate	1,025	488
Apatite-nepheline ore	913	775
Finished goods:		
Chemical fertilisers	3,995	2,795
Apatite concentrate	178	162
Work-in-progress	534	345
Provision for obsolescence	(258)	(265)
	12,324	**10,096**

22 TRADE AND OTHER RECEIVABLES

	31 December 2012 RUB million	31 December 2011 RUB million
Taxes receivable	4,617	4,373
Advances issued	2,802	2,038
Trade accounts receivable	3,402	3,499
Other receivables	292	792
Deferred expenses	33	125
Receivables from associates	803	168
Receivables from related parties	253	51
Receivables from employees	43	13
Finance lease receivable	21	35
Provision for doubtful accounts	(392)	(360)
	11,874	**10,734**

Included in trade and other receivables are trade accounts receivable with the following ageing analysis as at the reporting dates:

	31 December 2012 RUB million	31 December 2011 RUB million
Not past due	2,694	2,838
Past due 0-180 days	357	334
Past due 180-365 days	95	128
More than one year	256	199
	3,402	**3,499**

23 CASH AND CASH EQUIVALENTS

	31 December 2012 RUB million	31 December 2011 RUB million
Cash in bank	7,258	11,710
Call deposits	2,404	5,173
Short-term promissory notes	-	58
Petty cash	2	5
	9,664	**16,946**

24 EQUITY

(a) SHARE CAPITAL

Number of shares unless otherwise stated	Ordinary shares
Shares on issue at 31 December 2012, RUB 2.5 par value	124,477,080
Shares authorised for additional issue at 31 December 2012, RUB 2.5 par value	1,000,000,000
Shares on issue at 31 December 2011, RUB 25 par value	12,447,708
Shares authorised for additional issue at 31 December 2011, RUB 25 par value	100,000,000

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 February 2006, the Company issued 1,764,001 preferred shares of class "A1" and 35,999 preferred shares of class "A2", both with a par value of 25 Russian Rubles. The issue price was 140 and 200 Russian Rubles per share for the shares of class "A1" and "A2", respectively. The total proceeds from the share issue were RUB 254 million.

During 2011, the preferred shares were converted into the same number of ordinary shares.

In December 2011 the extraordinary meeting of the shareholders decided to split each ordinary share with the par value of 25 RUB each into 10 ordinary shares with the par value of 2.5 RUB each. The share split was completed in March 2012. As a result, the Company's issued share capital is comprised of 124,477,080 ordinary shares having par value of 2.5 RUB each. The Company's authorised an additional 1,000,000,000 ordinary shares for issue with a par value of 2.5 RUB each.

In October 2012, the Board of Directors decided to increase the Company's share capital by issuing 13.5 million new ordinary shares with the par value of 2.5 RUB each. In November 2012, the Federal Financial Markets Service of Russia registered this additional share issue. In accordance with Russian legislation, the Company may place the new shares within one year (with the possible prolongation) after the date of the state registration of the share issue and all the Company's shareholders have pre-emptive rights to purchase the new shares in an amount pro rata to the number of ordinary shares they own. On 10 April 2013, the Company started the new shares issuance with the offering price of USD 42 per ordinary share. The Company plans to complete the new shares issuance in May 2013.

(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".

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 2012, the Company had cumulative retained earnings of RUB 11,564 million (31 December 2011: RUB 16,705 million).

In April 2012, the Board of Directors proposed payment of dividends of RUB 32.5 per ordinary share. The total amount of dividend proposed is RUB 4,046 million. In May 2012, the proposed dividend was approved by the meeting of shareholders.

In August 2012, the Board of Directors proposed payment of dividends of RUB 38 per ordinary share. The total amount of dividend proposed is RUB 4,730 million. In September 2012, the proposed dividend was approved by the meeting of shareholders.

In November 2012, the Board of Directors proposed payment of dividends of RUB 25 per ordinary share. The total amount of dividend proposed is RUB 3,112 million. In December 2012, the proposed dividend was approved by the meeting of shareholders.

(d) MERGER OF OJSC "AMMOPHOS" AND JSC "CHEREPOVETSKY "AZOT"

In February 2012, the shareholders of two of the Group's subsidiaries, OJSC "Ammophos" and JSC "Cherepovetsky "Azot" passed a resolution to merge into one legal entity – OJSC "PhosAgro-Cherepovets". In accordance with the Russian law, those minority shareholders who voted against the merger or withheld from voting, obtain the right to put their shares to the respective entities. In April 2012, the Board of Directors of OJSC "Ammophos" and Supervisory Board of JSC "Cherepovetsky "Azot" approved repurchase of shares from those shareholders who decided to put their shares to the respective entities for RUB 367 million. After the repurchase the Group's share in OJSC "Ammophos" and JSC "Cherepovetsky "Azot" was 94.1% and 70.6%, respectively. The legal structuring was completed in July 2012. The Group's share in OJSC "PhosAgro-Cherepovets" is 87.6%.

(e) ACQUISITION OF THE RUSSIAN FEDERATION'S STAKE IN OJSC "APATIT"

In September 2012, the Group offered RUB 11,110 million in the privatisation tender for the Russian Federation's 20% stake in all issued shares of OJSC "Apatit" and signed a purchase agreement for the shares. On 4 October 2012, the Group paid for the shares and the legal title for the shares was transferred to the Group increasing its shareholding from 57.57% to 77.57%. The carrying amount of Apatit's net assets on the date of the acquisition was RUB 37,526 million. The financial effect of this transaction is a decrease in non-controlling interests by RUB 7,505 million and a decrease in retained earnings by RUB 3,605 million.

The Government of the Russian Federation issued an Order No 2901-R, dated 11 October 2012, which cancelled its special right to participate in the governance of OJSC "Apatit" (the "Golden Share").

In November 2012, the Group launched a mandatory tender offer to acquire ordinary and preferred shares of OJSC "Apatit". The offered price, which was determined in accordance with the Russian law, is RUB 6,679.9 per ordinary share and RUB 5.344.0 per type "A" preferred share. For the purposes of the mandatory buyout the Group obtained a bank guarantee in the amount of RUB 7,785 million. The offer period expired on 17 January 2013. As of 18 January 2013, holders of 10.95% of all issued shares of OJSC "Apatit" (738,957 ordinary and 171,439 type "A" preferred shares), accepted the Company's mandatory tender offer. In January 2013, the legal title for the shares was transferred to the Group increasing its shareholding from 77.57% to 88.52%. The financial effect of this transaction, to be recognised in January 2013, is a decrease in non-controlling interests by approximately RUB 3,575 million and a decrease in retained earnings by approximately RUB 2,277 million.

In April 2013, the Company sent a compulsory share purchase notification (squeeze out) to OJSC "Apatit" for the buyout of shares belonging to OJSC "Apatit" minority shareholders. The purchase price, which was determined in accordance with the Russian law, is RUB 6,880 per ordinary share and RUB 5,504 per type "A" preferred share. The Company plans to complete all procedures related to the squeeze out by the end of the second quarter of 2013.

25 EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year after adjustment for the share split, see note 24(a), and effect of treasury shares. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	2012	2011
Weighted average number of ordinary shares in issue	124,477,080	124,032,396
Profit for the year attributable to ordinary shareholders of the Parent, RUB million	20,654	19,935
Basic and diluted earnings per share, RUB	166	161

26 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 28(a). For more information about the Group's exposure to foreign currency risk, see note 30(a).

RUB Million	Contractual interest rate	31 December 2012	31 December 2011
Current loans and borrowings			
Secured bank loans:			
RUB- denominated	1%-10%	277	1,105
Unsecured bank loans:			
RUB-denominated	1%-9.5%	519	139
USD-denominated	LIBOR(1M)+2.35%-3.2%	12,502	13,683
USD-denominated	LIBOR(3M)+2.6%	7,593	-
Secured letters of credit:			
EUR-denominated	LIBOR(3M)+1.7%-4.1%	-	148
EUR-denominated	EURIBOR(6M)+2.05%	250	-
EUR-denominated	EURIBOR(3M)+1.95%	33	-
RUB-denominated	EURIBOR(6M)+0.9%	200	-
RUB-denominated	1%	-	66
Finance lease liabilities:			
USD-denominated	11.2%-13.9%[29]	606	405
Interest payable:			
RUB-denominated		37	15
		22,017	**15,561**

RUB Million	Contractual interest rate	31 December 2012	31 December 2011
Non-current loans and borrowings			
Secured bank loans:			
RUB-denominated	1.5%-3.25%	23	114
Unsecured bank loans:			
USD-denominated	LIBOR(1M)+2.7%-3.2%	9,971	13,039
USD-denominated	LIBOR(3M)+2.9%	1,519	-
Secured letters of credit:			
USD-denominated	EURIBOR(6M)+2%	336	356
EUR-denominated	EURIBOR(3M)+1.95%	200	242
EUR-denominated	EURIBOR(6M)+2.1%-3.3%	481	954
EUR-denominated	LIBOR(6M)+2.05%	-	134
Finance lease liabilities:			
USD-denominated	11.2%-13.9%[29]	1,922	1,753
		14,452	**16,592**
		36,469	**32,153**

29 Contractual interest rate on financial lease agreements consists of the following components: interest rate and fees to a lessor, insurance of property, property tax.

See note 16(b) on the assets pledged as a security for bank loans.

In addition to the pledges the loan agreements contain a number of restrictive covenants, such as maintaining a minimum turnover on the current account, limiting the maximum joint indebtness and minimum total assets of several Group subsidiaries, net debt to EBITDA ratio and EBITDA to interest expense ratio. The Group complied with these covenants during the year.

27 DEFINED BENEFIT OBLIGATIONS

	31 December 2012 RUB million	31 December 2011 RUB million
Pension obligations, long-term	904	530
Post-retirement obligations other than pensions	353	392
	1,257	**922**

Defined benefit pension plans relate to two subsidiaries of the Company: OJSC “Apatit” and OJSC “PhosAgo-Cherepovets”. 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 OJSC “Apatit”. This defined benefit plan stipulates payment of a lump sum to employees who have a specified period of service in OJSC “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 2011	931
Benefits paid	(67)
Current service costs and interest	75
Actuarial gains in other comprehensive income	(17)
Defined benefit obligations at 1 January 2012	922
Benefits paid	(190)
Current service costs and interest	121
Past service costs	1
Curtailment gain	(23)
Actuarial loss in other comprehensive income	426
Defined benefit obligations at 31 December 2012	1,257

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

	31 December 2012 RUB million	31 December 2011 RUB million
Discount rate	7%	8%
Future pension increases	5%	6%

28 LEASES

(a) FINANCE LEASES

LLC "PhosAgro-Trans", a Group subsidiary, has entered into several agreements to lease 2,150 railway wagons. At the end of the lease term, the ownership for the leased assets will be transferred to the lessee.

	2012		
RUB Million	Minimum lease payments	Interest	Principal
Less than one year	833	227	606
Between one and five years	2,041	450	1,591
More than five years	358	27	331
	3,232	**704**	**2,528**

	2011		
RUB Million	Minimum lease payments	Interest	Principal
Less than one year	594	189	405
Between one and five years	1,842	401	1,441
More than five years	330	18	312
	2,766	**608**	**2,158**

(b) OPERATING LEASES

During 2011-2012, LLC "PhosAgro-Trans", a group subsidiary, entered into several operating lease agreements to rent railway wagons. The rent payments for 2012, which are recorded in the cost of sales, amounted to RUB 873 million (2011: RUB 729 million).

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

	31 December 2012 RUB million	31 December 2011 RUB million
Less than one year	482	345
Between one and five years	-	152
	482	**497**

29 TRADE AND OTHER PAYABLES

	31 December 2012 RUB million	31 December 2011 RUB million
Trade accounts payable	2,464	1,552
Dividends payable	2,996	3,001
Advances received	2,252	2,024
Accruals	1,413	1,371
Payable for property, plant and equipment	1,138	1,335
Taxes payable	1,157	990
Payables to employees	742	739
Payables to related parties and associates	114	93
Other payables	101	302
	12,377	**11,407**

30 FINANCIAL INSTRUMENTS

(a) 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.

The Group has the following foreign-currency-denominated financial assets and liabilities:

RUB Million	31 December 2012 USD denominated	31 December 2012 EUR denominated	31 December 2011 USD denominated	31 December 2011 EUR denominated
Current assets				
Receivables	2,530	41	2,909	31
Cash and cash equivalents	2,912	49	4,058	86
Non-current liabilities				
Loans and borrowings	(13,748)	(681)	(15,148)	(1,330)
Current liabilities				
Payables	(673)	(87)	(84)	(371)
Loans and borrowings	(20,701)	(283)	(14,088)	(148)
	(29,680)	**(961)**	**(22,353)**	**(1,732)**

Management estimate that a 10% strengthening/(weakening) of the USD and EUR against Russian Ruble, based on the Group's exposure as at the reporting date would have decreased/(increased) the Group's net profit for the year by RUB 3,064 million, before any tax effect (2011: RUB 2,409 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

(b) INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2012 RUB million	31 December 2011 RUB million
Fixed rate instruments		
Long-term loans issued at amortised cost	363	176
Short-term promissory notes	-	669
Finance lease receivable	79	350
Short-term deposits	2,404	5,173
Short-term loans issued at amortised cost	833	1,454
Long-term borrowings	(1,945)	(1,867)
Short-term borrowings	(1,439)	(1,730)
	295	**4,225**
Variable rate instruments		
Long-term borrowings	(12,507)	(14,725)
Short-term borrowings	(20,578)	(13,831)
	(33,085)	**(28,556)**

At 31 December 2012, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit or loss and equity by RUB 331 million (31 December 2011: RUB 286 million).

(c) LIQUIDITY RISK

The table below illustrates the contractual maturities of financial liabilities, including interest payments:

	31 December 2012							
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	300	357	299	58	-	-	-	-
Unsecured bank loans	32,104	33,858	21,259	8,111	3,628	860	-	-
Letters of credit	1,500	1,548	516	224	355	15	438	-
Interest payable	37	37	37	-	-	-	-	-
Secured finance leases	2,528	3,232	833	596	549	510	386	358
Trade and other payables	8,226	8,226	8,226	-	-	-	-	-
Financial guarantees issued for related parties	609	609	609	-	-	-	-	-
	45,304	**47,867**	**31,779**	**8,989**	**4,532**	**1,385**	**824**	**358**

	31 December 2011							
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	1,219	1,321	1,205	2	114	-	-	-
Unsecured bank loans	26,861	27,889	14,361	6,720	4,944	53	1,811	-
Letters of credit	1,900	2,203	267	538	408	381	21	588
Interest payable	15	15	15	-	-	-	-	-
Secured finance leases	2,158	2,766	594	524	455	439	424	330
Trade and other payables	7,654	7,654	7,654	-	-	-	-	-
Derivative financial liabilities	446	446	446	-	-	-	-	-
Financial guarantees issued for related parties	1,704	1,704	1,704	-	-	-	-	-
	41,957	**43,998**	**26,246**	**7,784**	**5,921**	**873**	**2,256**	**918**

(d) FAIR VALUES

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

31 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 4,542 million (31 December 2011: RUB 5,905 million).

At the reporting date the Group had a commitment for acquisition of more than 10% of all issued shares of OJSC "Apatit" from minority shareholders who accepted the mandatory tender offer, see note 24(e).

32 CONTINGENCIES

(a) LITIGATION

The Group has a number of small claims and litigation 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 litigation 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.

33 RELATED PARTY TRANSACTIONS

(a) TRANSACTIONS AND BALANCES WITH ASSOCIATES

(i) Transactions with associates

	2012 RUB Million	2011 RUB Million
Sales of goods and services	4,971	2,469
Sales of equity investments	-	6,123
Sales of treasury shares	-	791
Dividend income from associates	-	1,840
Interest income from associates	69	60
Purchases of goods and services	(218)	(2,351)
Interest expense to associates	-	(7)

(ii) Balances with associates

	31 december 2012 RUB Million	31 december 2011 RUB Million
Short-term loans issued, at amortised cost	664	944
Advances issued for construction of property, plant and equipment, at cost	345	-
Receivables from associates	803	168
Payables to associates	(33)	(81)

(b) TRANSACTIONS AND BALANCES WITH OTHER RELATED PARTIES

(i) Transactions with other related parties

	2012 RUB Million	2011 RUB Million
Assignment of receivables to a related party	-	2,347
Sales of goods and services	805	553
Purchases of goods and services	(707)	(73)
Interest income from related parties	19	52

(ii) Balances with other related parties

	31 December 2012 RUB million	31 December 2011 RUB million
Short-term loans issued, at amortised cost	57	441
Long-term loans issued, at amortised cost	38	11
Receivables from related parties	253	51
Payables to related parties	(81)	(12)
Dividends payable to shareholders of the Parent	(2,911)	(2,913)

(iii) Key management remuneration

The remuneration of the Board of Directors and 16 members of key management personnel amounted to RUB 364 million (2011: RUB 459 million).

(iv) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 609 million (31 December 2011: RUB 1,704 million), see note 30(c).

34 SIGNIFICANT SUBSIDIARIES

Subsidiary	Country of incorporation	31 December 2012 Effective ownership (rounded)	31 December 2011 Effective ownership (rounded)
Apatit, OJSC[30]	Russia	78%	58%
PhosAgro-Cherepovets, OJSC[31]	Russia	88%	-
Ammophos, OJSC[31]	Russia	-	94%
Cherepovetsky Azot, JSC[31]	Russia	-	69%
Balakovo Mineral Fertilizers, LLC	Russia	100%	100%
Metachem, LLC[32]	Russia	75%	24%
NIUIF, OJSC	Russia	94%	94%
PhosAgro AG, CJSC	Russia	100%	100%
Agro-Cherepovets, CJSC	Russia	100%	100%
PhosAgro-Region, LLC	Russia	100%	100%
PhosAgro-Trans, LLC	Russia	100%	100%
Region-Agro-Belgorod, LLC	Russia	100%	100%
Region-Agro-Don, LLC	Russia	100%	100%
Region-Agro-Kuban, LLC	Russia	100%	100%
Region-Agro-Kursk, LLC	Russia	100%	100%
Region-Agro-Lipetsk, LLC	Russia	75%	75%
Region-Agro-Oryol, LLC	Russia	100%	100%
Region-Agro-Stavropol, LLC	Russia	100%	100%
Region-Agro-Volga, LLC	Russia	87%	87%
Trading house PhosAgro, LLC	Russia	100%	100%

30 including preferred shares; see note 24(e) on acquisition of the Russian Federation's stake in OJSC "Apatit"

31 see note 24(d) on merger of OJSC "Ammophos" and JSC "Cherepovetsky "Azot" into OJSC "PhosAgro-Cherepovets

32 see notes 17 and 35 on consolidation of LLC "Metachem"

(a) CONSOLIDATION OF OJSC "APATIT"

As at 31 December 2011, the Group held 50% of ordinary and 80.28% of preferred shares in OJSC "Apatit". The remaining ordinary and preferred shares were widely held. In accordance with the charter of OJSC "Apatit", under certain circumstances, holders of preferred shares are entitled to vote in the meetings of the shareholders. As at 31 December 2011, the preferred shares were voting. Management believes that the existing shareholding allowed the Group to exercise control over OJSC "Apatit". As at 31 December 2012, the the preferred shares were voting.

35 CONSOLIDATION OF LLC "METACHEM"

In November 2012, the Company reached an agreement with other participants in LLC "Metachem" to increase the charter capital of LLC "Metachem" and the Company's ownership in LLC "Metachem" by way of a new cash contribution from the Company in the amount of RUB 1,200 million in the charter capital of LLC "Metachem".

In December 2012, the official state registration of an increase of the authorised capital of LLC "Metachem" by way of a new contribution from the Company was completed. As a result the Company's direct ownership in LLC "Metachem" increased to 66.79%, while the Group's total ownership increased to 74.76%.

The provisionally determined fair value of the identifiable assets and liabilities of LLC "Metachem" at the date of consolidation is as follows:

	RUB Million
Property, plant and equipment	1,280
Intangible assets	8
Inventories	400
Current income tax receivable	17
Trade and other receivables	973
Cash and cash equivalents	1,284
Assets held for sale, net	346
Current loans and borrowings	(603)
Deferred tax liabilities	(15)
Trade and other payables	(629)
Net identifiable assets and liabilities	3,061
Non-controlling interest	(773)
Company's share in net identifiable assets and liabilities acquired	2,288
Less additional cash contribution	(1,200)
Less fair value of the investment in associate at the date of consolidation	(410)
Negative goodwill on consolidation	**(678)**
Cash and cash equivalents acquired	1,284
Additional cash contribution	(1,200)
Net cash inflow	**84**

If consolidation of LLC "Metachem" took place on 1 January 2012 the Group's revenues and profit for the year ended 31 December 2012 would have been RUB 112,320 million and RUB 24,971 million, respectively.

36 EVENTS SUBSEQUENT TO THE REPORTING DATE

In January 2013, the Board of Directors established the Company's Management Board and elected its members. Changes to the management structure of the Company by way of creation of a Management Board were approved by the meeting of shareholders in December 2012.

In January 2013, the Group obtained insurance policy for property, plant and equipment of major production subsidiaries for the aggregated amount of USD 10,008 million and for business interruption for the aggregated amount of USD 2,198 million. Such insurance policy has not been in place in prior periods.

In February 2013, the Company's SPV issued USD 500 million 5-year Eurobond with a coupon rate of 4.204%, which is listed on the Irish Stock Exchange.

In April 2013, the Board of Directors proposed payment of dividends of RUB 19.9 per ordinary share to shareholders included in the register of shareholders as of 22 April 2013.

Additional Information

GLOSSARY

ABBREVIATIONS

GDR or depositary receipt	Global Depositary Receipt
km	Kilometres
kt	Thousand metric tonnes
Mt	Million metric 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 NH_3. Ammonia is a compound of nitrogen and hydrogen, and is primarily used in the production of mineral fertilisers and a wide variety of nitrogen-containing organic and inorganic chemicals.
Ammonium nitrate or AN	A nitrogen fertiliser 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	Liquid phosphate- and nitrogen-based fertiliser.
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 fertiliser containing nitrogen and phosphorous. Production of DAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating.
Drillhole	A circular hole made in rock, often in conjunction with a core barrel in order to obtain a core sample.
Emission	Pollution discharged into the atmosphere from smokestacks, other vents at commercial or industrial facilities and from transportation exhaust systems.
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	The relative quality or percentage content of useful components.
MER or 'minor element ratio'	The sum of the iron, aluminium and magnesium content divided by the P_2O_5 content.
Mitigation	Measures taken to reduce adverse impact on the environment.
Monoammonium phosphate or MAP	A type of multi-nutrient fertiliser 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 fertilisers.
Monocalcium phosphate or MCP	A type of feed phosphate with the highest phosphorus digestibility and content.
Nepheline	A mineral containing aluminium oxide (Al_2O_3).
Nitrogen or N	One of the primary plant nutrients essential for plant growth.
NPK	A multi-nutrient fertiliser containing nitrogen, phosphorus and potassium.
NPS	A multi-nutrient fertiliser 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 fertilisers is based on phosphate rocks containing some form of the mineral apatite.
Phosphates	A salt or ester of phosphoric acid or a fertiliser 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.
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.
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 fertiliser 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.
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.

CSR	Corporate Social Responsibility
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, minimizing, mitigating, or compensating for adverse environmental impacts and by enhancing positive impacts.
FAO	Food and Agriculture Organisation 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	Fertiliser Economic Market Analysis and Consultancy, UK
Group	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 Fertiliser Association, France
ISO	International Organisation for Standardisation, 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

PhosAgro, the Company	OJSC PhosAgro
Management Company	CJSC PhosAgro AG
PhosAgro-Cherepovets	OJSC PhosAgro-Cherepovets
Ammophos	OJSC Ammophos
Apatit	OJSC Apatit
Cherepovetsky Azot	OJSC Cherepovetsky Azot
Balakovo Mineral Fertilizers OR BMF	Balakovo Mineral Fertilizers LLC
Agro-Cherepovets	CJSC Agro-Cherepovets
Metachem	Metachem LLC
NIUIF	OJSC NIUIF
PhosAGro-Trans	PhosAgro-Trans LLC
PhosAgro-Region	PhosAgro-Region LLC
Mining and Chemical Engineering OR MCE	Mining and Chemical Engineering LLC
Nordic Rus Holding	CJSC Nordic Rus Holding

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 Classification 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 2013 is based on information compiled by the Geology Service Department of Apatit and authorised by Mr. Sergey Glubokiy, Chief Geologist of Apatit.

Shareholder Information

Share Capital

As of 31 December 2012, PhosAgro's issued share capital was RUB 311,192,700, which represents 124,477,080 ordinary shares with a par value of RUB 2.5 per share.

Stock Exchanges

Since 27 February 2013, PhosAgro's shares have been 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.

Indexes

PhosAgro shares are included in the following indexes: MICEX Chemicals, MICEX Index, MICEX Mid Cap.

PhosAgro GDRs are included in the following indexes: FTSE Global Equity Index Series, FTSE All World Equity Index Series, Dow Jones Islamic Market BRIC Equal Weighted Index.

Share split

In December 2011, the PhosAgro Board of Directors approved a decision to issue 124,477,080 ordinary shares with a par value of RUB 2.5 per share as part of a share split, and to make corresponding changes to the Company's Charter. In March 2012, the Russian Federal Service for Financial Markets registered a report on the results of the Company's share issue following the conversion. The total number of ordinary shares amounted to 124,477,080 with a par value of RUB 2.5 per share.

Initial Public Offering

In July 2011, PhosAgro held its Initial Public Offering, when 1,282,000 ordinary shares were placed by the principal shareholders in the form of shares and Global Depositary Receipts (GDRs). PhosAgro GDRs were listed on the main market of the London Stock Exchange (LSE). As of August 2011, following the exercise of the over-allotment option, the total size of the offering was 1,346,109 shares in the form of shares and GDRs.

Secondary public offering

April 2013, a group of PhosAgro's shareholders completed a secondary public offering (SPO) of 11,111,000 existing shares in the form of shares and GDRs for the price of USD 42.00 per share (USD 14.00 per GDR). This represented 9% of PhosAgro's share capital. The selling shareholders in the SPO committed to reinvest approximately USD 210 million (45% of the SPO proceeds) into the Company by way of the purchase of new ordinary shares additionally issued by PhosAgro at the same price per share as SPO.

Share performance

PhosAgro GDR performance on the LSE
High – **USD 14.14**. Low – **USD 8.10**. At year-end – **USD 13.60.**
Trading volume – **58.2 million GDRs**

PhosAgro ordinary share performance on Moscow Exchange
High – **1,407 RUB**. Low – **810 RUB**. At year-end – **1,247 RUB.**
Trading volume – **770.7 thousands shares**

Shareholding Structure

Shareholder structure of PhosAgro as of 31 December 2012

Shareholder	Number of shares	Share, %
Dubhe Holdings Limited	12,317,370	9.90
Fornido Holding Limited	12,157,625	9.77
Carranita Holdings Limited	11,516,400	9.25
Dubberson Holdings Limited	11,447,520	9.20
Chlodwig Enterprises Limited	10,777,880	8.66
Adorabella Limited	10,743,590	8.63
Owl Nebula Enterprises Limited	9,271,395	7.45
Vindemiatrix Trading Limited	6,241,470	5.01
Evgeniya Gurieva	6,235,960	5.01
Vladimir Litvinenko	6,223,860	5.00
Feivel Limited	6,223,850	5.00
Miles Ahead Management Limited	3,253,570	2.61
Igor Antoshin	2,489,540	2.00
Maxim Volkov	1,224,090	0.98
Menoza Trading Limited*	152,517	0.12
Other shareholders*	14,200,443	11.41
Total	**124,477,080**	**100%**

* Ordinary shares and GDRs

Other ownership information[33]

The shares of Dubberson Holdings Limited, Fornido Holding Limited, Carranita Holdings 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 Guriev and members of his family. The shares of Feivel Limited are ultimately held on trust where the economic beneficiary is Mr. Vladimir Litvinenko. The shares of Vindemiatrix Trading Limited are ultimately held on trust where the economic beneficiary is Mr. Igor Antoshin. The shares of Menoza Trading Limited are ultimately held on trust where the economic beneficiary is Mr. Maxim Volkov.

33 Based on the information available to the Company.

Shareholder Information (continued)

Dividend Payments

Proposed final 2012 dividend

In April 2013, the Board of Directors recommended that shareholders approve distribution of PhosAgro's profit in the form of divideds equal to RUB 19.90 per share with a nominal value of RUB 2.50 (RUB 6.63 per GDR). The shareholder register cutoff date for the final 2012 dividend payment was 22 April 2013.

Dividend history

PhosAgro’s history of dividend payments since its IPO is provided below:

Dividends paid since IPO, RUB mln	
2011	7,156.8
2012	7,842.1
Total as of March 2013	14,998.9

Total post-IPO payout ratios are: 49% from net profit attributable to shareholders; 42% from total net profit.

Dividend Taxation

PhosAgro acts as a tax agent when it pays out dividends to shareholders. The Company calculates and withholds tax on those dividends and remits the amount of tax to the relevant authorities. Dividends paid out to shareholders are net of the amount of the tax deducted. The withholding tax rate depends on the status of the shareholder. Russian residents, both individuals and organisations, are subject to a 9% tax rate, while non-residents are subject to a 15% tax rate. PhosAgro also takes into account any double tax treaties and, where appropriate, makes tax payments in accordance with the provisions of the relevant treaty.

Any existing or potential PhosAgro shareholders and holders of the Company’s GDRs are advised to consult their tax advisors for tax implications, including any tax exemptions, 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 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.

Shareholder Contacts

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Notes

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