



Ingredients for future growth

2011 Annual Report

PhosAgro is...

- The world's largest producer of high-grade phosphate rock
- Europe's largest producer of phosphate fertilisers
- Europe's leading and Russia's only producer of feed monocalcium phosphate (MCP)
- Top 5 global monoammonium and diammonium phosphates (MAP/DAP) producer
- The only nepheline producer in Russia

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Highlights 2011

Financial

RUB 100.5bln
revenue (+31%)

2011	100.5
2010	77.0
2009	60.8

RUB 35.4bln
EBITDA (+73%)

2011	35.4
2010	20.5
2009	13.2

RUB 22.5bln
net income (+88%)

2011	22.5
2010	12.0
2009	8.7

RUB 32.4bln
operating cash flow (+114%)

2011	32.4
2010	15.1
2009	8.7

35%
EBITDA margin

2011	35%
2010	27%
2009	22%

0.4X
net debt/EBITDA ratio

2011	0.4
2010	0.2
2009	-0.1

OPERATING PROFIT, RUB bln

2011	29.3
2010	14.7
2009	11.1

OPERATING PROFIT MARGIN

2011	29%
2010	19%
2009	18%

NET DEBT, RUB bln

2011	15.2
2010	3.7
2009	-1.4

Operational

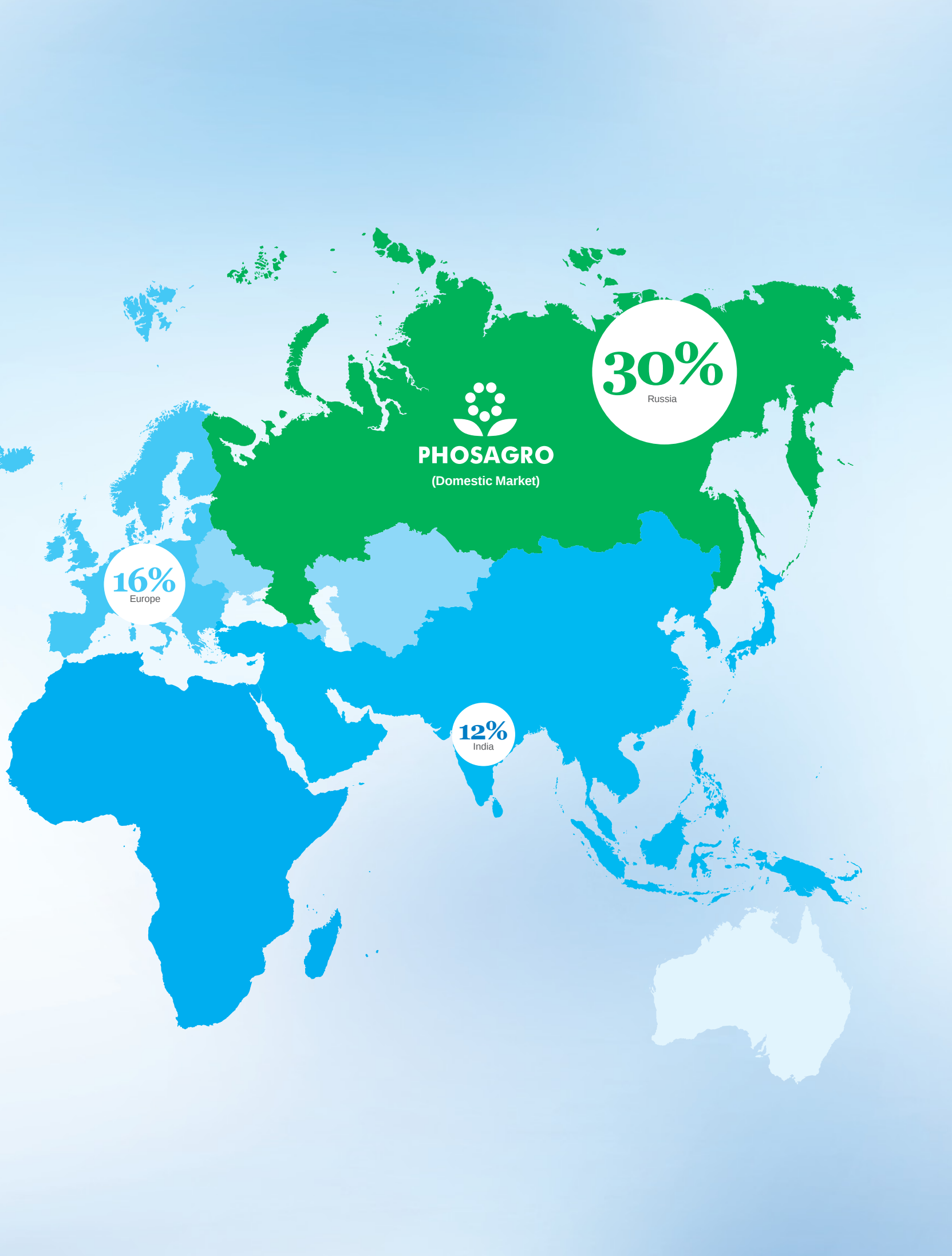
- MAP/DAP/NPK/NPS production capacities reached **4.1 mln t p.a.**
- Mined **27 mln t** of apatite-nepheline ore
- Processed **4.6 mln t** of phosphate rock internally
- **100%** self-sufficient in phosphate rock
- **92%** self-sufficient in ammonia
- **35%** self-sufficient in electricity
- **1.7 mln t p.a.** of NPK capacity from four fully flexible MAP/DAP/NPK/NPS production lines
- Production of phosphate-based fertilisers and feed phosphate grew by **6.1%**

Transactions

- Successfully raised US\$ 565 million, including the exercise of the over-allotment option, in an Initial Public Offering; GDRs admitted to trading on the London Stock Exchange and shares listed on MICEX-RTS
- The St Petersburg Plekhanov State Mining University, OJSC PhosAgro and Denmark's FLSmidth signed a cooperation agreement on technology and engineering projects, aimed at upgrading the facilities of the Pikalevo manufacturing complex.
- In line with its vertical integration strategy, acquired a 24% stake in CJSC Metachem and a 21% stake in CJSC Pikalevskaya Soda;
- Participated in reaching the settlement agreement that ended the dispute between the owners of CJSC Nordic Rus Holding, which owns 7.73% of the share capital (10.3% of ordinary shares) of PhosAgro's subsidiary Apatit.

Geography of Sales in 2011





PHOSAGRO
(Domestic Market)

30%

Russia

16%

Europe

12%

India

Who we are

WORLD CLASS INTEGRATED PHOSPHATES PRODUCER

- A leading global vertically-integrated phosphate-based fertiliser company with production facilities in the Russian Federation
- The world's largest producer of high-grade phosphate rock ($P_2O_5 > 35.7\%$)
- Top 5 global monoammonium and diammonium phosphates (MAP/DAP) producer¹
- Europe's largest producer of phosphate fertilisers, as well as Europe's leading and Russia's only producer of feed phosphate (MCP)
- The only nepheline producer in Russia
- Fully self-sufficient in phosphate rock and 92% self-sufficient in ammonia
- Listed on MICEX-RTS and the Main Market of the London Stock Exchange

Operational excellence

- High degree of operational flexibility to optimise product output and raw material input
- Netback-driven business discipline

Unique resource base

- Superior apatite-nepheline ore, rich in minerals and with low levels of radioactivity and hazardous elements

Sustainable low cost manufacturing position

- Low cost inputs, coupled with vertical integration, provide a sustainable cost advantage
- Scope for margin enhancement from new sourcing alternatives
- Approximately 35% energy self-sufficient

Flexible global marketing platform

- Diversified sales and established presences in Asia, North America, Latin America and Europe
- Supported by favourable logistics capabilities

Home market opportunity

- Significant growth potential of the Russian fertiliser market
- Captive distribution network targeting key agricultural regions in Russia

Experienced management team

- Proven track record of organic growth, improvements in efficiency and strong profitability

Our Historic Timeline

2001

Creation of PhosAgro

2001-2002

Acquisition of initial stakes in OJSC Apatit ("Apatit"), OJSC Ammophos ("Ammophos"), Balakovo Mineral Fertilizers LLC ("BMF") and JSC Voskresensk Mineral Fertilizers. The initial stakes in Apatit and BMF were contributed to the share capital of PhosAgro at its incorporation in exchange for shares in the Company

With the launch of feed phosphate production at BMF, PhosAgro becomes the only producer of feed monocalcium phosphate (MCP) in Russia

2003

Launch of the first of four new sulphuric acid production lines at Ammophos

2005-2006

Acquisition of 61.8% stake in JSC Cherepovetsky Azot ("Cherepovetsky Azot")

¹ Source: Fertecon

Our Unique Strength

Our ore reserves are of igneous origin and they contain aluminium and titanium, as well as rare earth elements. These ore reserves also benefit from low content levels of hazardous elements and the lowest radioactivity level when compared to other major global phosphate rock producers

Our existing resource base will allow us to maintain production of high-grade phosphate rock for over 75 years, based on current extraction volumes. Rich in different minerals, our ore contains about 280 million tonnes of aluminium oxide, the largest resource in Russia, as well as over 41%¹ of Russian total rare earth resources, plus other useful elements such as titanium dioxide

¹ Source: The Institute of Economic Problems, Kola Science Center, Russian Academy of Sciences named after G.P. Luzin

2006	2008	2009	2001–2011
<p>PhosAgro commences a capacity expansion and modernisation programme at BMF aimed at product range expansion, modernising fertiliser production lines to make them capable of producing various types of fertilisers on the same production line, increasing phosphoric acid production capacity by approximately 27% to 760 thousand tonnes per year and doubling the power plant capacity to 49 MW</p> <p>Sale of stake in Voskresensk Mineral Fertilizers</p>	<p>Acquisition of urea producer PC Agro-Cherepovets LLC ("Agro-Cherepovets")</p> <p>Launch of second MCP production line at BMF</p>	<p>Ammophos becomes the largest sulphuric acid production facility in Europe following the launch of the last of four new sulphuric acid production lines</p> <p>PhosAgro commences construction of a new urea plant at Cherepovetsky Azot (expected to be completed in 2012) and a new electricity generation facility powered by natural gas with a power generation capacity of 32 MW</p>	<p>Completion of the modernisation programmes at Ammophos allows it to swiftly switch production between MAP / DAP / NPK / NPS and increases phosphate rock processing capacity from 2.2 million tonnes per year to 3.0 million tonnes per year</p>

Ingredients for future growth

What is Phosphorus?

Phosphorus (or “P”) is an essential element for all living organisms, as it plays a key role in most life processes.

Phosphorus is a Key to Life

In human beings, phosphorus is important for health, as it:

- makes up the structure of bones and teeth
- is fundamental to the transfer of energy within cells and thus to all body functions
- is a vital element in the structure of DNA — without it, DNA cannot form
- is an essential element in many proteins

Phosphorus is the second most abundant mineral in the human body (after calcium)

Of the total phosphorus in the body, about 85% is in the skeleton, 1% is in the blood and body fluids and the remaining 14% is associated with soft tissue such as muscle

In plants, phosphorus plays a vital role in growth and health, increasing yield and fertility. Plants store phosphorus and supply it to human beings and animals. Phosphorus:

- is present in all organs of green plants — stem, roots, leaves, but most of it is accumulated in fruit and seeds
- is essential for photosynthesis and all energy recovering processes
- promotes plant and root growth
- promotes early plant maturity (so grain ripens quicker)
- is involved in nitrogen fixation
- is essential for seed production and flowering
- promotes stalk strength
- promotes resistance to winter kill and dry weather

Global P nutrient demand in 2015 is estimated at approximately 45 Mt of P₂O₅, with an average annual growth rate of 2.5%¹

The proportion of P fertilisers based on phosphoric acid rose from 75% in 2000 to 82% in 2010, and is expected to grow up to 84% by 2015²

¹ Source: M. Prud'homme, "Fertilizers and Raw Materials Supply and Global Supply/Demand Balances: 2011 – 2015", IFA, June 2011: 38

² Source: M. Prud'homme: 38



In animals, phosphorus is essential for the formation and maintenance of bones, metabolic reactions and thus digestion, all of which are important for the quality of animal products. Phosphorus:

- is a component in forming teeth and bones, which contain about 80% of the phosphorus in the animal's body
- is associated with skeletal formation
- is involved in protein synthesis and metabolism
- plays a role in the utilisation and transfer of energy
- is present in nucleic acids, which are carriers of genetic information and regulate protein biosynthesis and immunity
- enhances reproductive performance
- is essential for lactation and appetite

Average total P content in adult animals is: laying hen – 13 g of P in 2 kg; sheep – 280 g of P in 50 kg; pig – 460 g of P in 100 kg; cow – 3.6-5 kg of P in 600 kg

Feeding laying hens with 3.5 g of P per 1 kg of feed results in an average of 65.7 eggs per bird; while feeding them with 4.5 g of P per 1 kg of feed results in an average of 68.3

Phosphorus is not only used in the production of phosphate fertilisers for plants and feed phosphate for animal nutrition, it is also an essential element in products present in daily life and is commonly found in our homes, such as:

- food additives (for baked goods, beverages, processed meat and cheese, canned products, etc.)
- pharmaceuticals and personal care products (toothpaste, cosmetics, tablets, etc.)
- industrial and manufacturing chemicals (detergents and cleaners, fire extinguishers, water treatment, batteries for hybrid and electric vehicles, ceramics, cement, paint, etc.)

About 82% of the world phosphoric acid output is used for fertiliser production; the remaining 18% is used in non-fertiliser applications, such as animal feed supplements, pharmaceutical and food products, metal treatment products, and in medicine and dentistry. The non-fertiliser demand for phosphoric acid is forecast to reach 6 Mt of P_2O_5 in 2015³

PhosAgro specialises in the production of the following key phosphorus-containing products:

- phosphate-based fertilisers: diammonium phosphate (DAP), monoammonium phosphate (MAP), NPK
- feed phosphate: monocalcium phosphate (MCP)

PhosAgro also entered the industrial phosphates market, following its acquisition of a 24% stake in CJSC Metachem in June 2011.

Global DAP demand is forecast to increase at an annual rate of 5% over 2010 to reach 39 Mt in 2015, which means a requirement for 18 Mt of P_2O_5 ⁴

DAP has accounted for 32-40% of the world's total phosphate fertiliser consumption since 2005, and this is projected to rise to 40-41% by 2015

³ Source: M. Prud'homme: 38

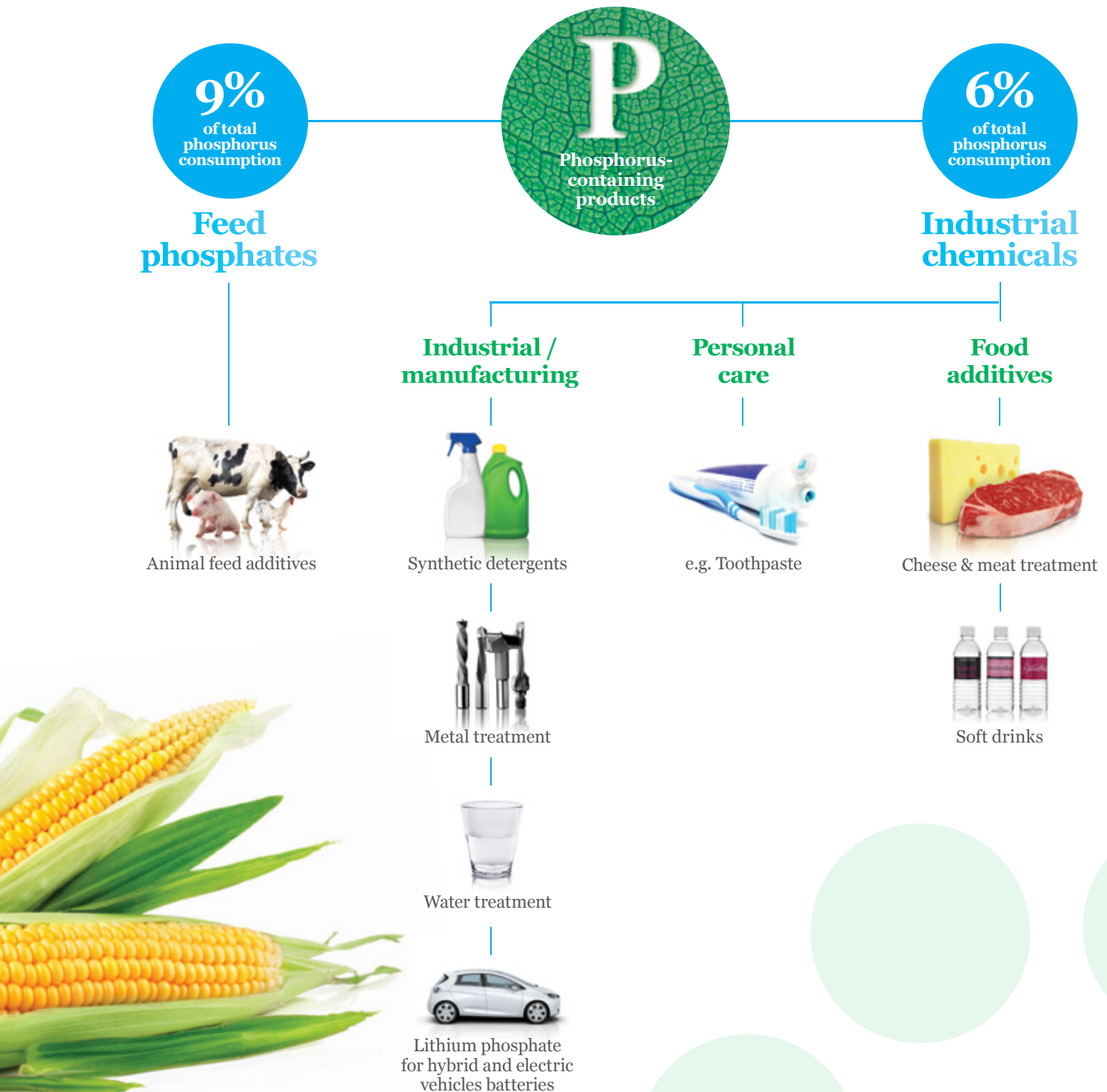
⁴ Source: M. Prud'homme: 45

Phosphorus is a Unique Non-Renewable Element

Phosphorus is just as important to agriculture as water. The accessibility and sufficiency of phosphorus is essential to feed the global population.

Repeatedly growing the same crops drains the soil and does not put anything back.

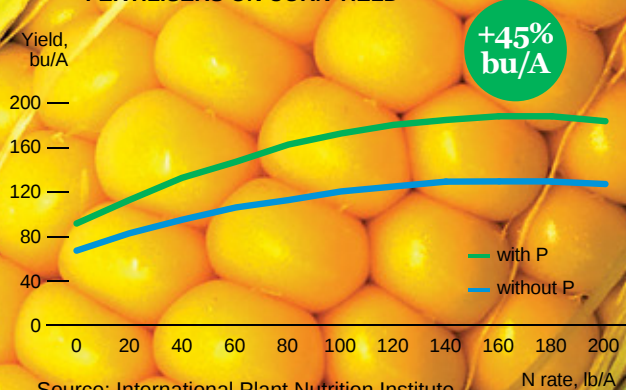
Unlike nitrogen, phosphorus needs to be replenished by either the breakdown of organic matter, such as crop stubble or animal manures, or from phosphorus fertilisers. Correctly managing phosphorus is an important step in bringing soil back to life and in achieving optimum crop production.



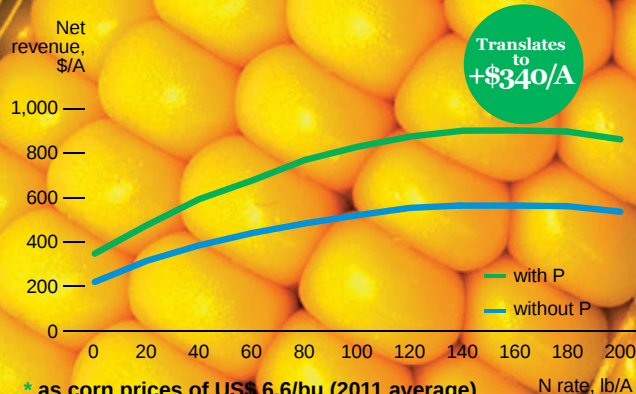
Corn is considered a high phosphorus use crop. As a result of phosphorus deficiency, the growth of corn is often stunted and the lower leaves turn purple during late April and the first couple of weeks of May. The primary role of phosphorus in a plant is to store and transfer energy produced by photosynthesis for use in growth and reproductive processes. Adequate phosphorus levels encourage vigorous root and shoot growth and promote early maturity. Shortly before pollination, corn plants absorb over 3.4 kg of P_2O_5 per hectare per day. Phosphorus in the soil is thus rapidly depleted and must be replenished by labile phosphorus within a short time frame, i.e. from a few hours to a few days. There is a critical lower limit on easily-soluble soil phosphorus, below which crop yield is adversely affected. It is therefore essential to build up and maintain a good level of labile phosphorus in the soil solution as a prerequisite for high production levels and sustainable agriculture. A 180-bushel corn crop requires 45.5 kg of P_2O_5 . Approximately 30% of the total phosphorus is absorbed by the plants in the first 50 days. Unlike potassium, phosphorus is required in large quantities through maturity.

Source: Pincock, Allen & Holt (January 2012);
The Fertilizer Encyclopedia, 2009 By Vasant
Gowariker, V. N. Krishnamurthy, Sudha
Gowariker, Manik Dhanorkar, Kalyani
Paranjape, Norman Borlaug

EFFECT OF PHOSPHATE AND NITROGEN FERTILISERS ON CORN YIELD



EFFECT OF PHOSPHATE AND NITROGEN FERTILISERS ON NET FARMER REVENUE



Premium Resource Base

Phosphate rock is the only significant global source of phosphorus, an element essential to plant and animal life.

Our premium resource will support another 75 years of production

PhosAgro — the world's largest high-grade phosphate rock producer¹

We are the world's largest producer of high-grade phosphate rock ($P_2O_5 > 35.7\%$), and our production volumes account for two-thirds of the high-grade phosphate rock output in Europe. Our mines and phosphate rock production facilities are based in the mountainous areas of the Kola Peninsula in Northwest Russia.

European environmental standards require that superior quality feedstock is used in the production of phosphate products that are used in food production, in industrial applications, in fertilisers and in other applications, such as pharmaceuticals, so there is a consistent demand for our high-grade phosphate rock.

Among PhosAgro's major European clients are Yara International (Norway) and Prayon (Belgium), each of which has a global reputation for sourcing only high quality and naturally healthy raw materials.

High quality and pure ore

PhosAgro's ore reserves are of igneous origin formed by volcanic activities. As opposed to sedimentary deposits, toxic heavy metals are not accumulated during the formation of igneous origin deposits.

PhosAgro's ore contains phosphate, aluminium oxide, titanium oxide, as well as rare earth elements. These ore reserves also benefit from low content levels of hazardous elements such as cadmium, arsenic, mercury and lead, and the lowest radioactivity level compared to other major global phosphate rock producers. Our igneous rock formations have a smaller content of impurities compared to the sedimentary deposits exploited by our peers. This ensures a high content of the desired material in the final concentrate. In addition, phosphate rock produced from ore mined from igneous sources requires less sulphuric acid to produce one unit of phosphoric acid, which is used to produce phosphate-based fertilisers and other phosphate-based products.

Therefore, the use of superior phosphate rock results in production of best in class phosphate-based products, higher output and significantly lower processing costs.

The quality of phosphate rock is generally measured based on P_2O_5 content level, which represents the level of nutrient content. PhosAgro produces high quality and high-grade phosphate rock with 39% – 40% P_2O_5 content, while phosphate rock produced by most of the Company's peers has P_2O_5 content levels of approximately 28% – 32%. Our high-grade phosphate rock is principally sold to European producers of food phosphate products and industrial phosphate products including salts. These companies require phosphate rock with a high nutrient content, as well as low levels of hazardous elements and radioactivity.

Unique resource base


Our existing resource base will allow us to maintain production of high grade phosphate rock for over 75 years, based on current extraction volumes.

Rich in different minerals, our ore contains approximately 280 million tonnes of aluminium oxide, the largest resource in Russia, as well as over 41%² of Russia's total rare earth resources, plus other useful elements such as titanium dioxide.



¹ Fertecon

² Source: The Institute of Economic Problems, Kola Science Center, Russian Academy of Sciences named after G.P. Lugin

A close-up photograph of a hand holding a large, vibrant green leaf. The background is a bright, solid yellow, creating a high-contrast, energetic feel. The leaf has visible veins and some water droplets on its surface. The hand is positioned in the upper right corner, with fingers gently gripping the leaf's edge.

Phosphorus is considered to be the second most common mineral in the human body. It is a particularly important constituent of human bones - indeed we would not be able to move normally without sufficient phosphorus in our bodies. While about 85% of the phosphorus in the body is found in bones and teeth, it is also present in other cells and tissues. It helps the body repair muscles, flush out waste from the kidneys, and to store energy. The growth and regeneration of cells, tissues and muscles require a certain level of phosphorus in the blood at all times.

Phosphorus plays a vital role in the process related to the growth and maintenance of bones and teeth. It lays the foundation for a strong skeletal structure to ensure healthy living, working in association with calcium to provide strong bones which can withstand the wear and tear normal in human life. It helps us to maintain healthy gums and tooth enamel, as well as relieving serious problems like bone loss.

Phosphates are known for inhibiting exercise-induced lactic acid production in muscle tissue, allowing muscles to work harder and longer without the "burn" that limits athletic endurance. Both strength and endurance athletes use phosphates to enhance their workouts and stimulate muscle-building potential as well as to enhance the effects of creatine.







As phosphorous is an essential element found around the brain, as well as inside brain cells, it is responsible for various important functions. The correct level of phosphorous helps maintain proper brain function. The human nervous system is extremely dependent on phosphorus compounds. For example, phospholipids are needed to form the myelin sheath on the nerves. This is like the insulation on wires. If it is not strong, the brain literally short circuits, like two bare wires touching each other. This can cause seizures, multiple sclerosis and dozens of other problems. Also, the brain uses so much energy that high-energy phosphorus compounds are critical for thinking and the higher brain development of a human being. This is one of the reasons vegetarians are prone to fatigue, anxiety and depression much more than meat eaters. Meat is far higher in bio available phosphorus compounds than vegetarian proteins like nuts, seeds and beans.

According to the University of Maryland Medical Centre (USA), most healthy adults need 700 mg of phosphorus a day. The primary source of this mineral is food rich in protein, such as meat, poultry, nuts, legumes, fish, dairy and eggs. Other good sources include whole grains, dried fruit and garlic cloves.

Source: University of Maryland Medical Centre; Elson M. Haas, MD, "Source: Staying Healthy with Nutrition"; Lawrence Wilson, MD, "Phosphorus, The Excitatory Mineral"

Phosphorus is an **ELEMENT OF LIFE AND THOUGHT**

Global phosphate reserves breakdown

LOCATION ¹	AL ₂ O ₃ CONTENT	ORE TYPE	LEVEL OF RADIOACTIVITY	HAZARDOUS METALS CONTENT
 PHOSAGRO	13.0–14.0% High	Igneous	Very low	Very low
 Morocco	Very low	Sedimentary	Moderate	Moderate
 USA	Very low	Sedimentary	Moderate to high	Moderate to high
 Jordan	Very low	Sedimentary	Low to moderate	Low
 China	Very low	Sedimentary	Low to moderate	Low to moderate
 Tunisia	Low to moderate	Sedimentary	Moderate	Low to moderate

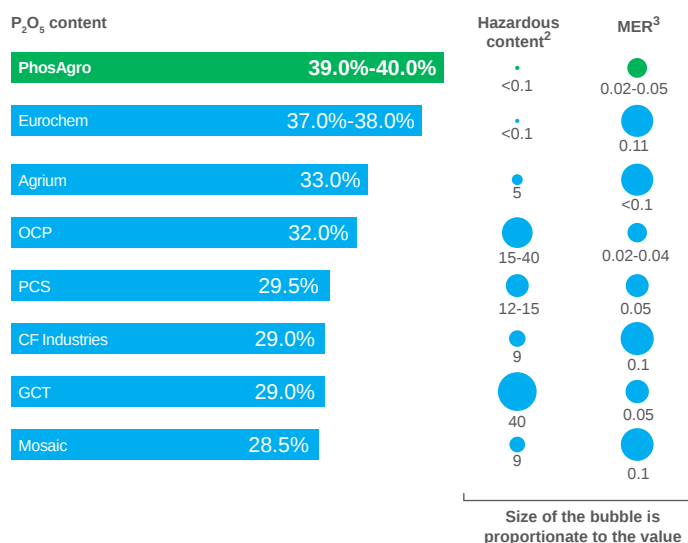
¹ Primary global DAP/MAP producing regions
Source: Fertecon, IMC

Life of Resources



Source: Fertecon, IMC, companies' data

Quality of phosphate rock



² Average cadmium content in ppm

³ Average Minor Element Ratio greater than 0.1 not suitable for production high quality DAP

Source: Fertecon, PhosAgro, companies' data

WHAT IS A PREMIUM RAW MATERIAL?



The phosphate rock of the Kola Peninsula region is considered to be the classic example of a premium raw material. John Sinden, a world-renowned consultant engineer with more than 45 years in the field of phosphate processing, presented an excellent case study: "Igneous phosphates – a premium raw material for value added phosphate products" at the Phosphate 2010 Conference in Brussels, Belgium. Mr. Sinden demonstrated the advantages of igneous phosphate, using as an example Kola phosphate, in the production of purified phosphoric acid (PPA). The findings presented include the following:

- 1t of P_2O_5 is contained in every 2.53t of 39-40% concentrate, and the same amount of P_2O_5 in every 3.17t of 31.5% concentrate. Thus the higher content of 39-40% P_2O_5 reduces the cost of transport.

- The level of radioactivity is low, both in the phosphoric acid and the calcium sulphate, to the extent that it can be used in civil construction.
- The low level of carbonates means that the release of greenhouse gasses is reduced.
- The low level or absence of organic matter makes for the cleaner separation of solvent.
- The low levels of heavy metals mean less purification for feed and food use.
- The low levels of magnesium maintain a low viscosity.

THE CONCLUSION WAS THAT THE KOLA PHOSPHATE MEETS ALL THE CRITERIA OF A PREMIUM RAW MATERIAL IN ALL ASPECTS, INCLUDING PRICE.

Our Competitive Advantages

PhosAgro's vertically integrated structure maximises value and minimises risk.

1 Managing the entire production chain from raw materials to finished products

The vertical integration of PhosAgro's operations allows the Company to combine production, processing and logistics for its phosphate-based fertiliser products. The Company has successfully integrated the mining of apatite-nepheline ore, the production of high-grade phosphate rock and the production of key feedstock including phosphoric acid, sulphuric acid and ammonia into the overall production process.

This structure enables PhosAgro to manage costs effectively throughout the entire value chain, and to benefit from the synergy of investing in the development of each of its business units.

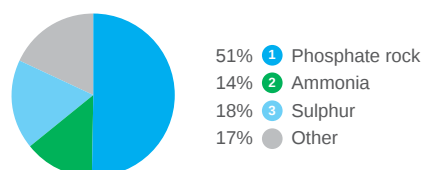


2 Fully self-sufficient in phosphate rock, with access to proven reserves

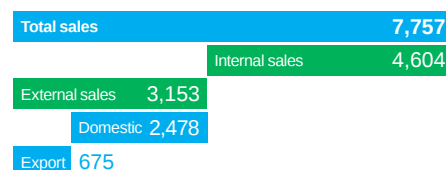
Thanks to its unique resource base and processing facilities, PhosAgro was, on the basis of 2011 production data, fully self-sufficient in phosphate rock, phosphoric acid and sulphuric acid, and 92% self-sufficient in ammonia. The Company's ability to source raw materials internally, and phosphate rock and ammonia in particular, provides it with stability in the face of fluctuations in the prices of raw materials, and thus benefits its margins.

In addition, PhosAgro's downstream operations provide a reliable source of demand for companies located further upstream, thereby enhancing the stability of their operations. The high quality of PhosAgro's phosphate rock also enables the Company to ensure that only phosphate rock with known and desirable qualities is introduced into the production process, so helping the Company to maintain the high quality of its products.

SELF-SUFFICIENCY IN KEY FEEDSTOCKS PhosAgro DAP production cash costs



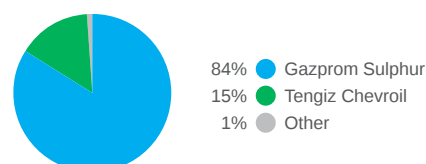
1 Phosphate rock: 100% self-sufficient, kt



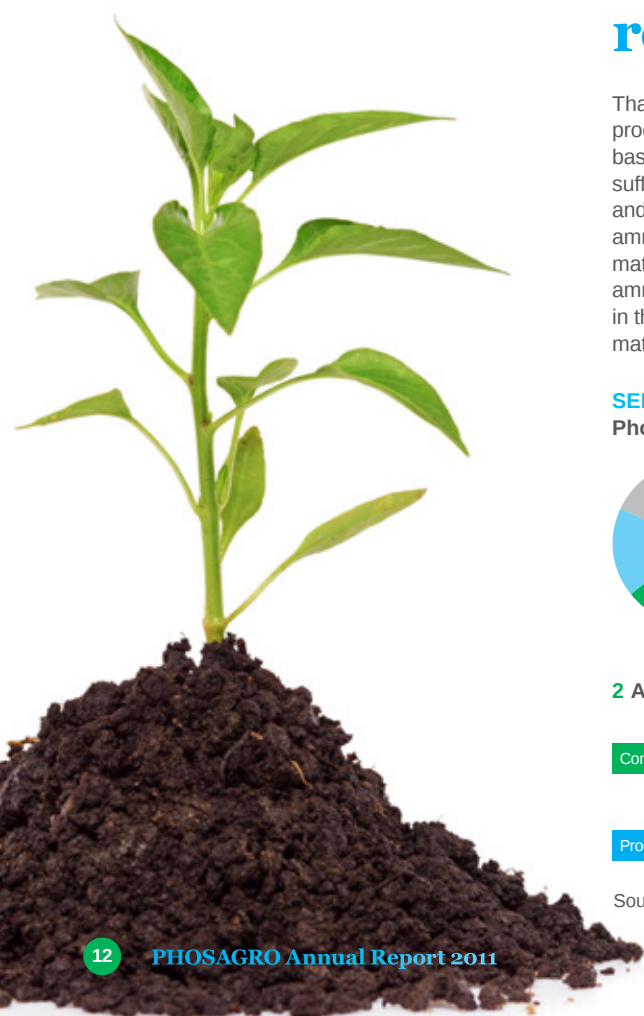
2 Ammonia: 92% self-sufficient, kt



3 Sulphur: access to local supplies



Source: PhosAgro

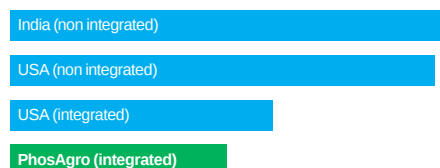


3 Access to low cost feedstock

PhosAgro benefits from relatively low cost raw materials, such as phosphate rock, natural gas and sulphur. Approximately 65% of PhosAgro's DAP production cash costs are attributable to phosphate rock and ammonia, both of which the Company itself produces. Also, PhosAgro works with a diversified base of suppliers. It purchases natural gas from Russian natural gas suppliers and sulphur from Russian and Kazakh companies at low prices, giving the Company an advantage over its competitors.

SIGNIFICANT COST ADVANTAGE FOR INTEGRATED PRODUCERS

Comparative DAP production cash costs, FOB



Source: Fertecon, PhosAgro, companies' data

4 Strong distribution network in Russia, combined with cost efficient logistics and transportation operations

PhosAgro's production and distribution facilities are conveniently located to take advantage of relatively low cost sea and rail transport. The Company also has its own distribution network in Russia consisting of seven distribution centres located in the major agricultural regions. These regions consume up to 70% of the MAP and NPK sold in Russia. PhosAgro also owns and operates 17 storage facilities in Russia with a total storage capacity of more than 270,000 tonnes of fertilisers. Additionally, our fertiliser production facilities are located close to Russia's core agricultural regions, enabling the Company to optimise its domestic transportation costs.

The Company's phosphate rock production facilities are located near the Murmansk sea port, through which PhosAgro exports its phosphate rock. Furthermore, PhosAgro's enterprises, Ammophos and BMF, have river transportation capacities, which allow them to receive raw materials and to ship their products by river during navigable periods. We also benefit from well-developed rail links and operate approximately 6,000 railcars, which further enhances our transportation capabilities.

5 Benefiting from one of the biggest internal power generation capacities among Russian fertiliser producers

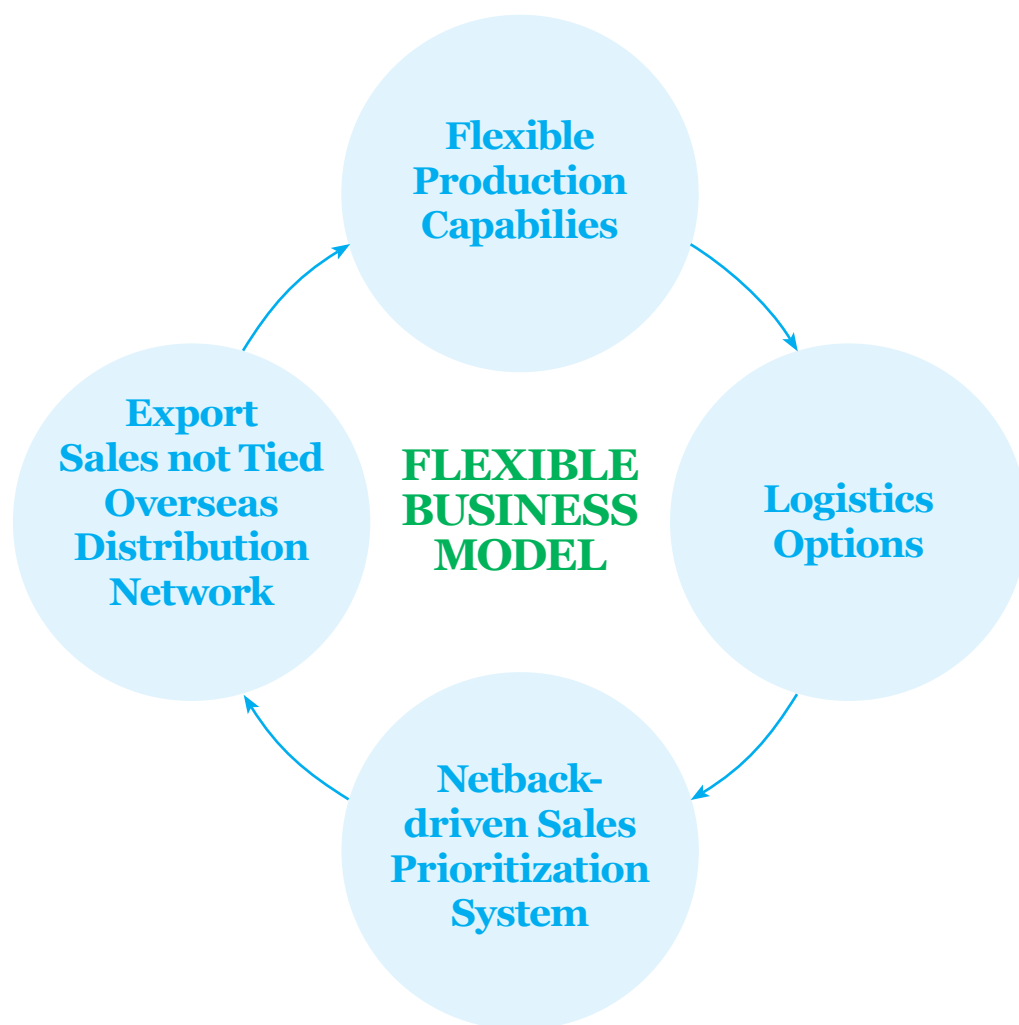
PhosAgro has been implementing a power generation and saving programme since 2003, intended to reduce our reliance on third-party energy suppliers. This has been done by constructing power generation facilities at Ammophos and BMF that produce electricity utilising steam generated from sulphuric acid production.

As a result of these initiatives, Ammophos is fully energy self-sufficient and also sells energy to third parties, while BMF produces enough energy to satisfy more than 70% of its requirements. At a group level, PhosAgro is more than 35% energy self-sufficient.



Flexible Business Model

PhosAgro's ability to produce MAP, DAP, NPK and NPS on the same production lines, combined with our flexible sales and marketing strategy, enables the Company to achieve high utilisation rates at its production facilities and optimise netback prices¹.

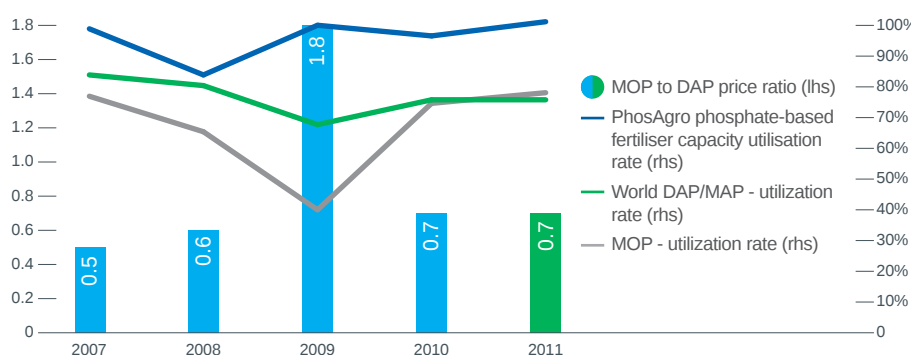


While some of our peers are only capable of producing a particular type of fertiliser, PhosAgro benefits from the flexibility to respond easily and quickly to changing market environment and demand conditions by switching its phosphate-based fertiliser production capacities between DAP, MAP, NPK and NPS.

We distribute our products outside Russia principally through large and well-known independent traders and distributors.

¹ Selling prices less selling costs

FERTILISER UTILIZATION RATES AND PRICE RATIO



4.1
mln t
our DAP/MAP/
NPK/NPS
capacities

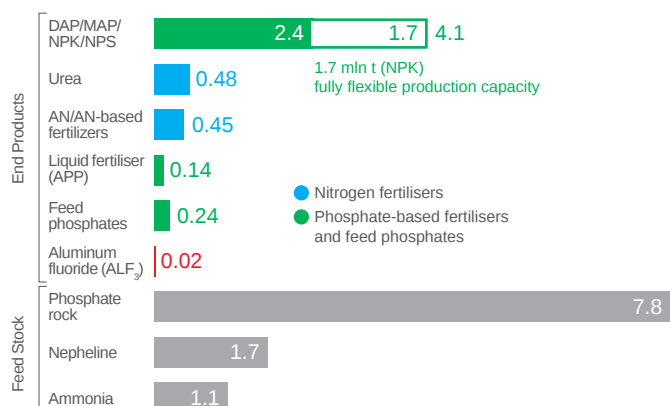
As PhosAgro does not operate its own distribution platform outside Russia and is therefore not tied to any particular export market, we are able to sell our products based on the best netback price that we can obtain for our products.

We have additional operational and sales flexibility due to PhosAgro's excess phosphate rock production capacity over the demand from its subsidiaries.

Therefore, we can either use all the phosphate rock extracted to produce fertilisers or we can sell more phosphate rock externally and reduce the amount of fertilisers produced, particularly when fertiliser prices are low relative to phosphate rock prices.

As a result of this flexible sales strategy, supported by a similarly flexible production model, we have been able to maintain a utilisation rate at our fertiliser production facilities of near 100% during the past several years.

PHOSAGRO PRODUCTION CAPACITIES*, mln t



PHOSAGRO DAP/MAP/NPK/NPS CAPACITIES, mln t



PHOSAGRO NPK CAPACITIES, mln t



* production capacities as of December 31, 2011
Source: PhosAgro



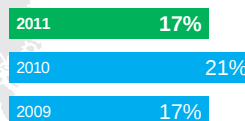
Established presence in key global markets¹

Russia remains the largest market for PhosAgro's products.

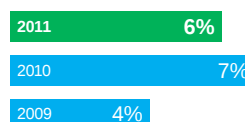
We have our own extensive sales and distribution networks in Russia, providing off-season delivery of fertilisers to regional wholesale bases. We produce bespoke fertilisers to customers' specifications, and also provide shipping and blending services for end users.

Our products are distributed globally through large and well-known independent traders and distributors. This gives us access to major fertiliser markets and enables us to manage any potential credit and political risks that may arise from direct trading activities abroad. We export our products to more than 60 countries in Asia, Europe, Africa, Latin America and North America.

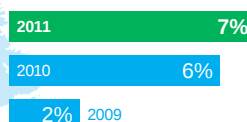
Breakdown export sales volumes by regions



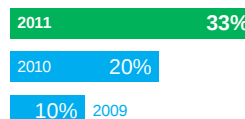
Europe



CIS (excluding Russia)



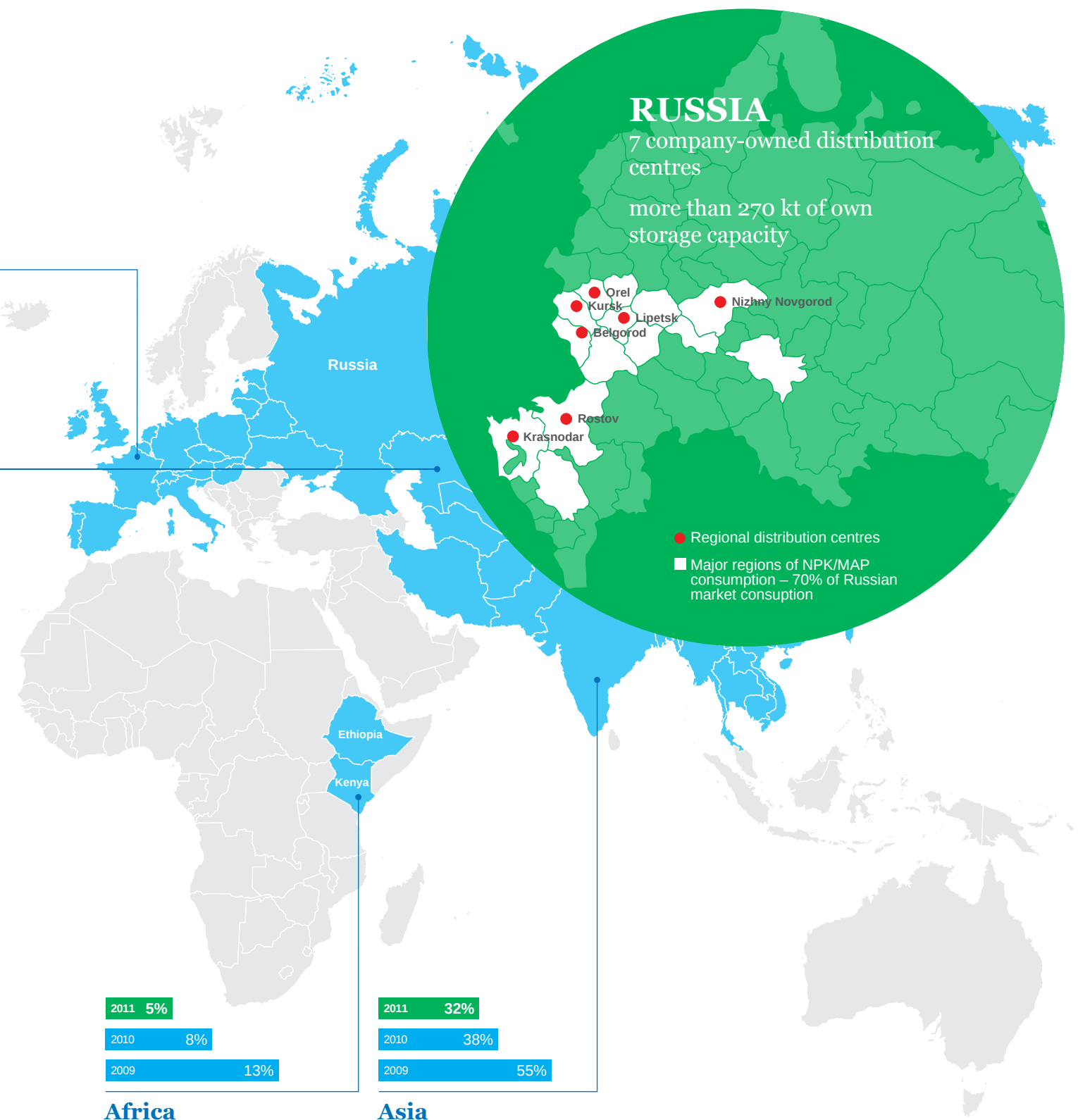
North America



Latin America

¹ Majority of the Group's export sales of phosphate-based fertilisers and feed phosphate are made through traders





Strategy

We are focused on strengthening our position as a global leader and enhancing overall value for our shareholders

PhosAgro has a focused business strategy that is aimed at further expansion of our downstream production, while extracting even greater value from our unique apatite-nepheline ore. This is supported by flexible production lines and total vertical integration across our key inputs such as phosphate rock, ammonia and electricity.

Our Strategy in Action

Continue to improve operational flexibility and efficiency

APATIT:

- Construction of a second main shaft at the Kirovsky Underground Mine to increase underground apatite-nepheline ore mining capacity, which is less expensive than open-pit mining

BALAKOVO MINERAL FERTILIZERS:

- Modernisation of BMF's facilities to enable production of NPK

CHEREPOVETS PRODUCTION COMPLEX:

- NPK product diversification following the modernisation of MAP/DAP/NPK production lines
- Building a new 32 MW electricity generation facility to increase electricity self-sufficiency

LOGISTICS:

- Increasing our own railcar fleet

Increase fertiliser and feed phosphate production capacities and enter higher value markets

- Commissioning of a new urea production unit with capacity of 500 kt per year at Cherepovets production complex. Construction of the unit is on track for completion in May-June 2012
- Expansion of MCP annual production capacity up to 320 kt at BMF depending on market conditions
- Reviewing economic and technical feasibility of further expansion of our own downstream processing of MAP/DAP/NPK at PhosAgro production facilities
- Conducting a feasibility study to install a new ammonia unit with a total annual capacity of 760 kt
- Integrating Metachem LLC¹ as part of PhosAgro's vertical integration strategy, and thereby entering the industrial phosphates and SOP (sulphate of potash) markets

¹ Following PhosAgro's purchase of the stake in CJSC Metachem, the company was reincorporated as an LLC



Utilise the full potential of our ore reserves

- Increasing production of nepheline concentrate and developing industrial technology for extraction of rare earth elements from materials derived from apatite concentrate processing at PhosAgro production facilities
- Increasing production of aluminium fluoride (AlF_3) by 12 thousand tonnes per year: new capacity expected to come online in 2015

Diversify our product portfolio

- Expanding our product range with industrial phosphates, including purified phosphoric acids at Metachem LLC

Strengthen vertical integration

- Pursuing a selective M&A strategy focused on synergies with PhosAgro's existing asset base

Executive Review

Chairman's Letter

Dear Shareholders,

I am pleased to present PhosAgro's first Annual Report, to have the opportunity to reflect on the progress made by our Company in 2011 and to share my thoughts as to future development.

2011 was without doubt a good year for PhosAgro, despite some difficult macroeconomic conditions in the second half of the year. I am delighted to report that we maintained strong growth, with consolidated revenues increasing by 31% over the previous year to RUB 100.5 billion, and EBITDA increasing by 73% year-on-year to RUB 35.4 billion.

It was a long-held ambition of the Company to be listed on an international stock exchange, and we are delighted that our IPO in London was successful. The listing was the culmination of much effort and enthusiasm from many people in the Company and I am most grateful to them. I also wish to express my appreciation to those who invested in our Company, and who are now our shareholders. We are grateful for your belief in PhosAgro and all of us in the Company are committed to providing the best possible investment returns for you. We are also determined that we will be diligent and open in our relations with you.

Our admission to the LSE also provided the stimulus to further strengthen corporate governance within the Company. We have three independent directors on our Board of Directors, including myself as Chairman. I believe that our Board now comprises a group of people with the necessary skills and experience, not only with regard to operational and technical matters, but also to ensure that the Company is managed in accordance with internationally recognised principles of good governance.

PhosAgro also made great strides in the development of new products and in modernising our production facilities in 2011, and maintained a proactive focus on health and safety for our employees – all of which contributed to a year where progress was not just measured in commercial success, but also in our Company becoming a better, safer and more socially responsible place to work.

It is indeed our employees on whom we most depend for PhosAgro's success and on behalf of the Board I wish to thank them for their hard work and loyalty. Many thousands of people work to extract the raw materials, process them into our products, and transport those products year-round to our customers. Others play vital roles in managing this complicated process or selling our products. We take very seriously our obligation to reward them fairly, recognise their achievements, provide training, and to make every possible effort to keep them healthy and safe.

Looking forward, PhosAgro is ambitious to grow further. At the same time we have a realistic, considered approach to developing our business, which is underpinned by the global requirement to increase crop yields from agricultural land. We are very strong in Russia and our near term plan is to consolidate and develop our positions in the domestic market, where we are confident there is considerable further potential. We will continue to play to our strengths, particularly our vertical integration, which achieves economies of supply, processing and distribution. We are already present in the most important international markets and we expect to increase our focus on this area in the medium to long term.

In 2011
revenue
increased by
31%

PhosAgro has reached a very exciting stage in its development. The Company has grown quickly on the basis of sound long-term fundamentals, including our unique resource base, comprehensive industry knowledge and thorough management of the process from resource extraction to product delivery. We are proud to be a public company with a firm commitment to good corporate governance and ethical and transparent business. I believe that we are well positioned for further growth and the delivery of good investment returns.

SVEN OMBUDSTVEDT

Chairman of the Board of Directors,
OJSC PhosAgro



CEO Statement

Dear Shareholders, Investors and Colleagues,

We are pleased to present our first annual report for PhosAgro, an overview of what has been an important and successful year for our Company.

Highlights of 2011

2011 was a year full of significant achievements for our Company and it has left us in a strong position from which we can further accelerate the growth of our business. In July, the Company's initial public offering successfully raised US\$ 565 million, and PhosAgro was admitted to trading on the London Stock Exchange and listed on MICEX and RTS. In December, PhosAgro's shares were included in the RTS-2 Index, and its GDRs were added to the Dow Jones Islamic Market BRIC Equal Weighted Index. Our successful flotation is a key milestone in the development of our Company, and will allow us to capitalise on the significant growth opportunities that are present in the fertiliser sector, in particular for highly-integrated producers like PhosAgro. We are confident that we can deliver on the expectations of both the market and shareholders.

Market Environment

In 2011, the world's farmers produced more grain than ever before. Nevertheless, global grain demand has exceeded production in seven of the last twelve years, and stocks still remain at levels below historical averages. In this environment, the demand for soft commodities is likely to continue to support prices and farmers will be motivated to invest in increasing crop output by putting more nutrients into the ground.

Demand for food continues to grow as the world's population expands and economic development in areas like China and India is causing dietary changes that lead to higher grain consumption per capita. At the same time, new sources of demand like biofuels are rapidly emerging, putting further pressure on farmers to maximise crop output, while the amount of arable land per capita declines.

Soft commodity (and fertiliser) prices are not immune to volatility caused by persistent global economic uncertainties, but ultimately the long-term fundamentals prevail – farmers need to produce more food in order to feed the world, and will use fertilisers to achieve this.

Prices for soft commodities at the end of 2011 and in early 2012 have been comfortably above historical averages. The prices for corn and soya bean, crops that particularly benefit from the use of phosphate fertilisers, have been high. We believe that the recent decline in fertiliser prices is purely due to speculative factors and does not reflect the real economic fundamentals. In fact, demand for fertilisers generally during recent months has remained very strong and PhosAgro was able to switch to production of NPK fertilisers when MAP/DAP prices fell, enabling us to maintain 100% utilisation of our production capacity.

Our Performance and Strategic Developments

2011 was a record year for PhosAgro in many ways as we outperformed our key financial and operating targets. Our 2011 financial results reflect the growth delivered by PhosAgro's sound core strategy, with performance driven by a strong management team. Consolidated revenues increased by 31% year-on-year to RUB 100.5 billion, EBITDA by 73% year-on-year to RUB 35.4 billion and net profit increased by 88% year-on-year to RUB 22.5 billion. PhosAgro's financial performance in 2011 was primarily influenced by higher prices and increased sales volumes for both phosphate-based and nitrogen fertilisers.

We reported a 6% rise in production and sales of phosphate-based fertilisers in 2011, which shows that we have delivered on our strategy of organic growth through increasing the processing volumes of our own phosphate rock for phosphate-based fertilisers like MAP and DAP, as well as for complex NPKs. Our flexible production model enabled us to switch from DAP to NPKs in late 2011 and early 2012, in order to meet changing market demand and to achieve higher margins. This was helped by completion of the modernisation of the 4th production line at Ammophos, as a result of which our annual NPK production capacity has reached 1.7 million tonnes. Our year-on-year production and sales volumes of NPKs increased by 28.5% and 27.3%, respectively.

Capital expenditure in 2011 amounted to RUB 16.8 billion. Throughout the reporting year we continued our modernisation programme at the production facilities of our key subsidiaries, Cherepovetsky Azot and BMF. We also focused on the construction of our new urea plant with an annual production capacity of 500 kt at Cherepovetsky Azot. We expect to complete this project as planned in May-June 2012.

Outlook

Looking ahead, fertiliser demand in 2012 is expected to be buoyed by the planting of record acreage and a favourable product mix, and we believe that PhosAgro's vertically integrated business will help us to achieve the full benefit of higher prices and minimise the effects of volatility in the prices of key inputs.

73%
increase
in EBITDA
2011

World prices for agricultural products are currently at high levels, rising by 5% in the last ten days of January 2012. In addition, the Chinese authorities in 2012 imposed significant restrictions on the export of virtually all phosphate fertilisers, which may also impact world trade and support prices.

Demand for NPK fertilisers remains strong so far in 2012, while production of DAP and MAP fertilisers will be approximately 20% lower in the first half of the year compared to the corresponding period of 2011. We have seen a significant increase in demand for our NPK fertilisers during the year under review and thanks to our flexible production and sales strategy we expect to increase overall fertiliser production in 2012 compared to 2011.

With PhosAgro's rich resource base in the Apatit mine, we are also seeking to increase shareholder value over the longer term by developing projects to increase the deep processing of apatite-nepheline ore for products like fluoric salts, in addition to increasing the production of our own phosphate-based fertilisers.

We are confident that our sound business practices and strong growth will enable us to continue to meet the expectations of the market, shareholders and stakeholders. I would also like to take this opportunity to express my gratitude both to our management team and to all of the Company's employees, who have contributed so significantly to the developments at PhosAgro and to our achievements.

MAXIM VOLKOV
Chief Executive Officer,
OJSC PhosAgro



Key Events 2011



APRIL

The St Petersburg Plekhanov State Mining University, OJSC PhosAgro and Denmark's FLSmidt signed a cooperation agreement on technology and engineering projects, aimed at upgrading the facilities of the Pikalevo manufacturing complex.

The Company signed a cooperation agreement with Belgium's Prayon SA during an official visit to Russia by Prince Philippe of Belgium. The agreement aims to expand cross-border cooperation between the two companies, which are long-term partners in energy efficiency and innovation, and promote (a) advanced technologies in the production and deep processing of minerals, and (b) environmental protection.

JUNE

PhosAgro acquired a 24% shareholding of CJSC Metachem and 21% of CJSC Pikalevskaya Soda, both important steps towards enhancing vertical integration in the area of industrial phosphates.

FEBRUARY

Apatit was awarded a certificate for compliance with the ISO 9001:2008 international standard.

Ammophos completed construction of the new "Kriolit" railway complex. The new railway complex has 6.7 km of railway lines with 17 sets of points, outdoor lighting, a modern communications system and new track equipment and will benefit our operations by increasing the speed of moving our raw materials internally and shipping our finished products.

MAY

The Board of Directors approved the conversion of "A1" preferred shares into ordinary shares. The conversion took place in June 2011.

Independent non-executive director Sven Ombudstvedt was appointed as Chairman of the Board of Directors of OJSC PhosAgro.

Apatit was awarded the "European Quality" gold medal and was included in the top 100 best enterprises in Russia in the field of ecology and environmental management.

The Annual General Meeting of Shareholders approved an interim dividend payment for the three months ended 31 March 2011 in the total amount of RUB 3,850 million, representing a payment of RUB 310.35 per ordinary share, RUB 308.25 per A1 type preferred share and RUB 50.20 per A2 type preferred share. All payments of dividends were made in May.

JULY

The Company's initial public offering successfully raised US\$ 565 million, with GDRs and shares admitted to trading on the main market of the London Stock Exchange and listed on MICEX and RTS.

NOVEMBER

As part of the Company's programme for developing flexible production technologies for fertilisers, PhosAgro completed the modernisation of the 4th technological system at Ammophos, as a result of which the Company's annual NPK production capacity reached 1.7 million tonnes.

Installation of the Oracle E-Business Suite has been completed at BMF and all of PhosAgro's production facilities are now using this system. The software enables enhanced control to be exercised over the production process, it increases efficiency by ensuring that financial and production data are synchronised, and it allows the Company to grant employees access to information based on their specific job responsibilities.

The Company participated in reaching a settlement agreement that ended the dispute between the owners of CJSC Nordic Rus Holding. CJSC Nordic Rus Holding owns 7.73% of the share capital (10.3% of ordinary shares) of PhosAgro's subsidiary Apatit. As a result of the settlement between Acron and Yara International, 51% of CJSC Nordic Rus Holding is now owned by Phosint Limited, which is affiliated to the PhosAgro Group (PhosAgro owns 49% of Phosint Limited).

The Company announced plans to merge its subsidiaries Ammophos and Cherepovetsky Azot. The planned merger was approved by the EGMs in February 2012 and is expected to be completed in July 2012. It will simplify PhosAgro's corporate structure, which is anticipated to create a number of cost synergies.

AUGUST

The Board of Directors passed a resolution to convert 35,999 "A2" preferred shares into the same number of ordinary shares.

OCTOBER

Ammophos commissioned a new microbiological laboratory as part of its water treatment reconstruction programme. This laboratory uses the latest technologies to ensure the highest standards of quality control for the drinking water consumed by Ammophos employees.

DECEMBER

The Company's EGM approved payment of a preliminary dividend for 2011: the total dividend of RUB 3,111,927,000 represents an amount of RUB 250 per ordinary registered undocumentary share or US\$ 0.28 per GDR. The EGM also approved a share split, which was completed on 24 February 2012, to increase the number of PhosAgro shares from 12,447,708 ordinary shares with a par value of RUB 25 per share to 124,477,080 ordinary shares with a par value of RUB 2.5 per share, and corresponding changes to the Company's Charter. As a result of the share split, each PhosAgro ordinary share now represents 3 GDRs.

PhosAgro's shares were included in the RTS-2 Index, while its GDRs were added to the Dow Jones Islamic Market BRIC Equal Weighted Index.

Ammophos commissioned the first phase of a combined sludge reservoir with a total storage capacity of 100 million cubic metres for phosphogypsum. The first phase includes a bund wall N1 and ditch drains, water discharge structures, clarified waste water pump station, buffer pool and other structures.

TÜV Rheinland Group (Germany), one of the leading providers of independent auditing services, conducted an audit of BMF. According to the result of the audit, BMF's feed phosphate production process is compliant with the international standards GMP + B2.

Cherepovetsky Azot and BMF completed their development and modernisation programme for 2007-2011.

Financial Review

Financial Highlights for Full Year 2011 Results

PhosAgro's financial performance in 2011 was strong and this was underpinned by sustained growth in the business. Consolidated revenue grew by 31% year-on-year to more than RUB 100 billion for the first time in PhosAgro's ten-year existence; earnings before interest, taxes depreciation and amortization (EBITDA) increased by 73% year-on-year, and profit for the period rose by 88%. Cash flow from operations increased by 114% to RUB 32,375 million reflecting strong growth in profitability. In July 2011, PhosAgro's initial public offering successfully raised US\$ 565 million, and the Company was admitted to trading on the London Stock Exchange and listed on MICEX and RTS.

KEY FINANCIAL PERFORMANCE INDICATORS

RUB mln	2011	2010
Revenue	100,518	76,951
Cost of sales	(56,196)	(47,670)
Gross profit	44,322	29,281
Gross profit margin	44%	38%
Operating profit	29,319	14,687
Operating profit margin	29%	19%
Profit for the period	22,476	11,981
Profit margin	22%	16%
EBITDA*	35,370	20,464
EBITDA margin	35%	27%
Net debt	15,207	3,671
Net debt/EBITDA ratio	0.4x	0.2x

* PhosAgro defines EBITDA as profit or loss for the year before finance income and finance costs; income tax expense or benefit; and depreciation, amortisation and other material non-cash items

Income Statement

REVENUE

PhosAgro generated consolidated revenue of RUB 100,518 million in 2011, compared to RUB 76,951 million in 2010, largely as a result of higher prices and increased sales volumes for both phosphate-based products and nitrogen fertilisers. In 2011, the Company's phosphate-based products segment contributed to 89% (FY10: 89%) of PhosAgro's consolidated revenue, with the nitrogen fertilisers segment accounting for 11% (FY10: 9%). Export revenues increased for all markets, with revenue generated by sales to North and Latin America doubling. Revenue from export sales accounted for 70% of PhosAgro's consolidated revenue in 2011, compared to 65% in 2010. Furthermore, the regional sales structure has changed due to the existing flexible sales model, which reduces the Company's dependency on specific markets.

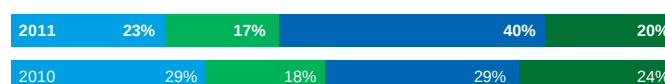
SEGMENT REVENUE STRUCTURE

RUB mln	2011	2010	2011/2010
Phosphate-based products	88,982	68,832	29%
Nitrogen fertilisers	10,727	7,012	53%
Other operations	809	1,106	(27%)
TOTAL	100,518	76,950	31%

EXPORT REVENUE BY REGION

RUB mln	2011	2010
Europe	16,197	14,381
India	12,029	9,127
North and Latin America	28,287	14,334
Other regions	13,750	12,242
TOTAL	70,263	50,084

BREAKDOWN OF EXPORT REVENUE BY REGION



- Europe
- India
- North and Latin America
- Other regions

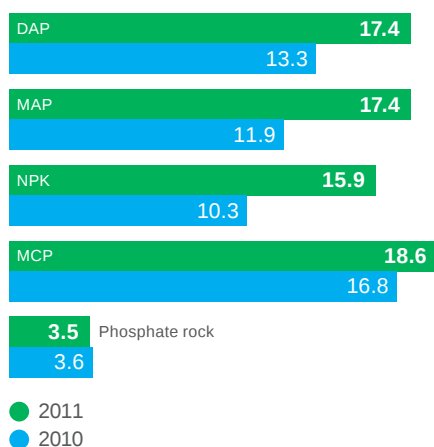
PHOSPHATE-BASED PRODUCTS SEGMENT REVENUE

Revenue from the phosphate-based product segment increased by 29% year-on-year to a total of RUB 88,982 million in 2011, mainly as a result of an increase in prices and sales volumes for phosphate-based products.

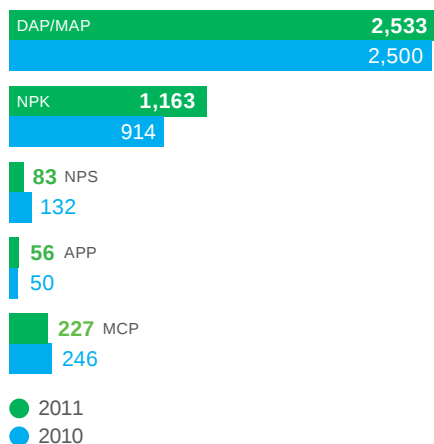
The average revenue per tonne¹ grew for all phosphate-based fertilisers and feed phosphate (MCP) in domestic and export markets. This was due to a tight supply-demand balance, as crop market prices were strong in 2011 boosting fertiliser demand. The average revenue per tonne for DAP and MAP grew by 45% and 21%, from RUB 11.9 thousand and RUB 14.1 thousand in 2010, up to RUB 17.2 thousand and 17.0 thousand in 2011, respectively. The growth in average revenue per tonne for NPK was 39%, from RUB 10.7 thousand in 2010 to RUB 14.9 thousand in 2011. Sales volumes of phosphate-based fertilisers and feed phosphates increased by 6% in 2011. This was mainly driven by a 27% increase in NPK sales to 1,163 thousand tonnes in 2011 from 914 thousand tonnes in 2010, while changes in sales volumes of other phosphate-based fertilisers and feed phosphates (MCP) were insignificant.

Revenue from export sales of phosphate-based fertiliser products accounted for 87% of PhosAgro's export revenue in 2011, compared to 88% in 2010.

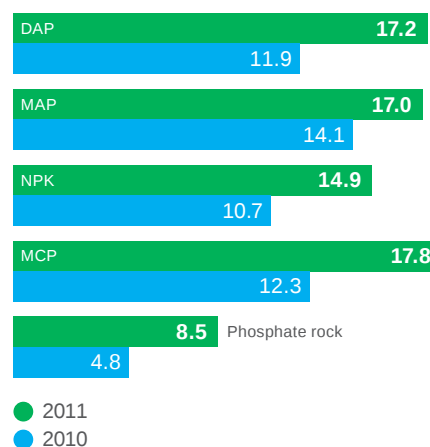
REVENUE PER TONNE FOR PRINCIPAL PHOSPHATE-BASED PRODUCTS IN THE DOMESTIC MARKET, '000 RUB



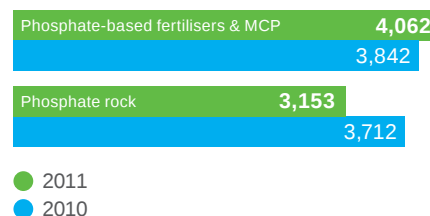
SALES VOLUMES OF PRINCIPAL PHOSPHATE-BASED FERTILISERS AND FEED PHOSPHATES (MCP), '000 t



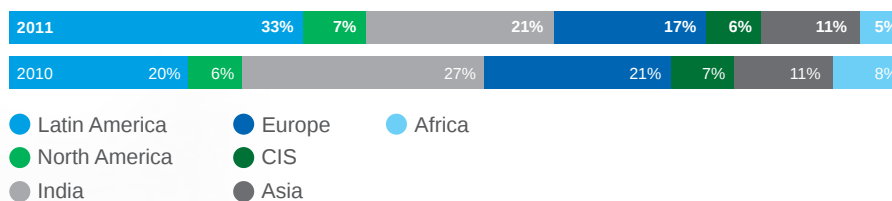
REVENUE PER TONNE FOR PRINCIPAL PHOSPHATE-BASED PRODUCTS IN EXPORT MARKETS, '000 RUB



SALES VOLUMES OF PHOSPHATE- BASED FERTILISERS, FEED PHOSPHATES (MCP) AND PHOSPHATE ROCK, '000 t



BREAKDOWN OF EXPORT SALES VOLUMES OF PHOSPHATE-BASED FERTILISERS AND FEED PHOSPHATE (MCP) BY REGION



¹ Unless indicated, the analysis of changes in revenue per tonne is conducted for export markets

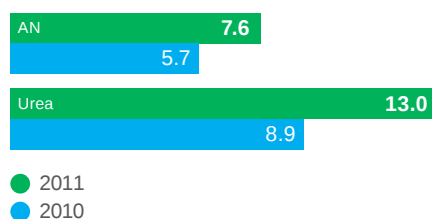
NITROGEN FERTILISERS SEGMENT REVENUE

The nitrogen fertilisers segment generated revenue of RUB 10,727 million in 2011, an increase of 53% year-on-year, from RUB 7,012 million in 2010, mainly as a result of an increase in nitrogen fertiliser prices and sales volumes. The growth in nitrogen fertiliser prices was driven by high prices for soft-commodities, which were at their highest levels since 2008, and resulted in strong demand for fertilisers.

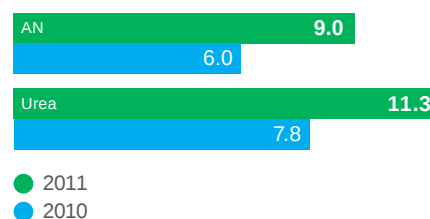
The average revenue per tonne for AN grew by 50%, from RUB 6 thousand in 2010 to RUB 9 thousand in 2011. The average revenue per tonne for urea increased by 45%, from RUB 7.8 thousand in 2010, to RUB 11.3 thousand in 2011. Phosagro further capitalised on an increase in demand for AN by reallocating the Company's own ammonia, in favour of AN, to provide further capacity at improved margins to meet market demand. Nitrogen fertilisers sales volumes were up 5% year-on-year to 889 thousand tonnes in 2011 (FY10: 850 thousand tonnes), while ammonia sales volumes remain at the 2010 level.

Revenue from export sales of nitrogen fertilisers accounted for 13% of PhosAgro's export revenue in 2011, compared to 12% in 2010.

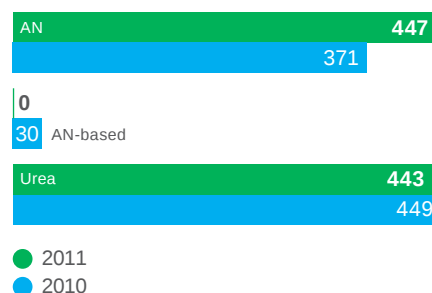
REVENUE PER TONNE FOR THE PRINCIPAL NITROGEN FERTILISERS IN THE DOMESTIC MARKET, '000 RUB



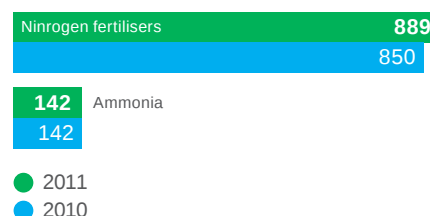
REVENUE PER TONNE FOR THE PRINCIPAL NITROGEN FERTILISERS IN EXPORT MARKETS, '000 RUB



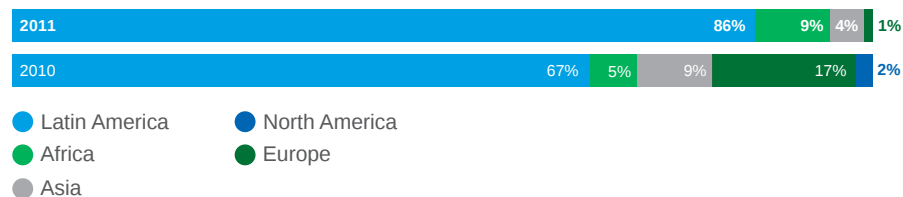
SALES VOLUMES OF PRINCIPAL NITROGEN FERTILISERS, '000 t



SALES VOLUMES OF NITROGEN FERTILISERS AND AMMONIA, '000 t



BREAKDOWN OF EXPORT SALES VOLUMES OF NITROGEN FERTILISERS BY REGION



COST OF SALES

The Company's cost of sales increased by 18% year-on-year to RUB 56,196 million in 2011 (FY 10: RUB 47,670 million). Excluding the effect of a greater than 6% increase in sales volumes during 2011, PhosAgro's cost of sales would have amounted to an inflationary increase of 12%, in line with Russian PPI inflation.

STRUCTURE OF COST OF SALES

RUB mln	2011		2010		2011/2010
Materials and services	23,032	40%	21,013	44%	10%
incl. potash costs	3,323		1,927		72%
Salaries and social contributions	11,078	20%	8,789	18%	26%
Depreciation and amortisation	5,486	10%	4,774	10%	15%
Natural gas	4,951	9%	4,459	9%	11%
Sulphur and sulphuric acid	4,838	9%	2,447	5%	98%
Fuel	4,207	7%	3,674	8%	15%
Electricity	3,290	6%	3,152	7%	4%
Other items	51	0%	43	0%	19%
Change in stock of WIP and finished goods	(737)	(1%)	(681)	(1%)	8%
TOTAL	56,196	100%	47,670	100%	18%

THE ADDITIONAL INCREASE IN COST OF SALES WAS DUE TO THE FOLLOWING FACTORS:

- An increase in salaries and social contributions by 26% year-on-year to RUB 11,078 million in 2011, from RUB 8,789 in 2010, primarily due to increases in labour rates and higher payroll tax rates introduced in Russia in 2011;
- The price of natural gas in Russia, while significantly lower than prices for producers in Europe, continued to increase in 2011 as Gazprom gradually moves towards liberalising domestic gas prices. PhosAgro's costs for natural gas, required for the production of ammonia, increased by 11% in 2011, to RUB 4,951 million, from RUB 4,459 million in 2010. In 2011, the Company's average natural gas purchase price increased by 15%, from RUB 2,633 per one thousand cubic metres in 2010 to RUB 3,015 per one thousand cubic metres. PhosAgro's consumption of natural gas decreased by 3% in 2011, from 1,693 million cubic meters in 2010 to 1,642 million cubic meters, while the production of nitrogen fertilisers grew by 2% in 2011, primarily due to the modernisation of the Company's ammonia production lines in Cherepovets;
- A 98% year-on-year increase in expenditure on sulphur and sulphuric acid to RUB 4,838 million in 2011, from RUB 2,447 million in 2010, mainly due to an increase in PhosAgro's sulphur purchase prices from RUB 1,742 per tonne in 2010 to RUB 3,270 per tonne in 2011, or by 88%. PhosAgro's sulphur purchase price is linked to export prices for sulphur and DAP, both of which increased in 2011. This growth was supported by a 4% increase in sulphur consumption by the Company due to an increase in production volumes;
- An increase in the Company's expenditure on fuel by 15% to RUB 4,207 million in 2011, from RUB 3,674 million in 2010, mainly as a result of a general rise in oil prices. Fuel costs mainly consist of heating oil and diesel. The purchase price for diesel increased by 41%, while the purchase price for heating oil grew by 13%. This growth in prices was partly offset by a 6% decrease in heating oil consumption by the Company in 2011;
- A 10% year-on-year increase in the cost of materials and services from RUB 21,013 million to RUB 23,032 million, due to an increase in raw material prices. Approximately half of PhosAgro's materials and services costs are variable, and include, among other things, the external purchasing of phosphate rock production materials such as steel balls for the grinding process, and tyres and other transportation machinery replacement parts. Costs for these items grew as a result of general cost inflation in Russia. This growth was supported by an increase in purchase volumes of raw materials such as ammonia and potash, as a result of growth in production volumes. The purchased volumes of potash increased by 26%. Another important factor in the higher cost of materials and services was the 37% increase in average purchase cost per tonne for potash to RUB 7,144 per tonne (FY10: RUB 5,204). By the end of 2010, the potash market had been liberalised as agreed with the Federal Anti-Monopoly Service (FAS), which links prices to the lowest export netback on exported NPK and local prices on NPK sold in Russia;
- A 4% year-on-year increase in the cost of electricity, to RUB 3,290 million in 2011, from RUB 3,152 million, mainly due to a 14% increase in electricity tariffs from RUB 1.47 in 2010 to RUB 1.65 in 2011 per one kWh. This was partly offset by a 8% decrease in electricity purchases by the Company as a result of increased output from its own power generating facilities. Electrical power purchases decreased by 152.4 million kWh, from 2,144.8 million kWh in 2010 to 1,992.4 million kWh in 2011.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses rose by 10% or by RUB 511 million to RUB 5,758 million in 2011 (FY 10: RUB 5,247 million), which is below the Russian PPI inflation of 12%, mainly due to an increase in salaries and social contributions. Selling expenses were RUB 6,588 million in 2011 (FY 10: RUB 6,515 million), up 1% year-on-year.

GROSS PROFIT, OPERATING PROFIT, EBITDA AND PROFIT FOR THE PERIOD

Gross profit was up 51% year-on-year and totalled RUB 44,322 million in 2011 (FY 10: RUB 29,281 million) with gross margin increasing from 38% in 2010 to 44% in 2011.

Operating profit for 2011 doubled year-on-year and amounted to RUB 29,319 million, compared to RUB 14,687 million in 2010. The Company's operating profit margin increased to 29% in 2011, up from 19% in the previous year. PhosAgro's EBITDA increased by 73% year-on-year in 2011 to RUB 35,370 million (FY10: RUB 20,464 million) with EBITDA margin expanding to 35% from 27% in 2010.

The Company's net profit for 2011 increased by 88% year-on-year and amounted to RUB 22,476 million, compared to RUB 11,981 million in 2010. The increase in margins was primarily due to strong consolidated revenue growth, which was supported by higher prices for fertilisers and increased sales volumes. The higher margins achieved by the Company were also driven by revenue growth that exceeded the growth in costs. The two main factors contributing to this are firstly, that PhosAgro is fully integrated in key feedstocks like phosphate rock and ammonia.

This enables the Company to control around 65% of its cash costs in DAP production and helps contain cost growth for raw materials to nearly the same rate as inflation. The second factor that contributed to the reporting of higher EBITDA and profit margins was the modernisation of certain production lines, which enabled PhosAgro to reduce gas consumption and the external purchasing of electricity.

Financial Position

The Company's cash and cash equivalents stood at RUB 16,946 million as at 31 December 2011, compared to RUB 5,261 million as at 31 December 2010. PhosAgro's total debt amounted to RUB 32,153 million as at 31 December 2011, compared to RUB 8,932 million as at 31 December 2010. This increase was primarily due to additional EUR- and USD-denominated long- and short-term debt facilities obtained during the first half of 2011 at very low interest rates. The Company's net debt stood at RUB 15,207 million as at the end of 2011, compared to RUB 3,671 million as at end of 2010.

Inventory

Inventories increased by 31% year-on-year to RUB 10,096 million, largely due to an accumulation of raw materials and the stockpiling of products prior to the spring planting season.



Cash flows

RUB mln	2011	2010
Cash flows from operating activities	32,375	15,133
Cash flows (used in) investing activities	(6,739)	(16,975)
Cash flows (used in)/from financing activities	(13,989)	1,481
Net increase/(decrease) in cash and cash equivalents	11,647	(361)

CASH FLOW FROM OPERATING ACTIVITIES

Net cash flow from operations increased by 114% year-on-year to RUB 32,375 million in 2011, compared to RUB 15,133 million in the previous year. This is the result of strong growth in the Company's profitability.

CASH FLOW USED IN INVESTING ACTIVITIES

Net cash used by investing activities totalled RUB 6,739 million in 2011, compared to RUB 16,975 million in 2010. The decrease was primarily due to the repayment of loans issued, totalling RUB 3,125 million and dividends received from Phosint of RUB 1,840 million.

CASH FLOW USED IN FINANCING ACTIVITIES

Net cash outflow from financing activities amounted to RUB 13,989 million in 2011, compared to net cash inflow of RUB 1,481 million in 2010. This was mainly due to dividend payments being made to shareholders.

Capital expenditure

PhosAgro's total capital expenditure in 2011 increased by 58% to RUB 16,801 million (FY10: RUB 10,614). Cash used in capital expenditures during 2011 amounted to RUB 12,905 million, compared to RUB 13,040 million in 2010.

The most significant portion of the Company's capital expenditure during 2011 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 Cherepovetsky Azot;
- a 32 Mw gas-powered electricity generation facility at Cherepovetsky Azot.

RUB mln	2011	2010
Phosphate-based products/Mining and Beneficiation	5,940	5,103
Phosphate-based products/Fertilisers facilities	2,070	3,263
Nitrogen fertilisers	6,561	1,100
Other	2,230	1,148
Total capital expenditures	16,801	10,614



Financial Reporting

The financial statements included in this report were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

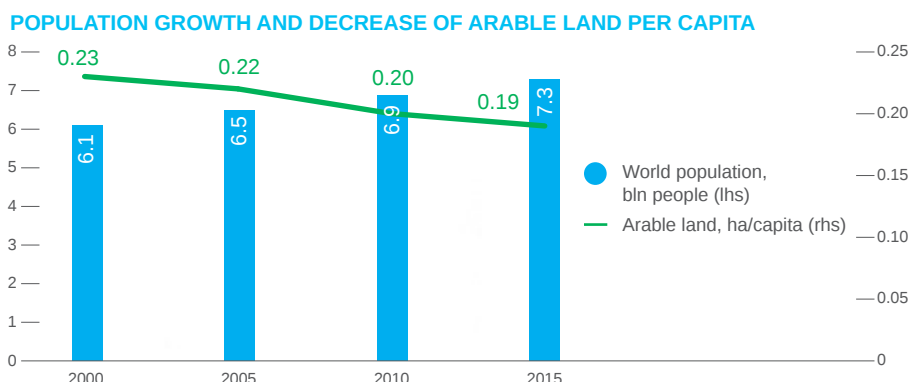
Business Review

Market Overview

To support global population and economic growth, the key challenge for modern agriculture is to increase agricultural productivity, thereby producing more food on the limited amounts of land available. Mineral fertilisers are essential to enable increases in yield. The main nutrients required by plants are nitrogen (N), phosphate (P_2O_5) and potash (K_2O), with phosphate accounting for about 24% of total global mineral consumption.

IMF forecasts put population growth in 2011 and 2012 at 1.2% per year. Simultaneously, significant numbers of people in some emerging market countries are becoming richer and consuming more meat and dairy products. Meat production requires up to seven times the amount of cereal (and hence fertiliser) compared to the requirements of a grain-based diet. According to projections, global annual meat production will need to rise 75% to 470 million tonnes by 2050.

The tight balance between supply and demand for crops keeps the market strong. In 2011, the world's farmers produced more grain than ever before – a total of 2,295 million tonnes, according to the US Department of Agriculture. Nevertheless, demand has exceeded production in seven of the past twelve years, and grain stocks remain low.

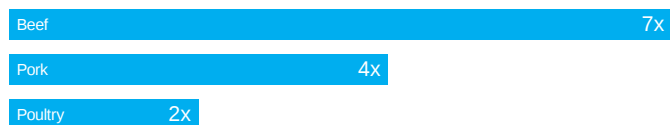


Crop market prices in 2011 were broadly strong and at their highest levels since 2008. In broad terms therefore, farmers wanted to optimise crop yields, which boosted fertiliser demand in market-oriented economies.

However the general economic uncertainty and the worsening Eurozone crisis at the end of the year led to weaker demand. The FAO Food Price Index peaked in February 2011, remained firm in the third quarter but declined as year-end approached. International currencies were also affected, and the purchasing power of major fertiliser users in markets such as India and Latin America was reduced.

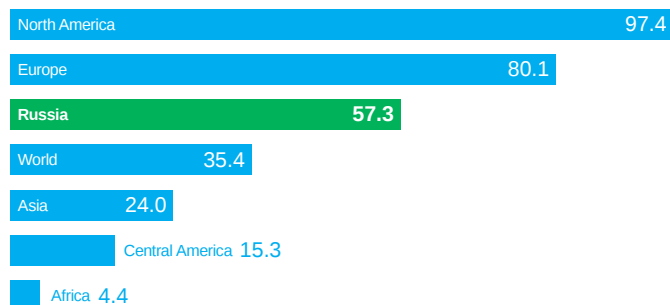
ANIMAL FEED A KEY DRIVER FOR GRAIN CONSUMPTION

kg of grain to produce 1 kg meat

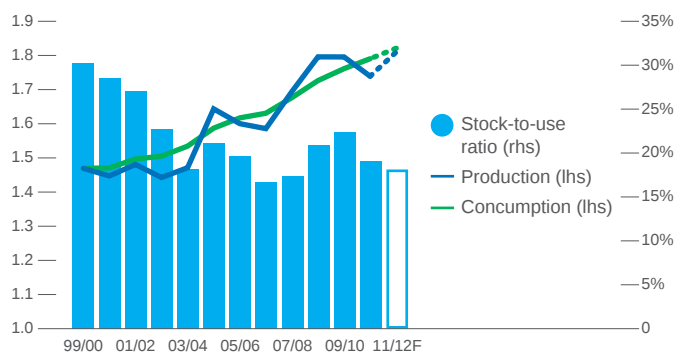


MEAT CONSUMPTION BY REGION

kg meat/capita/year



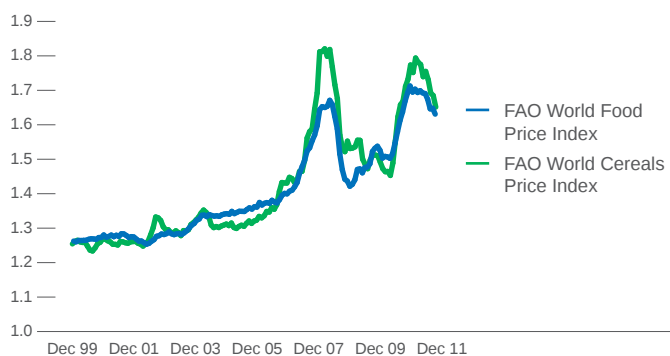
GLOBAL GRAIN¹ CONSUMPTION OUTPACES PRODUCTION



¹ Wheat and coarse grains (corn, barley, sorghum, oats, rye, millet and mixed grains)

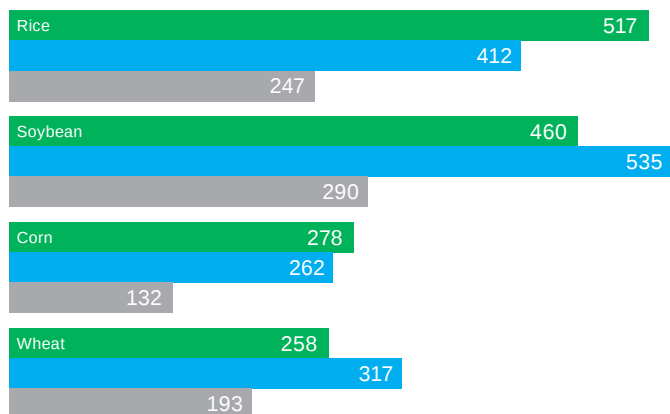
Source: USDA

FAO FOOD INDICES



Source: Bloomberg

CROP PRICES, US\$



● January 2012
● January 2011
● Average 2000-2010

Source: USDA, FAO



The Phosphate Industry

The phosphate industry is affected by the same factors that drive the development of the global fertiliser market. These include the significant recovery in demand following the 2008 recession, especially in developing countries of the Asia-Pacific region, Latin America, and the Middle East, where income and diets are changing and arable land is limited. Biofuels are also becoming more popular, which is another factor driving the demand for phosphate-based fertilisers.

Unlike other players in the fertiliser market, phosphate producers have always experienced relatively stable demand. Phosphate is utilised more frequently than, for example, potash. Phosphate producers also benefit from the historically stable demand for feed phosphates and industrial-use phosphates, representing respectively 6% and 9% of total phosphate consumption.

Phosphate rock deposits are only found in a few regions of the world, and there is a small number of substantial suppliers, which means that the phosphate industry is highly concentrated. The USA, China and Morocco together account for 67% of global phosphate rock production, and the top ten countries account for 90%. Integrated producers of manufactured fertilisers use 70% of global production, with an ongoing trend towards vertical integration within the industry.

Global phosphate fertiliser consumption reached 40.7 Mt P_2O_5 in 2011, 2.5% higher than the 2010 level, as a result of strong demand from South Asia, Latin America and North America. According to the IFA's preliminary estimates, phosphate rock production continued to recover in 2011, growing by approximately 5% from 2010 figures to 190.8 Mt.

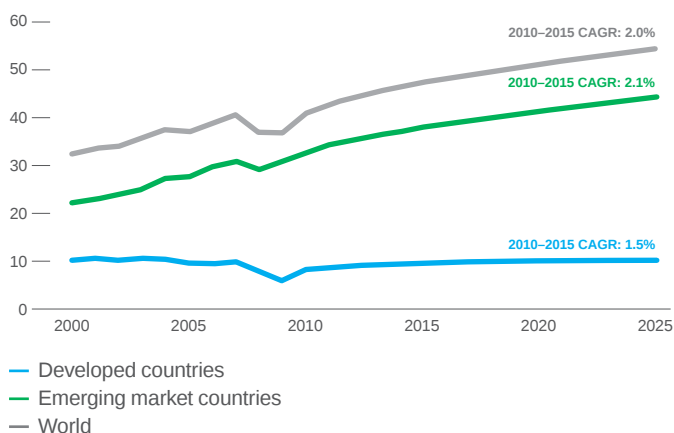
World phosphate fertiliser demand is projected at approximately 42 Mt P_2O_5 in 2012, representing 3.2% growth over 2011 – higher than forecasts for nitrogen or potash fertilisers. Compared with the tight market conditions in 2011, 2012 is likely to see a slight easing in supply, depending on the availability of Chinese phosphate-based fertilisers for export.

Global production of processed phosphates (including MAP and DAP) remained strong in 2011, growing by 8.5% to approximately 31.3 Mt P_2O_5 compared to 2010. Global MAP production was up 20% to 13.1 Mt P_2O_5 . Russia, the USA and Morocco contributed to this higher level of production. DAP production was static in 2011 at 15.3 Mt P_2O_5 , with higher DAP production in China being offset by lower output in Tunisia and the USA.

In broad terms, the phosphate market in 2011 was strong with some downward pressure towards the end of the year. Prices were however supported through most of the fourth quarter by contract bookings and spot sales into the Asian and Latin American markets.

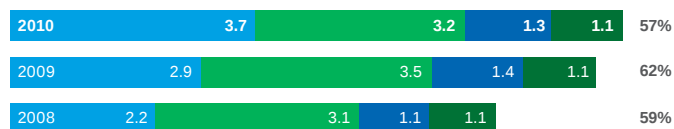
A strong growth in demand for phosphate fertilisers is forecasted for 2012 generally, and this will drive the strengthening of the market and price increases.

GLOBAL PHOSPHATE P_2O_5 CONSUMPTION WILL LARGELY BE DRIVEN BY DEMAND IN EMERGING MARKET COUNTRIES



PRODUCTION OF PHOSPHATE-BASED FERTILISERS – A CONSOLIDATED INDUSTRY

Global export volumes in mln t P_2O_5



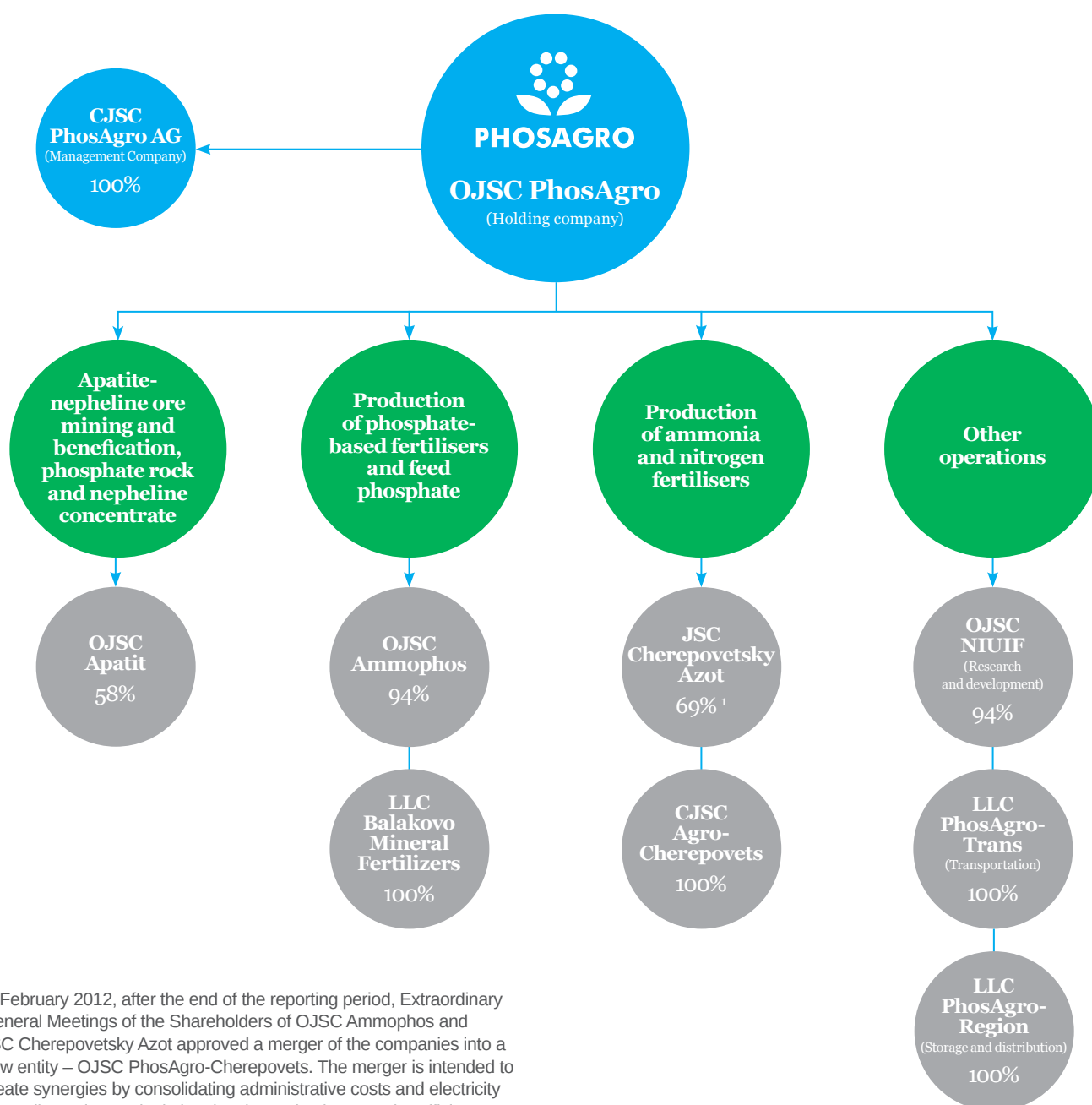
- OCP (Morocco)
 - PhosChem (US)
 - Mississippi Phosphates (US)
 - CF Industries (US)
 - GCT (Tunisia)
 - PhosAgro (Russia)
- Combined global share

Source: Companies' data, PhosAgro

Corporate Structure

PhosAgro's corporate structure is designed in such a way that the Company has control over its key production assets.

As of 31 December 2011, PhosAgro's corporate structure was as follows:



In February 2012, after the end of the reporting period, Extraordinary General Meetings of the Shareholders of OJSC Ammophos and JSC Cherepovetsky Azot approved a merger of the companies into a new entity – OJSC PhosAgro-Cherepovets. The merger is intended to create synergies by consolidating administrative costs and electricity expenditures into a single legal entity, and to improve the efficiency of the enterprises.

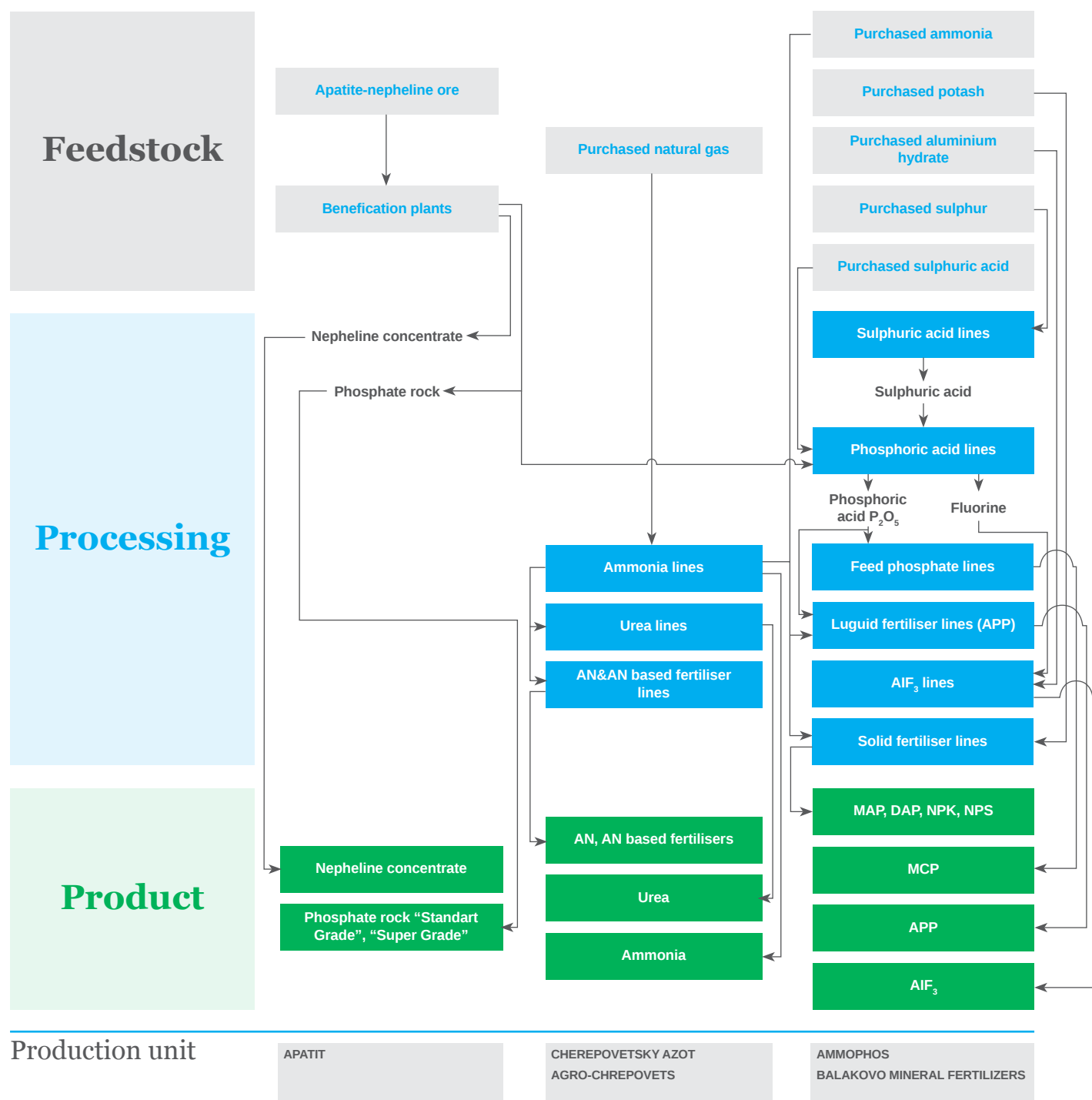
¹ The stake of 69.29% is the aggregate of shares held by OJSC PhosAgro, PHOSINT LIMITED and LLC Biotechnology, a Group company.

Vertically-integrated to Maximise Value

PhosAgro's vertically-integrated model is designed to ensure high margins and to secure business sustainability.

It maximises value for PhosAgro, as the Company manages the entire production chain from raw materials to manufactured products.

PhosAgro's vertical integration gives the company greater control over its business, enhances stability by reducing the impact of market fluctuations in the prices of raw materials and allows PhosAgro to offer a wide range of high quality products.



Upstream

Upstream operations are a key element in PhosAgro's production cycle. Our facilities include four operating apatite-nepheline ore mines and two beneficiation plants, where the extracted ore is processed and phosphate rock and nepheline concentrate are produced.

One of the world's leading producers of high-grade phosphate rock and the only nepheline concentrate producer in Russia

Our Assets

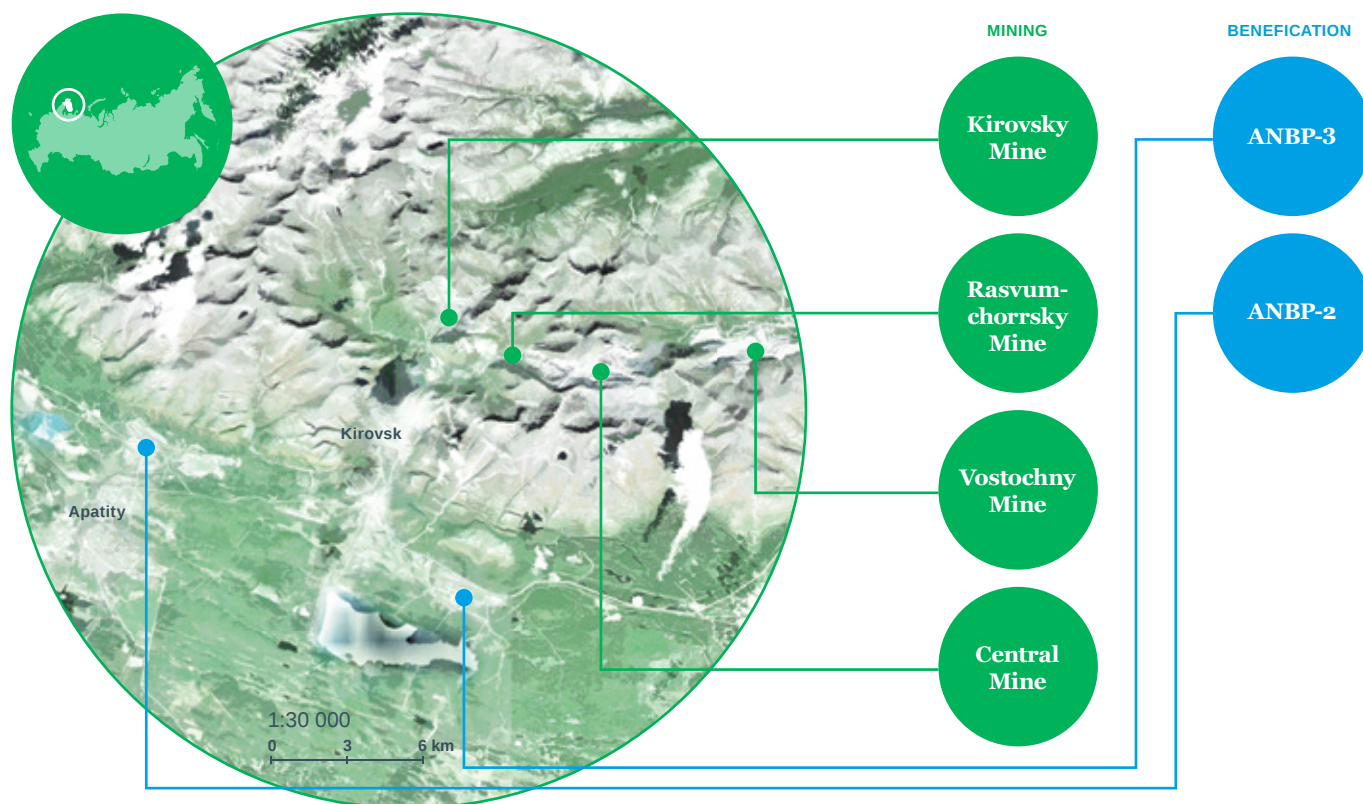
PhosAgro is the world's largest producer of high-grade phosphate rock ($P_2O_5 > 35.7\%$). Our upstream business comprises OJSC Apatit, the number one global producer of high-grade phosphate rock on a standalone basis and Russia's only nepheline concentrate producer.

Apatit comprises four apatite-nepheline ore mines (Kirovsky, Rasvumchor, Central and Vostochny), with a combined ore extraction capacity of 27 million tonnes a year, and two beneficiation plants (ANBP-2 and ANBP-3).

Each of Apatit's mines holds licences for exploration and extraction of apatite-nepheline ores at the following deposits: Kirovsky mine - the Kukisvumchorr and Yukspor deposits; Rasvumchor mine - the Apatitovy Cirque and Plato Rasvumchorr deposits; Central mine - the Plateau Rasvumchorr deposit; and Vostochny mine - the Koashva and Njorkpahk deposits.

PhosAgro is fully self-sufficient in phosphate rock, satisfying its downstream requirements for apatite concentrate needed in the production of phosphate-based fertilisers.

MINING AND BENEFICATION, OUR ASSETS



Reserves and Resources

Due to its igneous origin, PhosAgro's ore contains P_2O_5 , Al_2O_3 , TiO_2 and rare earth elements with low content levels of hazardous metals such as cadmium, arsenic, mercury and lead, and the lowest radioactivity level compared to other major global phosphate rock producers¹. In addition, phosphate rock produced from igneous origin apatite-nepheline ore requires less sulphuric acid to produce one unit of phosphoric acid, which is used to produce phosphate-based fertilisers. In 2011, the international consulting firm IMC conducted an independent review of the apatite-nepheline ore reserves and resources at our mines. Based upon its review, IMC believes that the resource estimates are consistent with prudent engineering practices.

Our existing resource base will allow us to maintain production of high grade phosphate rock for over 75 years, based on current extraction volumes. Rich in different minerals, our ore contains approximately 280 million tonnes of aluminium oxide, the largest resource in Russia, as well as over 41%² of Russian total rare earth resources, plus other useful elements such as titanium dioxide.

RESOURCES AS AT 1 JANUARY 2012

Deposit	Resources, '000 t (Categories A+B+C1)	Average P_2O_5 content, %
Kukisvumchorr	411,567	14.64%
Yukspor	543,613	14.25%
Apatitovy Cirque	118,985	14.83%
Plateau Rasvumchorr	289,925	13.57%
Koashva	629,319	16.79%
Njorkpahk	58,955	14.92%
TOTAL	2,060,364	15.06%

Source: PhosAgro

Resources Categories Classification

CATEGORY A:

the deposit is known in detail; the boundaries of the deposit have been delineated 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 reasonable detail; the boundaries of the deposit have been delineated 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.

Products

Apatit produces "standard" grade phosphate rock (P_2O_5 content of 39%) and "superior" grade phosphate rock (P_2O_5 content of 40%). "Superior" grade phosphate rock is principally sold to premium European producers of food and technical phosphate products. These companies require phosphate rock with a high nutrient content and low level of hazardous elements. Apatit also produces nepheline concentrate, which is primarily used in the complex production of alumina, cement, soda ash, potassium carbonate and gallium.

¹ Fertecon

² The Institute of Economic Problems, Kola Science Center, Russian Academy of Sciences named after G.P. Luzin

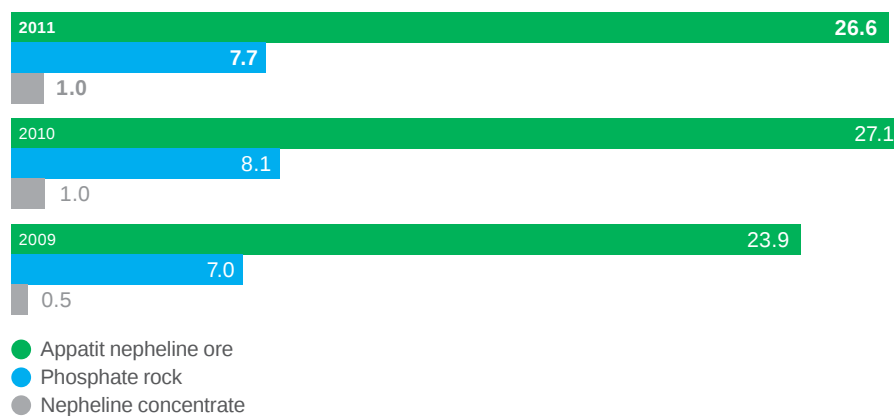
Performance in 2011

In 2011, PhosAgro produced 26.6 million tonnes of apatite-nepheline ore and 7.7 million tonnes of phosphate rock. The Company's nepheline concentrate production totalled 1 million tonnes. PhosAgro utilised internally 59% of its phosphate rock for the production of phosphate-based fertilisers. 32% was sold to domestic external customers and 9% to European external customers³.

External sales of phosphate rock constituted 14% of PhosAgro's total external revenue in 2011.

Export phosphate rock revenue per tonne increased by 75% year-on-year to RUB 8,475 from RUB 4,849, while domestic revenue per tonne was down 1% from RUB 3,575 to RUB 3,536.

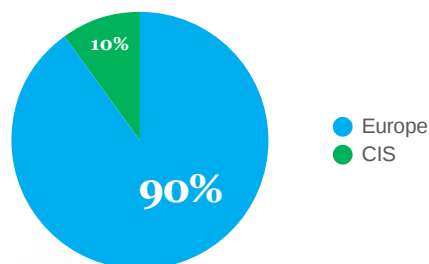
PRODUCTION VOLUMES, mln t



SALES VOLUMES, mln t



PHOSPHATE ROCK EXPORT SALES BREAKDOWN, %



● Phosphate rock
● Nepheline concentrate



³ Including Belarus

Downstream

Our downstream operations consist of the production of phosphate-based fertilisers and feed grade monocalcium phosphate (MCP), as well as nitrogen fertilisers and ammonia.

We are Europe's leading and Russia's only producer of feed monocalcium phosphate (MCP), and a TOP 5 global monoammonium and diammonium phosphates (MAP/DAP) producer¹.

Product flexibility and superior integration of key feedstocks ensure stable and profitable operations

Key Products

The product group of phosphate-based fertilisers includes: monoammonium phosphate (MAP), diammonium phosphate (DAP), liquid ammonium polyphosphate (APP), nitrogen-phosphorus-potassium (NPK), nitrogen-phosphorus-sulphur (NPS) and feed grade monocalcium phosphate (MCP).

Ammonium nitrate (AN), AN-based fertilisers and urea belong to the nitrogen fertiliser product group.

Our Assets

Ammophos and BMF are PhosAgro's key assets producing phosphate-based fertilisers and MCP. Both Ammophos and BMF produce MAP, DAP and NPS, whereas only Ammophos produces NPK and APP and only BMF produces MCP. Ammonia, ammonium nitrate and AN-based fertilisers are produced at Cherepovetsky Azot, while urea is produced at Agro-Cherepovets.



¹ Fertecon

Ammophos



OVERVIEW

- Located in the city of Cherepovets in the Vologda region
- Number one standalone producer of phosphate fertilisers and sulphuric and phosphoric acid in Europe
- Russia's largest exporter of phosphate fertilisers, supplying markets in Western Europe, Asia, North and Latin America, Africa
- Four sulphuric acid and three phosphoric acid production lines
- Eight fertiliser production lines, four of which are capable of producing MAP, DAP, NPK and NPS on the same production line with a rapid changeover capability, enabling PhosAgro to respond to changes in market demand, while maintaining the utilisation rate of the production lines
- Russia's only producer of APP
- Own steam power generation covering 100% of Ammophos electricity needs, as well as enabling it to supply surplus electricity to the regional power grid
- A river port located at the enterprise, enabling convenient transportation of raw materials and finished products, including those produced by Cherepovetsky Azot and Agro-Cherepovets.

PRODUCTION CAPACITY

2.9 mln t/year
MAP/DAP/NPK/NPS

140 kt/year
APP

24 kt/year
AlF₃

PHOSPHATE ROCK PROCESSING CAPACITY

3.0 mln t/year

Balakovo Mineral Fertilizers (BMF)



OVERVIEW

- Located in the city of Balakovo in the Saratov region
- Russia's only producer of feed monocalcium phosphates (MCP), and one of the largest in Europe
- Second largest phosphate-based fertiliser producers in Russia after Ammophos
- Three sulphuric acid and four phosphoric acid production lines
- Four MAP/DAP/NPS production lines and two MAP/NPS production lines, with four of the six being capable of rapidly switching production between MAP, DAP and NPS, in response to market demand
- Two MCP production lines

PRODUCTION CAPACITY

1.2 mln t/year
MAP/DAP/NPS

240 kt/year
MCP

PHOSPHATE ROCK PROCESSING CAPACITY

2.0 mln t/year

Cherepovetsky Azot and Agro-Cherepovets



OVERVIEW

- Both facilities are located at the same production site in the city of Cherepovets and form an integrated production complex
- Cherepovetsky Azot is one of the largest producers of ammonia, AN/AN-based fertilisers in Russia
- Two ammonia production lines and one AN/AN-based fertilisers production line
- One urea production line
- Connected to Ammophos via an ammonia pipeline, which supplies all Ammophos's ammonia needs

PRODUCTION CAPACITY

1.1 mln t/year
AMMONIA

450 kt/year
AN/AN-BASED

480 kt/year
UREA

Performance in 2011

Phosphate-based fertilisers and feed phosphate group

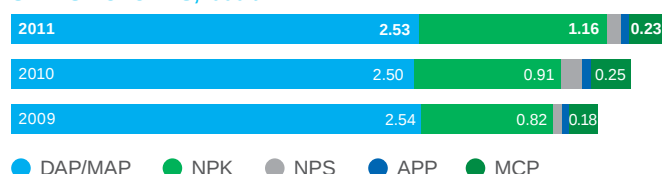
The total revenue from the phosphate-based product group¹ increased by 29% year-on-year and totalled RUB 88,982 million in 2011. Revenue from external sales of phosphate-based products accounted for 89% of PhosAgro's external revenues in 2011, which is unchanged from the 2010 result. In 2011, the Company increased output of phosphate-based fertilisers and MCP by 6% year-on-year, while sales were also up 6% year-on-year. This increase is a result of PhosAgro delivering on its strategy to grow organically through increasing the processing of its own phosphate rock for phosphate-based fertilisers such as MAP, DAP and NPK. In 2011, in line with its flexible business model, PhosAgro switched its DAP production to NPK in order to meet changing market demand as well as to receive higher margins. Production and sales volumes of NPK were therefore respectively up 29% year-on-year and 27% year-on-year. Production and sales volumes of feed phosphate (MCP) decreased respectively by 7% year-on-year and by 8% year-on-year, largely due to unfavourable market conditions. The phosphate-based product group's gross profit for 2011 was up 32% year-on-year to RUB 38,351 million, resulting in a gross profit margin of 43%, compared to 38% in 2010, mainly due to an increase in prices for phosphate-based fertilisers.

PhosAgro is fully self-sufficient in phosphate rock, and is therefore not subject to price inflation for phosphate rock. As regards ammonia, which is used for phosphate-based fertilisers, PhosAgro is 92% self-sufficient. This enables PhosAgro to control approximately 65% of its DAP production costs. However, expenditure on sulphur and sulphuric acid, used primarily in the production of phosphate fertilisers, amounted to RUB 4,838 million in 2011, up 98% from RUB 2,447 million in the previous year.

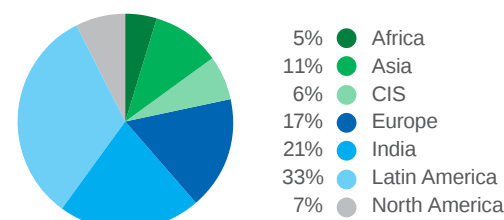
PHOSAGRO'S REVENUE PER TONNE FOR THE PRINCIPAL PHOSPHATE-BASED FERTILISERS AND FEED PHOSPHATE, RUB

	2011	2010	2011/2010
Domestic:			
MAP	17,387	11,898	46%
DAP	17,444	13,304	31%
NPK	15,944	10,345	54%
MCP	18,581	16,798	11%
Export:			
MAP	17,032	14,135	20%
DAP	17,150	11,871	44%
NPK	14,917	10,650	40%
MCP	17,780	12,334	44%

SALES VOLUMES, '000 t



EXPORT SALES VOLUMES BREAKDOWN, %



Nitrogen fertiliser group

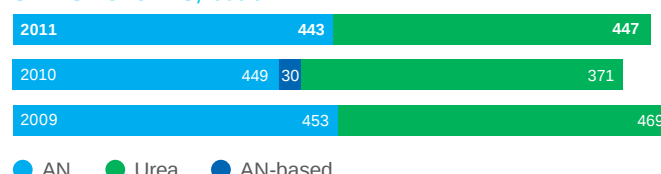
Revenue in the nitrogen fertiliser group was RUB 10,727 million in 2011, an increase of 53% year-on-year, compared to RUB 7,012 million in 2010. Revenues from external sales accounted for 11% of PhosAgro's external revenues in 2011, compared to 9% in 2010. The production of nitrogen fertilisers was up 2% year-on-year, with sales rising 5% year-on-year in 2011, mainly as a result of global demand for nitrogen fertilisers. Gross profit rose by 136% year-on-year to RUB 6,861 million in 2011 with a gross profit margin of 48%.

In 2011, the price of natural gas, which is the main raw material for nitrogen fertiliser production, continued to increase in Russia. While still significantly below the price that European producers have to pay, the average natural gas purchase price paid by PhosAgro grew by 15% in 2011, and its costs related to natural gas increased by 11% in the same period. The comparatively smaller increase in PhosAgro's total natural gas costs, compared to the change in price per thousand cubic metres, was due to the modernisation of the Cherepovets ammonia production line. As a result, gas consumption per tonne of ammonia decreased by 3% at Cherepovetsky Azot.

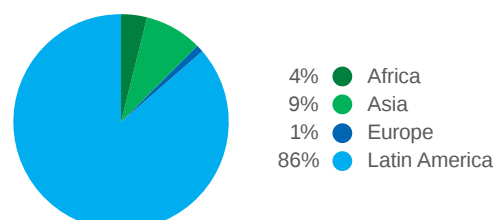
PHOSAGRO'S REVENUE PER TONNE FOR THE PRINCIPAL NITROGEN FERTILISERS, RUB

	2011	2010	2011/2010
Domestic:			
Ammonium nitrate	7,550	5,725	32%
Urea	13,021	8,898	46%
Export:			
Ammonium nitrate	8,954	6,030	48%
Urea	11,301	7,838	44%

SALES VOLUMES, '000 t



EXPORT SALES VOLUMES BREAKDOWN, %



¹ Phosphate-based fertilisers, feed phosphate (MCP) and phosphate rock are included to the phosphate-based product group.

Distribution and Logistics

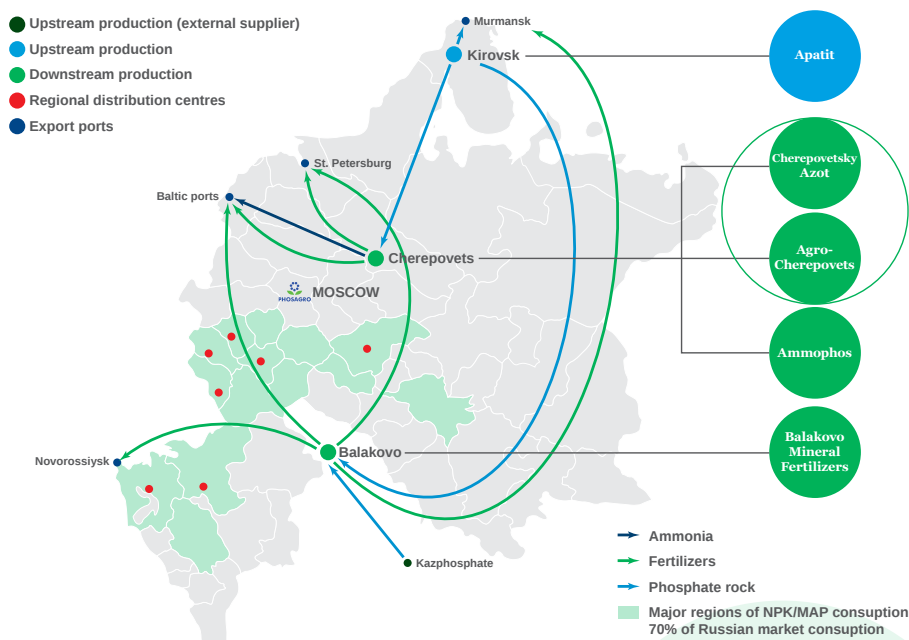
We have established and developed a strong domestic transportation and logistics infrastructure, which provides us with a greater degree of control over transport, storage and logistics, and also helps us to maintain our reputation as a reliable supplier.



Our distribution and logistics network is operated and managed by PhosAgro-Region LLC and PhosAgro-Trans LLC, and consists of seven distribution centres located in the major agricultural regions of Russia that account for approximately 70% of the domestic demand for MAP and NPK. Four of PhosAgro-Region's seven distribution centres provide additional services such as blending various fertilisers produced by the Company to offer custom-made fertiliser mixes, tailored to various crops and types of soil, as well as delivery of PhosAgro's products to the customer. In addition, the Company operates approximately 6,000 railcars in order to ensure uninterrupted deliveries. In order to maintain a stable production cycle and to meet high-season domestic and export demand, PhosAgro-Region owns and operates 17 storage facilities in Russia with a total storage capacity of more than 270,000 tonnes of fertilisers.

We deliver our products to our domestic Russian customers principally by rail, while delivery of our products to customers abroad is primarily done by rail with subsequent shipment by sea through the ports of Murmansk, Novorossiysk and the Baltic ports of St. Petersburg, Kaliningrad (Russia) and Tallinn (Estonia). PhosAgro-Trans arranges the transportation by rail of PhosAgro's raw materials and products, including phosphate rock, nepheline concentrate and sulphur, the storage of products at storage facilities at ports and the loading of products onto ships, while PhosAgro's managing company CJSC PhosAgro AG arranges sea and river transportation. In addition, Ammophos owns and operates a river port on the Sheksna river, which allows it to receive certain raw materials and ship some of its products by river during navigable periods. In 2011, Ammophos shipped 172 thousand tonnes of fertilisers through its river port for delivery to the St. Petersburg international port, where these fertilisers were transferred to seagoing vessels for subsequent delivery to export customers. In 2011, the total volume of freight traffic arranged by PhosAgro-Trans exceeded 10.5 million tonnes.

OUR DISTRIBUTION NETWORK



One of the largest retail distribution network in Russia

Research and Development

Our Scientific Research Institute for Fertilisers and Insectofungicide (NIUIF) is PhosAgro's research and development hub.

Applying
know-how
to drive
performance

NIUIF is the only research institute in Russia specialising in research and development in the phosphate-based fertiliser industry, focusing on environmentally friendly and resource-efficient technologies. Since the foundation of NIUIF in 1919, more than 80 plants producing sulphuric acid, phosphoric acid, fertilisers and industrial salts have been constructed and commissioned based on technologies developed by NIUIF. NIUIF had a staff of 99 people as at 31 December 2011.

THE COMPANY'S MAIN R&D ACTIVITIES ARE FOCUSED ON:

- Research in the field of the processing of phosphate raw materials, development of processes and devices for chemical fertilisers, technical salts and inorganic acids;
- Creation of environmentally safe and resource-saving technologies and equipment used in the production of phosphate-based and nitrogen fertilisers, acids, technical salts and mineral feed;
- Establishing technologies for the utilisation and processing of the waste products of mineral fertilisers;
- Development of measures to conserve electricity and the utilisation of secondary energy resources;
- Design work and the delivery of turnkey facilities;
- Offering licences and know-how;
- Design of experimental and industrial production;
- Development of technical specifications, safety data sheets (SDS) and fertiliser products standards;
- Carrying out of tests for chemical products certification;
- Feasibility studies on the prospects for the development of science and technology in the production of phosphate-based and nitrogen fertilisers, sulphuric and phosphoric acids;
- Research on the effectiveness of new fertiliser products in different types of soil in the territory of the Russian Federation;
- Carrying out patent and licensing programmes.

Our R&D activities are also aimed at modernising PhosAgro's production facilities in order to enhance their production capacities, efficiency and reliability. Most of these efforts result in the construction of new production lines at the existing production facilities or in incremental improvements to the Company's current operations which are implemented in connection with operational maintenance of the mining and extraction facilities. To the extent possible, NIUIF seeks to register any intellectual property rights that may result from these activities. It holds approximately 70 active patents covering most aspects of phosphoric and sulphuric acids production, refining and the subsequent production of fertilisers.

NIUIF cooperates with many Russian and foreign organisations in the field of innovative development. Among these organisations are a number of Russian universities, including Mendeleyev University of Chemical Technology of Russia, Vernadsky Institute of Geochemistry and Analytical Chemistry of the Russian Academy of Sciences and the Saint Petersburg State Mining University. Foreign organisations and universities with which NIUIF cooperates include MECS and Weir Minerals Levis Pumps (USA), Grenzebach GMBH (Germany) and Kazphosphate LLC (Kazakhstan), Sumy Scientific and Research Institute of Fertilisers and Pigments (Ukraine) and the National Science Academy of Belarus.

KEY NIUIF PROJECTS DEVELOPED AND IMPLEMENTED IN 2011 INCLUDE:

- The development of technical aspects of BMF's 2012-2016 development programme, which focused on modernising existing facilities, developing new brands of fertiliser products, increasing the complexity and completeness of the processing of raw materials, and the optimisation of materials and energy utilisation at BMF.
- Completion of tests at BMF for processing Karatau phosphorite (Kazakhstan) in wet-process phosphoric acid, and producing fertilisers based on it. Based on the results of these tests, principle technical solutions have been developed and designed to enable the introduction of a new production line for wet-process phosphoric acid and an annual capacity of 220 thousand tonnes. The implementation of this project will enable the Company to expand the range of NIUIF technologies.
- Completion of the detailed engineering for a sulphuric acid unit with an annual production capacity of 600 thousand tonnes for Kazphosphate LLC (Kazakhstan).

Following the end of the year under review, in January 2012, PhosAgro's engineering subsidiary KPNK PhosAgro was renamed to Mining and Chemical Engineering LLC ("MCE") with a major focus on mining development.

THE MAIN OBJECTIVES OF MCE ARE AS FOLLOWS:

- Development of feasibility studies for prospective mining sites and the technical and economic parameters for deposits that are currently being mined;
- Development of the technical specifications of, and support for, exploration works;
- Assessment of technical documentation and the optimisation of mining operations based on economic criteria;
- Development of detailed design documentation for the construction of new mining facilities and the modernisation of existing facilities, including production units; and
- Development of sections within technical documentation relating to the production of chemicals.

Risks

Due to the nature of our business we are exposed to a number of operational and financial risks. PhosAgro has an established risk management framework that is designed to identify, evaluate and manage the risks and uncertainties facing the Company. The Board of Directors has overall responsibility for managing both financial and non-financial risks.

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.

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

Risk management methods:

- Avoid risky investments
- Avoid working with unreliable partners and customers
- Ensure the Company has adequate insurance cover
- Financial planning
- Coordination and consistency of management processes and programmes aimed at developing the Company.



Key Risks	Description	Mitigation
OPERATIONAL RISKS		
Risks related to operating in the fertiliser 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 fertiliser 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 fertilisers and complex fertilisers at short notice in response to changes market demand. Such production flexibility helps the Company to maximise its profitability during periods of growth, and to maintain high capacity utilisation levels when market conditions are weaker.
Risks related to a potential decrease in demand for mineral fertilisers and/or apatite concentrate	<p>A decrease in the demand for mineral fertilisers and/or apatite concentrate may occur due to:</p> <ul style="list-style-type: none"> ● Reduced usage of fertilisers 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. 	<p>PhosAgro's flexible sales and production model helps to reduce the risk of declining demand in particular markets.</p> <p>The Company continuously works on diversifying and optimising its 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.</p> <p>PhosAgro also sells its products in 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.</p> <p>Since February 2012, PhosAgro has been shipping some of its products abroad by container. Compared to shipping in bulk by sea, this means PhosAgro can be more flexible on logistics. It enables the Company to increase the number of countries to which it ships products, reducing its dependency on traditional markets, and to sell its products in smaller consignments. PhosAgro now exports by container to the following countries, where previously the freight charges were too high: Thailand, China, Indonesia, Malaysia, the Philippines, South Korea and a number of African countries. The netback price is generally better when shipping by container due to lower freight and other charges.</p>
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.	<p>The Company implements an ongoing technical programme to explore and assess ore reserves, which ensures that production is continuous and at an even pace.</p> <p>PhosAgro has introduced systems to monitor and control mining production units, together with other safety measures, and the Company constantly looks for ways to improve them further.</p>

Key Risks	Description	Mitigation
Risks related to intense competition	The company is subject to intense competition from both domestic and foreign producers. Fertilisers 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 is pursuing a strategy of further increasing its cost advantages through vertical integration in key feedstocks like phosphate rock and ammonia. The Company's management believes that this strategy will help it to remain competitive globally in the long term.
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 OJSC Gazprom. 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 2012 and 2013, 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 fertilisers is sulphur, which the Company purchases from external suppliers. It is possible that electricity tariffs will increase more than the Company has anticipated in its strategic plans.	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, the company uses diversified sulphur supply. PhosAgro purchases sulphur from Gazprom as well as from other Russian and Kazakh companies. Since 2003, PhosAgro has been implementing a power generation and saving programme to reduce its reliance on third-party energy suppliers. At Ammophos and BMF the Company has constructed power generation facilities that produce electricity utilising steam generated from sulphuric acid production. In addition, Ammophos and BMF produce electricity and heat using steam-powered turbines. As a result, Ammophos is fully energy self-sufficient and also sells energy to third parties, while BMF produces enough energy to satisfy more than 70% of its requirements. Overall, the Company is more than 35% energy self-sufficient. PhosAgro expects to commission a new natural gas-powered electricity generation facility at Cherepovetsky Azot with a generation capacity of 32 MW in May-June 2012.
Risks related to the transportation of raw materials and products	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 OJSC 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 subsidiaries Freight One and Freight Two.	PhosAgro operates approximately 6,000 railcars. In order to reduce reliance on third-party railcar providers, the Company plans to increase and refurbish its 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.

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.	<p>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 fertilisers not later than ten days following the date of the bill of lading, 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.</p> <p>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.</p>
Liquidity Risk	Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.	<p>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.</p>

Key Risks	Description	Mitigation
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.



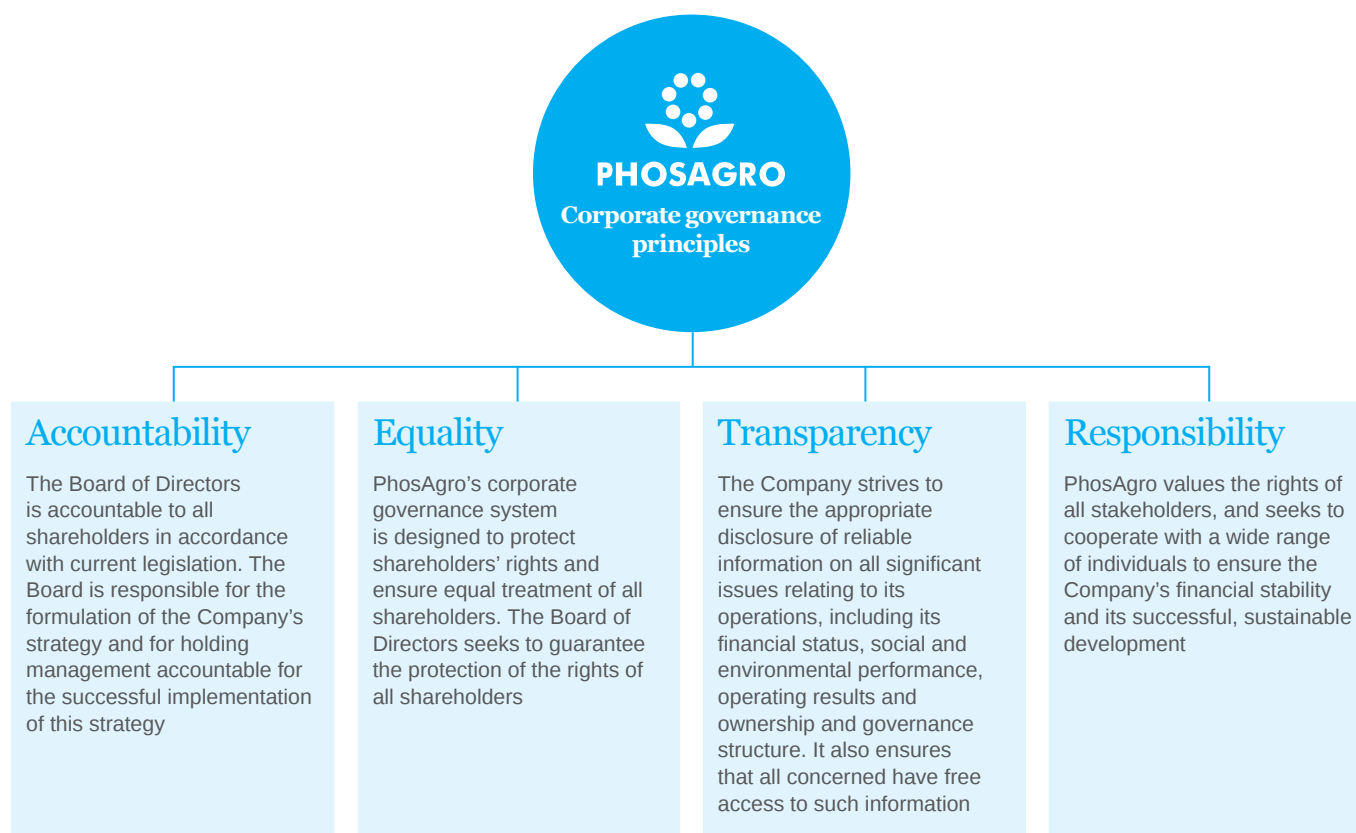
Corporate Governance

PhosAgro's Corporate Governance Principles

PhosAgro believes that adherence to the highest standards of corporate governance is a key factor in ensuring open, responsible and trustworthy management, which paves the way to success and financial stability for the Company.

PhosAgro's corporate governance system encompasses management and control processes that help to ensure the overall efficiency of the Company's operations, its risk management systems and its interactions with key stakeholders. PhosAgro believes that the implementation of an effective system of corporate governance strengthens the company's reputation and reduces the cost of capital. Taken together, these factors will benefit the Company's shareholders in the long term.

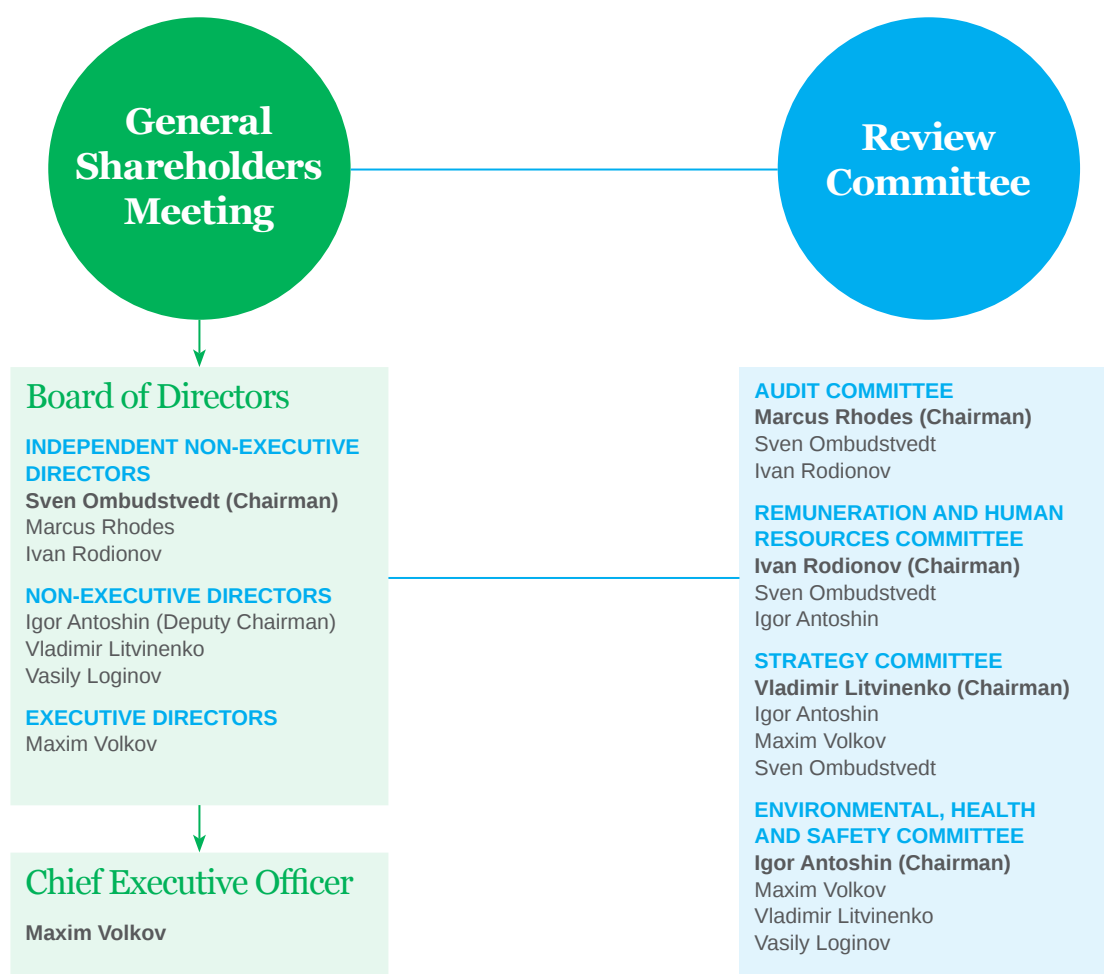
Corporate governance at PhosAgro complies with the requirements of Russian legislation and is based on the generally accepted standards and practices stipulated by the Russian Code of Corporate Conduct and the UK Corporate Governance Code. The Company's corporate governance principles, structure, procedures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



The Structure of PhosAgro's Corporate Governance System

The Company is governed by the General Shareholders Meeting, the Board of Directors and the Chief Executive Body (Chief Executive Officer). The General Shareholders Meeting is the highest governance body, through which the shareholders exercise their right to participate in governance of the Company. The Board of Directors is responsible for the overall guidance of the Company's management and for the development of the Company's strategy.

It also controls the work of the Executive Body and decides on any issues that do not fall under the exclusive competence of the General Shareholders Meeting. The Chief Executive Officer, as the sole Executive Body, manages the day-to-day operations of the Company and implements the strategy defined by the Board of Directors and the shareholders.



Key Developments in 2011

- The Board of Directors was increased from five to seven members, and now includes three Independent Directors.
- A new version of the Statute of the Board of Directors was approved.
- The Committees of the Board of Directors were restructured, and the Environmental, Health and Safety Committee was established.
- A Regulation on Insider Information was approved.

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 Shareholders Meeting is convened between 1 March and 30 June each year. Extraordinary General Shareholders 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 either in Russia (Moscow) or in Cyprus (Nicosia or Limassol).

The Board of Directors

The Board of Directors is responsible for PhosAgro's long-term development by providing professional, considered and accurate guidance to the Company's management. The primary areas in which the Board influences PhosAgro's operations are:

- determining a strategy that will support the Company's long-term, sustainable growth;
- establishing strategic performance targets for management, and putting in place systems that enable the Board of Directors to hold management accountable for its performance;
- ensuring that PhosAgro's internal control, internal audit and risk management systems provide accurate and timely information to management and the Board of Directors, thus ensuring effective management of the Company;
- supporting and monitoring the Company's sustainable business practices, including in the areas of occupational health and safety, support for the development of local communities, social and professional support for PhosAgro employees and dialogues with key stakeholders.

The Board of Directors has the authority to make decisions on a number of matters, including:

- setting the Company's development strategy and its business priorities;
- considering the political, financial and other risks that influence the Company's operations and ensuring adequate risk management systems are in place to mitigate them;
- evaluating the financial and operational results of the Company and its subsidiaries;
- holding the management team and the Chief Executive Officer accountable for the Company's performance;
- ensuring the Company's compliance with current legislation and the principles of corporate governance.

The Board of Directors of PhosAgro operates in accordance with the Law on Joint Stock Companies and the Company's Charter.

The number of Directors and the membership of the Board of Directors are determined annually by the General Shareholders Meeting, for a term lasting until the next Annual General Shareholders Meeting. 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.

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

During the reporting period, the Board of Directors held 14 meetings, three of which were carried out by absentee ballots.

On 25 May 2011, Sven Ombudstvedt was appointed as the Chairman of the Board of Directors replacing Vladimir Litvinenko, who had held this position since July 1, 2010.

From 18 June 2010 to 12 May 2011, Gennady Korneev served on the Board of Directors as an Independent Non-Executive Director and was a member of the Audit Committee and the Chairman of the Remuneration and Human Resources Committee.

THE BOARD OF DIRECTORS

As of 31 December 2011, the Board of Directors consisted of seven members, three of whom were Independent Non-Executive Directors.

Name	Year of birth	Position	Year appointed	Attendance at the meetings of									
				Board		Audit Committee		Strategy Committee		Remuneration and HR Committee		Environmental, Health and Safety Committee	
				Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Sven Ombudstvedt	1966	Chairman of the Board of Directors Independent Non-Executive Director	2011	6	6	2	2	2	2	2	2	-	-
Marcus Rhodes	1961	Independent Non-Executive Director	2011	6	6	2	2	-	-	-	-	-	-
Ivan Rodionov	1953	Independent Non-Executive Director	2004	14	14	6	6	-	-	2	2	-	-
Vladimir Litvinenko	1955	Non-Executive Director	2010	14	3	-	-	2	2	-	-	1	1
Igor Antoshin	1963	Deputy Chairman of the Board of Directors Non-Executive Director	2006	14	9	-	-	2	2	2	2	1	1
Maxim Volkov	1972	Executive Director	2007	14	14	-	-	2	2	-	-	1	1
Vasily Loginov	1962	Non-Executive Director	2011	6	5	-	-	-	-	-	-	1	1

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 other internationally recognised best practices in corporate governance. One of the important steps towards achieving this was the election of two new Independent Directors (Sven Ombudstvedt and Marcus Rhodes) to the Board of Directors of PhosAgro in 2011.



* In order from left to right

Sven Ombudstvedt

**Chairman of the Board of Directors
Independent Non-Executive Director
Member of the Audit, Strategy,
Remuneration and Human Resources
Committees of the Board of Directors**

Since 2011 – Chairman of the Board of Directors, OJSC PhosAgro
Since 2011 – 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 Hydra 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 no shares in the Company

Marcus Rhodes

**Independent Non-Executive Director
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

**Independent Non-Executive Director
Chairman of the Remuneration and Human Resources Committee, Member of the Audit committee 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

**Non-Executive Director
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. In addition, Feivel Limited holds shares equivalent to 5.00% of PhosAgro's share capital. All the shares in Feivel Limited are ultimately held on trust, where Mr. Litvinenko is the economic beneficiary. Mr. Litvinenko did not conduct any transactions in the Company's shares during the reporting period.

Activities in 2011

During the reporting period, the Board of Directors made a number of decisions regarding the Company's budget and priority developments for 2011. The Board also approved decisions on the conversion of the Company's preferred shares into ordinary shares and on a share split of PhosAgro's ordinary shares. In the second half of 2011, the Board drew up a detailed forward looking agenda for the period from September 2011 to June 2012 and approved the Company's business strategy and budget for 2012.

In 2011, the Board of Directors also considered the following matters:

- preparation for and holding of the Annual General Meeting of Shareholders, including setting the agenda for the Meeting, preliminary approval of the Annual Report for 2010 and recommendations on the level of dividends, as well as preparation for and holding of an Extraordinary General Meeting of Shareholders;
- approval of changes to PhosAgro's Charter;
- election of the Chairman and Deputy Chairman of the Board;
- approval of the composition of the Board Committees and election of their members;
- review and approval of the Company's interim financial results under IFRS;
- review and approval of the Company's internal corporate documents, i.e. the Corporate Governance Code, Regulation on Insider Information, the Statutes of the Board of Directors, Board Committees, etc.;
- review of the external auditor for 2011 and the auditor's remuneration;
- approval of interested party transactions.

Igor Antoshin

Deputy Chairman of the Board of Directors
Non-Executive Director
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
Since 2009 – 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 2.00% of the Company's authorised capital. In addition, Vindematrix Trading Limited holds shares equivalent to 5.01% of PhosAgro's share capital. All the shares in Vindematrix Trading Limited are ultimately held on trust, where Mr. Antoshin is the economic beneficiary. Mr. Antoshin did not conduct any transactions in the Company's shares during the reporting period.

Maxim Volkov

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

Since 2011 – Chief Executive Officer, CJSC PhosAgro AG
Since 2009 – Chief Executive Officer, OJSC PhosAgro
Since 2007 – Member of the Board of Directors, OJSC PhosAgro
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 1.04% of the Company's authorised capital. In addition, Menoza Trading Limited holds shares equivalent to 0.06% of PhosAgro's share capital. All the shares in Menoza Trading Limited are ultimately held on trust, where Mr. Volkov is the economic beneficiary. During the reporting period, Mr. Volkov conducted several transactions in the Company's shares and GDRs, increasing his stake from 1.00% to 1.04%.

Vasily Loginov

Non-Executive Director
Deputy Chief Executive Officer, CJSC PhosAgro AG
Chief Executive Officer, LLC PhosAgro-Region
Member of the Environmental, Health and Safety Committee of the Board of Directors

Since 2011 – Member of the Board of Directors, OJSC PhosAgro, Deputy Chief Executive Officer, CJSC PhosAgro AG, 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 Fertilisers and Insectofungicides (NIUIF)
2006 – 2008 – First Deputy Chief Executive Officer, CJSC PhosAgro AG
2005 – 2006 – First Deputy Chief Executive Officer for 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

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.

At the end of 2011, the following Committees were functioning:

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

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 2011, 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 2011 THE AUDIT COMMITTEE FOCUSED ON:

- drafting of the Statute of the Internal Audit Department;
- reviewing a new version of the Statute of the Audit Committee and recommending it for approval to the Board of Directors;
- recommending the Company's external auditor to the Board of Directors and reviewing the auditor's performance;
- analysis of the Company's interim and annual financial results.

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 2011, 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
- **Sven Ombudstvedt**, Committee Member, Independent Non-Executive Director of the Board of Directors

In 2011, the Strategy Committee held two meetings.

THE FOLLOWING TOPICS WERE COVERED DURING THOSE MEETINGS:

- drafting of the Statute of the Strategy Committee and recommending its approval to the Board of Directors;
- consideration of the priority developments of the Company in 2012;
- drafting of the Company's business strategy;
- establishing the main areas of focus of the Strategy Committee.

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 2011, 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.

IN 2011 THE REMUNERATION AND HUMAN RESOURCES COMMITTEE FOCUSED ON:

- the drafting of the Statute of the Remuneration and Human Resources Committee and recommending its approval to the Board of Directors;
- the identification of the main areas of focus of the Committee;
- the nomination for the position of the Company's Chief Executive Officer.

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 2011, 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 one meeting, which reviewed and recommended its approval to the Board of Directors, the new Statute of the Environmental, Health and Safety Committee and identified the main areas of the Committee's focus.

The Executive Body

In accordance with the Russian Federal Law on Joint Stock Companies, the Company's Charter and the Corporate Governance Code of the Company, the sole Executive Body of PhosAgro is the Chief Executive Officer (CEO), who manages the Company's day-to-day activities. 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 in 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 and/or the Company's Board of Directors. The CEO 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 state and local authorities, and in meetings with organisations and entities in Russia and abroad;
- hiring and dismissing Company personnel;
- carrying out all other activities and legal steps required to be conducted on behalf of the Company in accordance with the Company's Charter, decisions of the Board of Directors and the General Shareholders Meeting, and/or in accordance with current legislation.

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 on page 55.

While the sole Executive Body of the Company is its Chief Executive Officer, the Company also has a senior management team that reports directly to the CEO and comprises the Company's senior managers and the Heads of the Company's subsidiaries. Working with the CEO, the senior management team oversees the day-to-day operations of the Company and implements the Company's strategy, as defined by the Board of Directors and the shareholders.

The Senior Management Team

As of 31 December 2011, the senior management team comprised the following:

Name	Year of birth	Position	Year appointed
Mikhail Rybnikov	1975	Executive Director	2011
Alexei Grigoryev	1962	First Deputy Chief Executive Officer	2011
Roman Osipov	1971	Chief Financial Officer	2009
Boris Levin	1963	Head of Strategy Chairman of the Board of Directors, the Research Institute for Fertilisers and Insectofungicides (NIUIF)	2010
Andrey Guriev	1982	Head of Sales and Logistics Deputy Chief Executive Officer, OJSC PhosAgro	2011
Vasily Loginov	1962	Deputy Chief Executive Officer Chief Executive Officer, LLC PhosAgro-Region Member of the Board of Directors, OJSC PhosAgro	2011
Sergey Pronin	1964	Deputy Chief Executive Officer for External Relations and Information Policy	2011
Alexei Sirotenko	1969	Head of Legal	2006
Pavel Vakhnin	1974	Head of IT	2006
Siroj Loikov	1972	Human Resources Director	2011
Vladimir Davydenko	1976	Deputy Director of the Cherepovets Branch Chief Executive Officer, OJSC Cherepovetsky Azot	2010
Vladimir Klenichev	1950	Director of the Balakovo Branch Chief Executive Officer, LLC Balakovo Mineral Fertilizers	2008
Yevgeny Ivanov	1949	Director of the Cherepovets Branch	2006
Konstantin Nikitin	1969	Director of the Kirovsk Branch Chief Executive Officer, OJSC Apatit	2010
Vladimir Pomatilov	1944	Deputy Director of the Cherepovets Branch Chief Executive Officer, OJSC Ammophos	2008

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

As of the date of approval of this Annual Report, Roman Osipov holds the position of Deputy CEO for Business Development, and has done so since January 2012. Alexander Sharabaiko joined the Company in January 2012 and replaced Mr. Osipov in the position of Chief Financial Officer.

In January 2012, following the end of the reporting period, Boris Levin became Head of Strategic Development and Technical Policy.

In April 2012, after the end of the reporting period, Alexei Grigoryev became Chief Executive Officer of LLC Mining and Chemical Engineering, a Group company.

Mikhail Rybnikov

Executive Director, CJSC PhosAgro AG

Since 2011 – Executive Director, CJSC PhosAgro AG
2011 – Head of Operations, CJSC PhosAgro AG
2008 – 2011 – Executive Director, 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 Fertilisers

EDUCATION

Master of Science degree in Economics from Lomonosov Moscow State University (Russia)

Alexei Grigoryev

Chief Executive Officer, LLC Mining and Chemical Engineering

Since 2012 – Chief Executive Officer, LLC Mining and Chemical Engineering
2011 – 2012 – First Deputy Chief Executive Officer, CJSC PhosAgro AG
2011 – Executive Director, CJSC PhosAgro AG
2010 – Chief Executive Officer, CJSC PhosAgro AG
2007 – 2010 – Director of the St. Petersburg Branch, CJSC PhosAgro AG, Chairman of the Board of Directors, OJSC Apatit
2007 – 2010 – Member of the Board of Directors, OJSC Khibinskaya Teplovaya Kompaniya
2001 – 2007 – Chief Executive Officer, OJSC Apatit
1984 – 2001 – held various positions from Excavator Driver and Mine Master to Technical Director, OJSC Apatit

EDUCATION AND MEMBERSHIPS

Graduate degree in Mining from Leningrad Mining Institute named after G.V. Plekhanov (now St. Petersburg State Mining University, Russia)
2007 – 2011 – Member of the Murmansk Regional Duma
 Member of the Russian Academy of Mining Sciences
 Member of the Board of Directors, OJSC Giproruda

Roman Osipov

Deputy Chief Executive Officer for Business Development, CJSC PhosAgro AG

Since 2012 – Deputy Chief Executive Officer 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)

Boris Levin

Head of Strategic Development and Technical Policy, CJSC PhosAgro AG
 Chairman of the Board of Directors, the Research Institute for Fertilisers and Insectofungicides (NIUIF)

Since 2012 – Head of Strategic Development and Technical Policy, CJSC PhosAgro AG
Since 2010 – Chairman of the Board of Directors, the Research Institute for Fertilisers and Insectofungicides (NIUIF)
2010 – 2012 – Head of Strategy, 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 Fertilisers and Insectofungicides (NIUIF)
2002 – 2003 – Head of Prospective Development Department, CJSC PhosAgro AG
1999 – 2002 – Head of Scientific Analytics Department, the Research Institute for Fertilisers and Insectofungicides (NIUIF)
1996 – 1998 – Associate Professor, Mendelev University of Chemical Technology

EDUCATION

Graduate degree from Mendelev University of Chemical Technology (Russia)

Andrey Guriev

Head of Sales and Logistics, CJSC PhosAgro AG
 Deputy Chief Executive Officer, OJSC PhosAgro

Since 2011 – Head of Sales and Logistics, CJSC PhosAgro AG, Deputy Chief Executive Officer, OJSC PhosAgro
2010 – 2011 – First Deputy Chief Executive Officer, OJSC PhosAgro
2008 – 2011 – Trader, CJSC PhosAgro AG
2008 – 2010 – Chief Executive Officer, LLC Apsis Globe
2006 – 2008 – Export Sales Manager for Fertilisers, 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 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)

Vasily Loginov

Deputy Chief Executive Officer
 Chief Executive Officer, LLC PhosAgro-Region

Since 2011 – Member of the Board of Directors, OJSC PhosAgro, Deputy Chief Executive Officer, CJSC PhosAgro AG, 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 Fertilisers and Insectofungicides (NIUIF)
2006 – 2008 – First Deputy Chief Executive Officer, CJSC PhosAgro AG
2005 – 2006 – First Deputy Chief Executive Officer for 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)

Sergey Pronin

Deputy Chief Executive Officer for External Relations and Information Policy, CJSC PhosAgro AG

Since 2011 – Deputy Chief Executive Officer for External Relations and Information Policy, CJSC PhosAgro AG
2010 – 2011 – Director for External and Corporate Relations, CJSC PhosAgro AG
2003 – 2006 – Chief Executive Officer, CJSC AgroGrad
2002 – 2010 – Deputy Chief Executive Officer, CJSC PhosAgro AG; Chief Executive Officer, LLC PhosAgro-Region; Head of Domestic and CIS Mineral Fertiliser Sales, CJSC PhosAgro AG
1997 – 2002 – held various senior managerial positions at OJSC Voskresensk Mineral Fertilisers and OJSC Ammophos

EDUCATION

Graduate degree in Industrial and Civil Engineering from Moscow Institute of Civil Engineering named after V.V. Kuibyshev (now Moscow State University of Civil Engineering, Russia)

Aleksey Sirotenko

Head of Legal, CJSC PhosAgro AG
 Deputy Chief Executive Officer for Corporate and Legal Matters, 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

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

Pavel Vakhnin

Head of IT, CJSC PhosAgro AG

Since 2006 – Head of IT, CJSC PhosAgro AG
2005 – 2006 – Head of IT, OJSC OMZ Group
2001 – 2005 – held various positions at Oracle (Moscow office)

EDUCATION

Graduate degree in IT systems from the Moscow Technical University of Communications and Informatics (Russia)

Siroj Loikov

Human Resources Director, CJSC PhosAgro AG

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)

Vladimir Davydenko

Deputy Director of the Cherepovets Branch, CJSC PhosAgro AG
 Chief Executive Officer, OJSC Cherepovetsky Azot

Since 2010 – Deputy Director of the Cherepovets Branch, CJSC PhosAgro AG; Chief Executive Officer, OJSC Cherepovetsky Azot
2008 – 2010 – Chief Executive Officer, the Research Institute for Fertilisers and Insectofungicides (NIUIF)
2002 – 2008 – held various senior positions at LLC Balakovo Mineral Fertilizers and CJSC PhosAgro AG
2000 – 2002 – Head of Production Development Directorate, OJSC Minudobreniya
1999 – 2000 – held the positions of Research Scientist and Deputy Head of Scientific Analytics Department at the Research Institute for Fertilisers and Insectofungicides (NIUIF)

EDUCATION

Graduate degree in Machines and Equipment for the Chemical and Construction Industries from the Moscow State Academy of Chemical Engineering (now Moscow State University of Environmental Engineering, Russia)

Vladimir Klenichev

Director of the Balakovo Branch, CJSC PhosAgro AG
 Chief Executive Officer, LLC Balakovo Mineral Fertilizers

Since 2008 – Director of the Balakovo Branch, CJSC PhosAgro AG
Since 2005 – Chief Executive Officer, LLC Balakovo Mineral Fertilizers
2005 – 2008 – Deputy Director of the Balakovo Branch, CJSC PhosAgro AG
1977 – 2005 – held various positions from Acting Head of the Main Building of the Sulphuric Acid Plant to First Deputy CEO at the Balakovo Chemical Plant

EDUCATION

Graduate degree in Chemical Industry Machinery and Equipment from Mendeleev University of Chemical Technology (Russia)

Yevgeny Ivanov

Director of the Cherepovets Branch, CJSC PhosAgro AG

Since 2006 – Director of the Cherepovets Branch, CJSC PhosAgro AG
2004 – 2006 – Chief Executive Officer, OJSC Cherepovetsky Azot
2005 – 2006 – Deputy Director of the Cherepovets Branch, CJSC PhosAgro AG
2004 – 2005 – Deputy Chief Executive Officer, CJSC PhosAgro AG
1975 – 2004 – held various positions from Processing Department Operator to CEO at OJSC Cherepovetsky Azot

EDUCATION

Graduate degree in Chemical Engineering from the North-West State Technical University (Russia)
 Graduate degree from Mendeleev University of Chemical Technology (Russia)

Konstantin Nikitin

Director of the Kirovsk Branch, CJSC PhosAgro AG
 Chief Executive Officer, OJSC Apatit

Since 2010 – Director of the Kirovsk branch, CJSC PhosAgro AG; Chief Executive Officer, OJSC Apatit
2006 – 2010 – Deputy Chief Executive Officer, OJSC Apatit
1998 – 2008 – held various positions from Mining Master to Head of the Kirov Mine, OJSC Apatit

EDUCATION

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

Vladimir Pomatilov

Deputy Director of the Cherepovets Branch, CJSC PhosAgro AG
 Chief Executive Officer, OJSC Ammophos

Since 2008 – Deputy Director of the Cherepovets Branch, CJSC PhosAgro AG; Chief Executive Officer, OJSC Ammophos
1993 – 2008 – Deputy Chief Executive Officer for Commercial Affairs, OJSC Ammophos
1987 – 1990 – Chairman of the Executive Committee, Pervomaysky district of Cherepovets; Deputy Chairman of the Cherepovets City Council
1967 – 1987 – held various positions from Mechanic to Factory Director at the Cherepovets Metals and Chemicals Construction Works

EDUCATION

Graduate degree in Mechanical Engineering from the Leningrad Mechanical Institute (now Baltic State Technical University "VOENMEH" named after D.F. Ustinov (Russia)

Alexander Sharabaiko

Chief Financial Officer, CJSC PhosAgro AG

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)

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 high 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.

The General Shareholders Meeting of 10 August 2011 amended the remuneration scheme for the members of the Board of Directors. It changed from a monthly compensation scheme for all members of the Board of Directors to a quarterly compensation scheme only for Independent Non-Executive Directors of the Board. The Chairman of the Board of Directors receives remuneration quarterly, as set out below, taking into account his status as an Independent Non-Executive Director. Other Independent Non-Executive Directors receive base remuneration, plus additional remuneration if they serve as an Audit Committee Chairman, or as a Chairman of the Remuneration and Human Resources Committee.

According to the changes that were approved, other 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 US\$ 500,000. In 2011, the members of the Board of Directors received remuneration in the sum of RUB 7 million.

The amount of remuneration and additional compensation paid to the Chief Executive Officer of PhosAgro is regulated by the 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 70% on achievement of the Company's key performance indicators, and 30% on accomplishing additional tasks and goals, as set by the Board of Directors for the reporting quarter or year.

Annual additional compensation is calculated by adding percentages (as set by the Board of Directors) of:

- the Company's EBITDA for the reporting period under IFRS; and
- the Company's Net Income for the reporting period under IFRS.

The aggregate amount of remuneration paid by the Company to the Chief Executive Officer and senior managers for services in all capacities provided to the Company during the year ended 31 December 2011 was RUB 452 million in salary and additional compensation.

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 US\$
Chairman of the Board	37,500.00
Other Independent Non-Executive Directors – base remuneration	4,500.00
Chairman of the Audit Committee – additional remuneration	24,786.00
Chairman of the Remuneration and Human Resources Committee – additional remuneration	7,280.00

Internal Control and Audit

PhosAgro's internal control and audit is part of the Company's corporate governance process. It is incorporated into the activities of the Company and is aimed at improving the efficiency of risk management, control and corporate governance, so as to achieve the following:

- effective and efficient activities and operations, protecting the Company's assets and achieving profit;
- reliability and accuracy of financial reporting;
- compliance with applicable legislation and the regulations governing the Company's activity.

PhosAgro's internal control system is designed to ensure:

- protection of the Company's assets, cost-effective and efficient use of its resources;
- compliance with current legislation and internal policies, standards and procedures;
- implementation of the Company's business plans;
- the completeness and accuracy of the Company's accounting records, financial statements and management data;
- timely identification and analysis of risks;
- planning and risk management during the Company's activities, including 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.

Internal control within PhosAgro is undertaken by:

- the Review Committee;
- the Audit Committee of the Board of Directors;
- the Board of Directors;
- the Chief Executive Officer;
- the Internal Audit Department.

The Company has set out in internal documents the key parameters for the organisation of the internal control and audit systems, the main standards and the operational principles of internal audit, and the allocation of accountabilities and responsibilities. One of the components of the internal control system is the corporate IT platform based on the Oracle E-Business Suite software. The system enables the Company quickly to generate management accounting, and to prepare information for internal and external auditors in a short timeframe.

The Review Committee

The Review Committee, whose activities are governed by the Law on Joint Stock Companies, the Company's Charter and the Statute of the Review Committee, oversees and coordinates audits of the Company's financial and economic activity. The principal duties of the Review Committee are: to conduct internal audit and to report the results and findings to PhosAgro's Board of Directors and the CEO; to ensure that the Company's operations comply with applicable laws and that the Company's accounting procedures comply with Russian Accounting Standards (RAS); and to identify any violations of laws, the provisions of the Company's Charter or internal regulations. Moreover, before the Annual General Shareholders Meeting, the Review Committee prepares a report on the results of operations of the Company for the prior year and gives its opinion on whether the Company's financial statements are true and accurate.

The Review Committee may commence 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.

The Board of Directors

The Board of Directors determines how the internal control system operates and approves various actions and policies relating to it. The Board of Directors also reports annually to the General Shareholders Meeting on the reliability and efficiency of PhosAgro's internal control system. The Board constantly strives to improve internal control procedures.

More detailed information about the composition and activity of the Board of Directors can be found in the relevant section on page 54-55.

The Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors, whose activities are governed by the Company's Charter, the Statute of the Board of Directors and the Statute of the Audit Committee, improves the efficiency and quality of work of the Board of Directors in the area of internal control. The Committee considers issues and provides recommendations to the Board of Directors on issues such as: external audit of the Company; internal audit; the accuracy and efficiency of internal control procedures; management accounting and financial reporting; risk management and how risks are reflected in the Company's reporting. The Committee also supervises the Internal Audit Department.

More detailed information about the composition and activity of the Audit Committee can be found in the Board Committees section on page 56.

The Chief Executive Officer

The CEO is responsible for the functioning of PhosAgro's internal control system. The CEO implements internal control procedures, and ensures that they are put into practice. The CEO also 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, and tells the Board what measures have been or will be taken to address these issues and the results of these actions.

More detailed information about the activity of the Executive Body can be found in the relevant section on page 58.

Internal Audit Department

PhosAgro's Internal Audit Department was established in 2011. Its activities are governed by Russian legislation, the Statute of Internal Control, the Statute of the Department and International Standards for the Professional Practice of Internal Auditing. The Internal Audit Department is an independent department within the Company and is responsible for conducting internal audit and providing independent and objective evaluation of the activities of PhosAgro and its subsidiaries. These activities relate to internal control, risk management, corporate governance and information systems. The Department assists the Company's Board of Directors and the management team in their responsibilities to achieve PhosAgro's strategic objectives, increase the Company's value and improve its performance.

The Internal Audit Department independently and objectively assesses the Company's internal control and risk management system, including overseeing the compliance of PhosAgro's financial and economic operations with Russian legislation and the Company's Charter, as well as the completeness and reliability of the Company's accounting and financial reports. The Department also evaluates the efficiency and effectiveness of the Company's business processes, including its use of resources. It also participates in the creation and development of unified elements of the control system within PhosAgro. It develops recommendations on strategic changes within the Company, which are related to the improvement of the internal control system, risk management and corporate governance, and develops and promotes corporate internal control policies.

To ensure the independence and fairness of the officers of the Internal Audit Department, its Head reports on a functional basis to the Audit Committee, and reports on an administrative basis to the CEO. The Head of the Department provides regular reports to the Audit Committee and to the CEO on the results of internal audits. It is the Audit Committee that appoints the Head of the Department. In 2011, the main duties of the Department included the formation of the structure of the Department and various audit projects.

The Independent Auditor

PhosAgro appoints an independent professional auditor to externally audit and to verify the compliance, in terms of accuracy and completeness, of the Company's annual financial statements with IFRS. The Company ensures the independence of the external auditor in accordance with the Federal Law on Audit and International Standards on Auditing, including verifying that the external auditor has no proprietary interests in the Company and that there is no affiliation between the external auditor and the Company or members of the Company's executive bodies.

The independent auditor inspects the financial and commercial operations of the Company, and also reviews the Company's internal control system. The independent auditor's findings as a result of such inspections are presented in a report for 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.

PhosAgro appoints an external auditor on a contractual basis. The external auditor is responsible for the auditing and inspection of the consolidated financial statements of the Company prepared in accordance with IFRS. In December 2011, based on the recommendation of the Audit Committee and the Board of Directors, the Company appointed ZAO KPMG to conduct the audit of PhosAgro's 2011 IFRS financial statements.

Insider Information Policy

The aim of PhosAgro's Regulation on Insider Information is to ensure the setting of a fair price for the Company's securities and equality for investors. The Regulation protects the legitimate rights and interests of shareholders and those who carry out transactions involving PhosAgro's securities.

In order to comply with the Federal Law on Insider Trading and Market Manipulation, with international best practice, and with the requirements of the UK Financial Services Authority, in 2011 PhosAgro developed a comprehensive policy on insider information. Implementation of this policy is a key element in ensuring that the rights and interests of the Company's shareholders and investors are respected. In particular, the Company developed a Regulation on Insider Information and a List of Insider Information, and maintains a List of Insiders.

The Regulation stipulates that an insider is a person who has the right to access insider information as part of their job description, or through an internal Company document, a contract with the Company or a legal or regulatory requirement. PhosAgro controls insider activity by placing restrictions on the use and circulation of insider information. Those with access to insider information are advised to refrain from transactions involving the Company's shares during the time they have access to insider information. They must notify the Corporate Secretary's office of transactions with shares and obtain authorisation for such transactions. In the event that the Company suffers a loss due to a breach of the insider information policy, the insider is obliged to compensate the Company for the loss.

Dividend Policy

According to the Company's Charter and the Law on Joint Stock Companies, PhosAgro's shareholders have the right to receive an annual return on their investment in the form of dividend payments. The Company's dividend policy is based on the following principles:

- shareholders' interests are to be balanced between 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 regarding 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 after 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 Deposit 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 OJSC PhosAgro shareholders calculated in accordance with IFRS.

Corporate Social Responsibility

Promoting Sustainable Growth

Corporate Social Responsibility (CSR) is an integral component of the successful development of any business, and PhosAgro has made CSR one of its top priorities in managing the Company's activities.

We are committed to creating value for our shareholders in a sustainable manner, while minimising our environmental footprint, working in partnership with local communities and prioritising the very highest standards of health and safety for our employees.

PhosAgro's CSR activities are underpinned by the following key principles:

- Ensuring job security and quality of life for our employees, and supporting the regions in which we operate
- Ensuring full compliance with environmental rules and regulations
- Ensuring Russia's food security
- Developing the domestic mineral fertiliser market and the country's agricultural output.

The Board of Directors of PhosAgro has established two committees that share responsibility for CSR – the Remuneration and Human Resources Committee, and the Environmental, Health and Safety Committee (see "Board Committees" p. 57). All of the Company's 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 the ISO 9001 quality management, ISO 14001 environmental management and the OHSAS 18001 health and safety standards management systems, and with the Company's own requirements, and to identify areas for improvement.

Our Employees

At PhosAgro, we believe our people are our most valuable assets. With this in mind, PhosAgro strives to be "an employer of choice" and to recruit, develop and retain motivated and highly committed employees, who share the Company's values, at all levels.

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2011	2010	2009
Phosphate rock division	13,027	13,296	13,116
Phosphate-based fertilisers and feed phosphate division	7,942	7,880	7,726
Ammonia and nitrogen fertilisers division	2,811	2,920	3,012
Storage and distribution network	230	398	390
Transportation unit	85	76	72
Research and development unit	93	108	90
Other ¹	324	505	445
TOTAL	24,512	25,174	24,851

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

Employees' Social Security

Relationships between the Company's production units, acting as employers, and their 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, which include:

- Programmes for the professional development of employees;
- Social benefits, such as financial support to employees who return to work after serving in the army, also to the beneficiaries of scholarships, who join the Company after graduating from universities or colleges;
- Support in the event of emergency 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.

Substantial social guarantees and benefits are included in the collective agreement signed by Cherepovetsky Azot in 2011. The previous collective agreement had twice (in 2009 and 2010) been chosen as the winner in a regional collective agreement competition. It was among the first in Cherepovets to launch a programme to retain key staff by offering housing: employees are granted zero-interest 10-year mortgages with a 10% initial instalment. Between 1999 and 2010, 887 flats were purchased by employees on this basis.

Motivation Programme

An important element of human resources management is the motivation of our employees. All PhosAgro's subsidiaries have developed motivation programmes that are regulated by their provisions on remuneration, bonuses and compensations, collective agreements and other internal regulations. The Company and its subsidiaries pay competitive salaries, which are reviewed on a regular basis. In addition, the Company and its subsidiaries provide their employees with a number of benefits, including medical insurance and health improvement programmes, educational and private pension programmes.

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. As part of this task, PhosAgro pays particular attention to the Company's "talent pool". Thus, in 2011, Apatit compiled a list of key managerial positions and a list of candidates for its operational and strategic personnel reserve cadre. PhosAgro's other key subsidiaries will compile similar lists in 2012.

All businesses managed by PhosAgro have developed various programmes to train, develop and retrain current staff, as well as to attract and recruit new employees. We run 619 different training and retraining programmes at our training centres.

The Company has the following types of training and retraining programmes in place:

- Training and retraining of new employees
- Cross-training
- Upgrading qualification
- Internship at other PhosAgro's subsidiaries.

The following types of training programmes are designed for the Company's senior managers and experts:

- Management development training
- Strategic management training

Among these programmes is the "Master" programme at Ammophos, aimed at training production managers. Approximately 50 managers undertake this programme every year. In 2008, BMF obtained a license from the Ministry of Education of Saratov region to conduct staff training programmes for 85 specialisations. The license was renewed in 2011. BMF also encourages employees to realise their potential by participating in various events such as the national "Engineer of the Year" competition. Each year the company holds a creative competition called "Youth Achievements" to mark Chemist's Day. In 2011, as part of the personnel reserve cadre training programmes, the Company's employees underwent training in accordance with the presidential programme in the Russian Presidential Academy of National Economy and Public Administration. Promotions, salaries and the awarding of qualification categories and degrees are linked to the results of training and the ability to make practical use of the acquired knowledge and skills. In addition, as part of the programme of specialists training, in 2011 PhosAgro has signed cooperation agreements to train specialists for the Company's core business activities with a number of universities, including Moscow State University of Environmental Engineering, St. Petersburg State Institute of Technology (Technical University), Ivanovo State University of Chemistry and Technology and Cherepovets State University.

In 2011, PhosAgro provided training for a total of 10,153 employees, including 2,579 managers and experts and 7,574 operational personnel, with each employee receiving on average 20 hours of training. The Company invested more than RUB 32 million in the professional and personal development of its employees in 2011.

PhosAgro's enterprises in Cherepovets provide their employees with an additional non-government pension payment. A special programme called "Pensioner" was also introduced at Apatit, which includes a compensation payment to support employees during the resettlement process. The calculation of the amounts due is based on the total period worked by the employee at the Company and its enterprises. In addition, PhosAgro provides World War II veterans and the Company's pensioners with various benefits in relation to public holidays, including Victory Day and Chemist's Day.

PhosAgro is one of the few companies in Russia which builds houses for its employees, and also works towards improving their social and living conditions. Between 2006 and 2010, an apartment building comprising 390 flats was built, and 65 flats were bought for employees of Cherepovetsky Azot. In 2011, a total of 137 employees of Ammophos were allocated apartments. In 2010, the Board of Directors of PhosAgro adopted a programme aimed at improving the social and living conditions of the employees of Ammophos, Cherepovetsky Azot, Agro-Cherepovets and BMF. The programme was established for a period of three years (2010-2013) with an allocated budget of RUB 157 million. Under the programme, staff facilities are renovated, furnished and equipped with all the necessary fittings. Apatit renovates all staff facilities annually.

Each year more than 600 employed 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.

Trade Unions

There are five trade unions for PhosAgro employees, one for each of the Company's main subsidiaries: at PhosAgro – at Apatit, Ammophos, BMF, Cherepovetsky Azot and NIUIF, and most of the Company's employees are members of these trade unions. Each of the local unions represents workers within the same industrial sector and within one holding company, and they have joined together as the Association of Trade Union Organisations "Minudobreniya". As a group, they are also part of the Russian Chemical Workers Union. All of PhosAgro's trade unions are part of regional chemical industry trade unions, and also part of the Association of Mineral Fertiliser Producers Trade Unions. 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 in recent years.

EMPLOYEES' UNION MEMBERSHIP

Enterprise	Employees' union membership
Apatit	91%
Ammophos	64%
BMF	83%
Cherepovetsky Azot	62%
NIUIF	62%

Health and Safety

PhosAgro considers the health and safety of its employees to be the most significant responsibility related to its operations.

Increasing the level of safety across all PhosAgro's enterprises is always on our agenda. PhosAgro follows the Russian industry safety standards that are applicable to each of 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.



Health and Safety Initiatives

As we strive to create a healthy and safe 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 by annual occupational safety workshops and we try to ensure that they have an adequate knowledge of workplace safety procedures before they are permitted to work on a site and in a facility.

In line with the Company's policies, Apatit has a safety policy supported by regulations and standing instructions, which apply to all operations and job categories and which are updated every five years under the Health and Safety Laws of Russia. Each of Apatit's facilities has a health and safety programme for operational and technical issues, which is 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 safety.

In 2011, there was a decrease in the injuries that occurred at Ammophos and BMF when compared to 2010, mainly as a result of stricter control over compliance with all the prescribed rules and regulations in the workplace, as well as tougher measures against those who breached the rules.

Ammophos and Cherepovetsky Azot are currently certified under the integrated quality, environmental, health and safety management system OHSAS 18001:2007. PhosAgro expects to obtain an OHSAS certificate for Apatit in 2012.

Occupational Health Initiatives

All PhosAgro's businesses are committed to implement social programmes, including healthcare and wellbeing programmes, for employees and their families. 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 (Ammophos and Cherepovetsky Azot)
- Holiday homes and camps for children
- Gyms and sport centres
- Community centres

Apatit, PhosAgro's biggest subsidiary, is the largest employer in two towns – Kirovsk and Apatity. The collective agreement signed by Apatit is an example of the practical realisation of social partnership principles, and provides, among other things, for holidays and medical treatment on favourable terms for employees. A voluntary medical insurance programme for employees and their families covers more expensive treatments and examinations.

Environmental Protection

Due to the nature of its business, some of PhosAgro's activities may have an adverse impact on the environment.

This may include the discharge of pollutants into the atmosphere, the accumulation of waste water and the production of various types of solid waste, which need to be disposed of or recycled. For this reason, one of PhosAgro's main priorities is to minimise the environmental impact of its operations. We ensure that our environmental management systems comply with the relevant legislation and ISO 14001:2004 environmental standards and our downstream enterprises have been certified compliant with these standards. This is confirmed annually in line with established procedures. We also expect to obtain an ISO 14001:2004 certificate for Apatit in 2013.

One of PhosAgro's main priorities is to minimise the environmental impact of its operations

Our environmental protection strategy and policy are determined by the Environmental Doctrine of the Russian Federation, Russian environmental legislation, Government regulations and by the Company's ecological strategy. Strategies and policies developed by and introduced at each of our subsidiaries go to make up PhosAgro's unified environmental protection strategy and policy. 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 the discharge of pollutants;
- Reduction of the discharge of pollutants by the Company's enterprises into the atmosphere and into rivers, lakes, etc. 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;
- Measures to reduce the environmental impact of waste storage by improving the design and reliability of storage systems;
- 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 and the Kyoto Protocol.

In 2011, the international consulting firm AMEC conducted an independent environmental and key occupational health and safety assessment of the Company's operations at Ammophos, BMF, Cherepovetsky Azot and Agro-Cherepovets. Based on its assessment, AMEC has concluded that (i) each enterprise possesses all the legally required licences and authorisations, including those relating to norms/limits on air emissions, waste water discharge and solid waste disposal; and (ii) the enterprises' operations are generally compliant with the conditions set out in the relevant permits and the applicable Russian legislation. AMEC also praised the strict control exercised by PhosAgro's management over its enterprises with regards to compliance with all requirements and regulations, as well as management's significant efforts to increase energy efficiency.

Environmental Initiatives

Air Quality

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

The ore crushing facilities at Apatit are equipped with gas handling and dust capture systems. The amount of dust being blown around from the tailing dumps is minimised by using chemical compounds to form a crust on the dust-generating surfaces and by replanting and biologically restoring the dumps.

Cherepovetsky Azot is currently implementing a project aimed at reducing the emission of greenhouse gas (GHG, or nitrous oxide), using the selective catalytic decomposition method. This is widely used by leading foreign companies. According to the project documentation, this project will enable Cherepovetsky Azot to reduce GHG emissions up to 2.7 million tonnes of CO₂ in the period 2008-2012. Therefore, in 2011, Cherepovetsky Azot continued working towards receiving all necessary approvals from the Russian authorities for this project within the framework of the Kyoto Protocol.

Water Treatment

BMF is currently the only enterprise in the Russian fertiliser market to use a closed-cycle water supply, which avoids any contamination of regional water resources by polluted waste water. The introduction of this technology is especially important for BMF as it is located in the Saratov region, close to the Volga River.

Ammophos regularly monitors the condition of its water-based system for removing phosphogypsum and its sludge storage facilities, and carries out geomonitoring of local groundwater pits. The main objective of the monitoring is to prevent situations that may lead to groundwater contamination. In 2011, Ammophos put into operation the first phase of a combined sludge reservoir with a total storage capacity of 100 million cubic metres of phosphogypsum. The first phase includes a bund wall and ditch drains, water discharge structures, a clarified wastewater pump station, buffer pool and other structures. In addition, Ammophos commissioned a new microbiological laboratory as part of its water treatment reconstruction programme. This laboratory uses the latest technologies to ensure the highest standards of quality control for the drinking water consumed by Ammophos employees.

Energy efficiency

All PhosAgro's enterprises have developed and introduced energy saving and energy efficiency programmes in order to meet the requirements of the Federal Law of the Russian Federation "On Saving Energy and Increasing Energy Efficiency, and on Amendments to Certain Legislative Acts of the Russian Federation". In addition, programmes for the replacing / refurbishing of equipment were developed and implemented, which will reduce energy usage.

Cherepovetsky Azot is currently building a modern urea production plant with an annual production capacity of 500,000 tonnes and a new gas turbine power plant with a power generation capacity of 32 MW. By producing urea, Cherepovetsky Azot will resolve the issue of processing ammonia and CO₂ into value-added fertilisers. The new gas turbine unit will supply nearly all the enterprise's electricity requirements and will significantly improve the enterprise's energy efficiency indicators.

Between 2003 and 2009, four new sulphuric acid units with a total production capacity of 2.7 million tonnes of sulphuric acid per year were installed at Ammophos. As a result, the total generating capacity of the turbine generators, which are driven by the exhaust steam coming from the new sulphuric acid units, increased to 102 MW. The enterprise is now fully self-sufficient in power generation, and also contributes to the energy resources of the Vologda region. In November 2011, the new sulphuric acid unit was installed at BMF and, as a result, the enterprise's total production capacity was increased by 50% to 1.9 million tonnes of sulphuric acid per year. In addition to the new sulphuric acid unit, a 25MW turbine generator was installed at BMF, which enabled BMF to attain more than 70% self-sufficiency in relation to its power supply.

In 2011, Apatit was awarded the "European Quality" gold medal and was included in the top 100 best enterprises in Russia in the field of ecology and environmental management. This gold medal is in recognition of PhosAgro's achievements in the area of environmental protection, as well as its ongoing work towards creating safe working conditions and better environmental management. Konstantin Nikitin, General Director of Apatit, received the "Environmentalist of the Year" award, and Fedor Nachevkin, Head of Environmental Protection at Apatit, received the "Best Manager of Environmental Services" award.

In May 2011, PhosAgro sponsored and participated in the 4th Nevsky International Ecological Congress. The main objective of the Congress was to join forces and share initiatives and the experience of government, business, science, social and environmental organisations in the fields of environmental protection and ecological safety.

Social Programmes

PhosAgro recognises its responsibility to promote social stability and the sustained economic development of the communities in which it operates. PhosAgro strives to be recognised as an attractive local employer and a caring corporate citizen. The Company continually tries to improve the quality of, and assist in the development of, the social environment through investment and contribution to social programmes within the local communities.

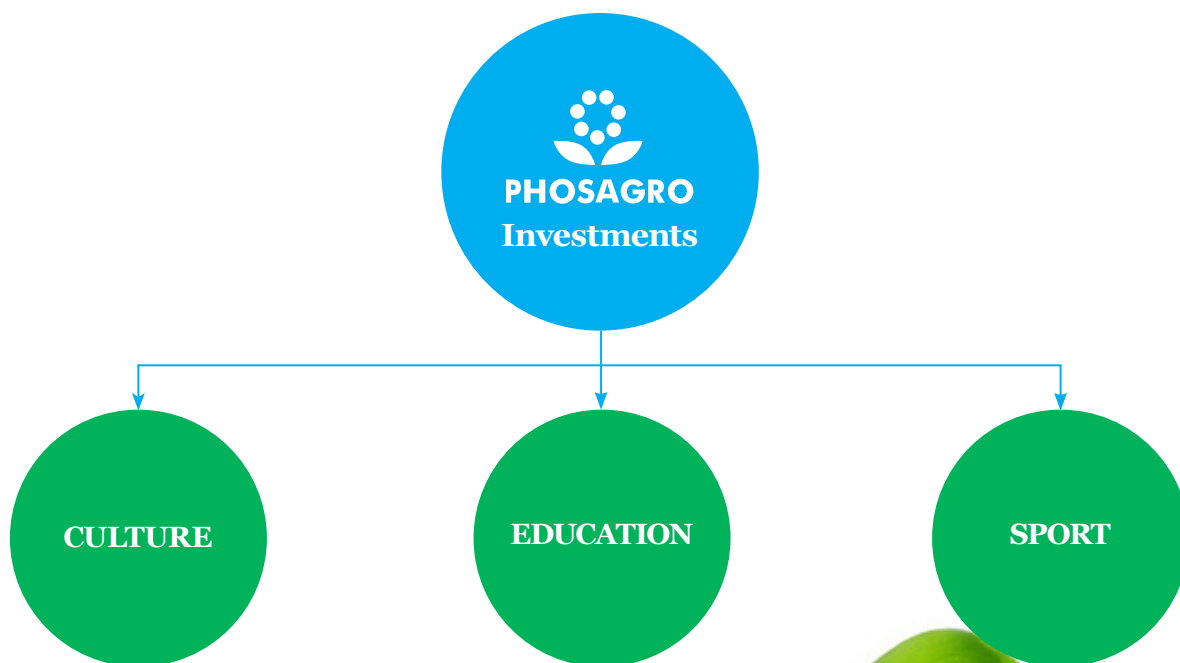
Through social programmes, PhosAgro aims to build positive long-term relationships and to have an open dialogue with non-governmental organisations, local authorities and other community participants. Our aim is to reduce the possibility of social conflict, and to ensure that the Company actually helps people and provides the relevant support to them. 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.

PhosAgro cooperates with local authorities on a number of matters, such as developing urban infrastructure, improving and expanding community facilities, and contributing to sporting and cultural development. PhosAgro's sponsorship and charitable activities are prioritised around the following areas:

- support for development of culture, sports and education;
- support for vulnerable groups of society (i.e. pensioners, disabled people, World War II veterans);
- sponsorship of kindergartens and schools.



Investment in culture, sports and education



With the aim of supporting local communities, PhosAgro promotes the preservation and development of the cultural, spiritual and historical heritage of Russia.

PhosAgro supports the State Academic Maly Theatre and the charity fund called "Philanthropist". The Company sponsored concerts performed by the Symphony Cappella Orchestra "Tavrisheskaya" in Kirovsk and Apatity. PhosAgro also supports cultural centres in Khibiny, Balakovo and Cherepovets, where the Company is present.

PhosAgro provides ongoing all-round support to the St. Petersburg State Mining University.

In 2010 and 2011, PhosAgro sponsored the construction of a kindergarten in the Republic of Mordovia, following the Russian President's and the government's appeal to help areas that were heavily damaged by forest fires. The Company took on 50% of the total expenditure, which enabled the initially planned capacity of the kindergarten of 70 to be increased to 126 places. The total investment in the project amounted to RUB 27 million.

In 2011, PhosAgro donated RUB 2 million for the modernisation of Vernadsky State Geological Museum. In 2011, PhosAgro signed an agreement with Cherepovets city government to convert Professional Specialised School No. 37 into Cherepovets College for Chemical Engineering. The goal of this project is to improve the educational level of prospective employees of PhosAgro's subsidiaries in Cherepovets. The Company's total investment in the project will amount to RUB 45 million. The conversion is planned to be completed in 2012.

PhosAgro supports and sponsors the following sports organisations:

- Independent Non-profit Organisation Football club "Sheksna" (Cherepovets, Russia)
- Independent Non-profit Organisation Sports club "Speedway" (Balakovo, Russia)
- Russian Chess Federation
- Russian Swimming Federation
- Russian Rhythmic Gymnastics Federation
- Russian Olympians Foundation

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.

THE SCHOOL OF RHYTHMIC GYMNASTICS IN KIROVSK

In 2011, PhosAgro founded a school of rhythmic gymnastics in Kirovsk. The school was set up under the auspices of the Educational Centre "Drozd-Khibiny". Irina Viner, President of the Russian Rhythmic Gymnastics Federation, Valery Yazev, Deputy Chairman of the State Duma, Andrey Guriev, member of the Federal Assembly from the Murmansk region and Renat Laishev, General Director of the State Educational Centre "Sambo-70", took part in the opening ceremony. Several of Irina Viner's students, who are members of the Russian rhythmic gymnastics team, performed during the ceremony, showcasing their programme for the London 2012 Olympic Games. Thus, Kirovsk citizens had a unique opportunity to be among the first spectators to enjoy the performance of this programme. The school is headed by Elena Eryomenko, who is a former student of Irina Viner. Ms. Eryomenko is a Russian Federation Master of Sport, and has won medals in the International Summer Universiade and the Russia Championship. Elena Eryomenko already trains over ninety young gymnasts. The school has all the necessary up-to-date facilities to ensure that students are successfully trained.

SKI RESORT "BIG WOODYAVR" IN THE MURMANSK REGION

Established with the support of PhosAgro, the ski resort "Big Woodyavr" has been awarded "The Best Snowboard Park" for the second consecutive year at the United International Congress of Winter Sports on 15 – 17 June 2011. The ski resort has also been recognised as "The Best Ski Resort in Russia". In addition, during the winter season 2010-2011 the ski resort installed new artificial snow making equipment and lighting for the slopes, which made it possible to host the first stage of the Russia Cup Series for alpine skiing in November 2011.



Support for vulnerable groups of society

PhosAgro supports disabled people, World War II veterans and veterans of labour. In 2011, Apatit donated RUB 799,000 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 World War II veterans and veterans of labour 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.



Support for local communities

Apatit is located within the borders of Kirovsk and Apatity in the Murmansk region of Russia, and is the main employer in these cities.

The company therefore plays a key role in the socio-economic development of these monocities. The sponsorship and charitable activities of Apatit include the following:

- patronage for educational organisations;
- organisation of cultural, sports and leisure activities;
- reconstruction of hospitals and medical organisations;
- construction of children's playgrounds;
- other socially-oriented projects in the region.

PhosAgro is involved in similar sponsorship and charitable activities in the other regions where it operates.

Management Responsibility Statement

The Company's management believes 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 2011 were approved by the Company's management on 19 April 2012.

Consolidated Financial Statements

for the year ended 31 December 2011

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Independent Auditors' Report

**To the Board of Directors
OJSC "PhosAgro"**



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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 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
19 April 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

In millions of RUB,
except for per share information

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Revenues	7	100,518	76,951
Cost of sales	9	(56,196)	(47,670)
Gross profit		44,322	29,281
Administrative expenses	10	(5,758)	(5,247)
Selling expenses	11	(6,588)	(6,515)
Taxes, other than income tax		(1,411)	(999)
Other (expenses)/income, net	12	(1,246)	(1,833)
Operating profit		29,319	14,687
Finance income	13	824	1,512
Finance costs	14	(1,329)	(437)
Foreign exchange loss		(2,836)	(132)
Share of profit of associates	17	2,318	–
Profit before taxation		28,296	15,630
Income tax expense	15	(5,820)	(3,649)
Profit for the year		22,476	11,981
Attributable to:			
Non-controlling interests		2,541	1,403
Equity holders of the Parent		19,935	10,578
Other comprehensive income:			
Revaluation of available-for-sale securities	17	(361)	227
Recycling of revaluation gain on available-for-sale securities to profit and loss	17	(2,076)	–
Actuarial gains and losses	27	17	(377)
Foreign subsidiary translation difference		334	25
Other comprehensive income for the year		(2,086)	(125)
Total comprehensive income for the year		20,390	11,856
Attributable to:			
Non-controlling interests		2,514	1,305
Equity holders of the Parent		17,876	10,551
Basic and diluted earnings per share (in RUB)	25	161	85

The consolidated financial statements were approved on 19 April 2012:


VOLKOV M.V.
Chief executive officer


VALENKOVA E.V.
Chief accountant

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 82 to 104.

Consolidated Statement of Financial Position

as at 31 December 2011

In millions of RUB

	Note	As at 31 December 2011	As at 31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	16	57,116	46,480
Intangible assets		640	776
Investments in associates	17	7,910	9,365
Other non-current assets	18	3,556	7,147
		69,222	63,768
Current assets			
Other current investments	20	2,123	3,300
Inventories	21	10,096	7,716
Current income tax receivable		166	379
Trade and other receivables	22	10,734	15,521
Cash and cash equivalents	23	16,946	5,261
		40,065	32,177
TOTAL ASSETS		109,287	95,945
EQUITY AND LIABILITIES			
Equity			
Share capital	24	360	360
Share premium		1,099	496
Treasury shares		-	(37)
Retained earnings		42,265	55,311
Other reserves		61	2,120
Equity attributable to Equity holders of the Parent		43,785	58,250
Equity attributable to non-controlling interests		16,923	15,079
		60,708	73,329
Non-current liabilities			
Loans and borrowings	26	16,592	3,423
Defined benefit obligations	27	922	931
Deferred tax liabilities	19	2,850	2,700
		20,364	7,054
Current liabilities			
Trade and other payables	29	11,407	9,461
Current income tax payable		801	592
Loans and borrowings	26	15,561	5,509
Derivative financial liabilities		446	-
		28,215	15,562
TOTAL EQUITY AND LIABILITIES		109,287	95,945

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 82 to 104.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

In millions of RUB

	Note	Year ended 31 December 2011	Year ended 31 December 2010
OPERATING ACTIVITIES			
Profit before taxation		28,296	15,630
Adjustments for:			
Depreciation, amortisation and impairment		6,051	5,777
Reversal of impairment loss	12	(190)	–
Loss on disposal of fixed assets	12	24	262
Interest expense	14	883	437
Interest income	13	(819)	(703)
Dividend income	13	(5)	(78)
Gain on disposal of investments	13	–	(731)
Share of profit of associates	17	(2,318)	–
Foreign exchange loss		2,967	–
Loss from revaluation of derivatives	14	446	–
Operating profit before changes in working capital and provisions		35,335	20,594
Increase in inventories		(2,379)	(869)
Decrease/(increase) in trade and other receivables		4,499	(1,953)
Increase in trade and other payables		1,184	594
Cash flows used in operations before income taxes and interest paid		38,639	18,366
Income tax paid		(5,399)	(2,940)
Interest paid		(865)	(293)
Cash flows from operating activities		32,375	15,133
INVESTING ACTIVITIES			
Loans repaid/ (issued)		3,125	(4,376)
Acquisition of intangible assets		(115)	(191)
Acquisition of property, plant and equipment		(12,905)	(13,040)
Proceeds from disposal of property, plant and equipment		527	49
Proceeds from disposal of investments		1,391	2,359
Acquisition of investments in associates		(471)	–
Acquisition of investments		(950)	(1,580)
Interest received		819	703
Dividends received		1,840	78
Cash and cash equivalents included in investments in associates upon deconsolidation		–	(977)
Cash flows used in investing activities		(6,739)	(16,975)
FINANCING ACTIVITIES			
Proceeds from borrowings		38,967	21,182
Repayment of borrowings		(19,999)	(16,110)
Acquisition of treasury shares		–	(75)
Proceeds from disposal of treasury shares		791	–
Acquisition of non-controlling interests		(9,196)	(3)
Disposal of non-controlling interests		9,864	42
Dividends paid to non-controlling interests		(1,676)	(859)
Dividends paid to shareholders of the Parent		(32,253)	(2,469)
Finance leases paid		(487)	(227)
Cash flows (used in)/from financing activities		(13,989)	1,481
Net increase/(decrease) in cash and cash equivalents		11,647	(361)
Cash and cash equivalents at beginning of year		5,261	5,622
Effect of changes in exchange rates		38	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		16,946	5,261

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 82 to 104.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

In millions of RUB

	Note	Attributable to equity holders of the Company								Total
		Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Treasury shares	Attributable to non-controlling interests	
Balance at 1 January 2010		360	210	49,215	1,905	102	140	–	15,064	66,996
Total comprehensive income for the year										
Profit for the year		–	–	10,578	–	–	–	–	1,403	11,981
Revaluation of available-for-sale securities		–	–	–	227	–	–	–	–	227
Actuarial gains and losses		–	–	–	–	(279)	–	–	(98)	(377)
Foreign subsidiary translation difference		–	–	–	–	–	25	–	–	25
		–	–	10,578	227	(279)	25	–	1,305	11,856
Transactions with owners, recognised directly in equity										
Effect of acquisition of additional shares in subsidiaries		–	–	(10)	–	–	–	–	(52)	(62)
Disposal of non-controlling interests in subsidiary		–	–	91	–	–	–	–	107	198
Acquisition of treasury shares		–	–	–	–	–	–	(75)	–	(75)
Disposal of treasury shares		–	286	–	–	–	–	38	–	324
Dividends to shareholders of the Company	24	–	–	(4,563)	–	–	–	–	–	(4,563)
Dividends to non-controlling interests		–	–	–	–	–	–	–	(1,345)	(1,345)
		–	286	(4,482)	–	–	–	(37)	(1,290)	(5,523)
Balance at 31 December 2010		360	496	55,311	2,132	(177)	165	(37)	15,079	73,329

	Note	Attributable to equity holders of the Company								Total
		Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Treasury shares	Attributable to non-controlling interests	
Balance at 1 January 2011		360	496	55,311	2,132	(177)	165	(37)	15,079	73,329
Total comprehensive income for the year										
Profit for the year		–	–	19,935	–	–	–	–	2,541	22,476
Revaluation of available-for-sale securities		–	–	–	(361)	–	–	–	–	(361)
Re-cycling of available-for-sale securities to profit and loss		–	–	–	(2,076)	–	–	–	–	(2,076)
Actuarial gains and losses		–	–	–	–	44	–	–	(27)	17
Foreign subsidiary translation difference		–	–	–	–	–	334	–	–	334
		–	–	19,935	(2,437)	44	334	–	2,514	20,390
Transactions with owners, recognised directly in equity										
Acquisition and disposal of non-controlling interest in subsidiaries		–	–	91	–	–	–	–	577	668
Disposal of treasury shares		–	603	–	–	–	–	37	–	640
Dividends to shareholders of the Company	24	–	–	(33,072)	–	–	–	–	–	(33,072)
Dividends to non-controlling interests		–	–	–	–	–	–	–	(1,247)	(1,247)
		–	603	(32,981)	–	–	–	37	(670)	(33,011)
Balance at 31 December 2011		360	1,099	42,265	(305)	(133)	499	–	16,923	60,708

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 82 to 104.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2011

1. Background

Organisation and operations

OJSC “PhosAgro” (the “Parent Company” or “the Company”) is a Russian open joint stock company as defined in the Civil Code of the Russian Federation. The Parent Company and its subsidiaries (together referred to as the “Group”) comprise Russian legal entities. The Parent company was registered in October 2001. The Parent Company’s registered office is 119333, Leninsky Prospekt 55/1 building 1, Moscow, Russian Federation.

The Group’s principal activity is production of apatite concentrate and mineral fertilizers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region) and Balakovo (Saratov 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 Guriyev and his family members.

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

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.

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.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Parent Company 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 2011 were translated at the closing exchange rate of RUB 32.1961 for USD 1 (31 December 2010: RUB 30.4769 for USD 1);
- Profit and loss items were translated at the average exchange rate for 2011 of RUB 29.3874 for USD 1 (2010: RUB 30.3692 for USD 1).
- Equity items, which were recognised at the date of adoption of IFRS, 1 January 2005, were translated at the exchange rate of RUB 27.7487 for USD 1. Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction.
- The resulting foreign exchange difference is recognised in other comprehensive income.

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.

3. Significant Accounting Policies (continued)

(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.

3. Significant Accounting Policies (continued)

(c) Property, plant and equipment (continued)

(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	15 to 30 years
Plant and equipment	5 to 30 years
Fixtures and fittings	2 to 10 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 derivatives are not designated as hedging instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value with the changes in fair value 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.

3. Significant Accounting Policies (continued)

(f) Inventories (continued)

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.

3. Significant Accounting Policies (continued)

(i) Impairment (continued)

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 cost. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost 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 in the balance sheet 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.

3. Significant Accounting Policies (continued)

(o) Income tax (continued)

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, relating 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 2011, and have not been applied in preparing these consolidated financial statements.

3. Significant Accounting Policies (continued)

(u) New Standards and Interpretations not yet adopted (continued)

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 July 2013 and early adoption is permitted. The amendment generally applies retrospectively. The Company's preliminary assessment is that it is compliant with the new standard.
 - **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).
 - **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 2012. 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.
 - **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.
 - **Amendment to IFRS 7 Disclosures – Transfers of Financial Assets** introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011.

3. Significant Accounting Policies (continued)

(u) New Standards and Interpretations not yet adopted (continued)

- **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.

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.

5. Financial risk management (continued)

(b) Credit risk (continued)

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.

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.

Guarantees

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:

6. Segment information (continued)

- Phosphate-based products segment includes mainly production and distribution of ammophos, diammoniumphosphate and other phosphate based and complex (NPK) fertilizers on the factories located in Cherepovets and Balakovo and production and distribution of apatite concentrate extracted from the apatite-nepheline ore, which is mined and processed in Kirovsk;
- Nitrogen fertilizers segment includes mainly production and distribution of ammonia, ammonium nitrate and urea on the factory located in Cherepovets.

Certain assets, revenue and expenses, not allocated to any particular segment, and are therefore included into the "other operations" column. None of these operations meet any of the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit, as included in the internal management reports that are reviewed by the Group's CEO.

Business segment information of the Group at 31 December 2011 and for the year then ended is as follows:

RUB Million	Phosphate-based products	Nitrogen fertilizers	Other operations	Inter-segment elimination	Total
Segment revenue and profitability					
Segment external revenues, thereof:	88,982	10,727	809	-	100,518
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

Business segment information of the Group at 31 December 2010 and for the year then ended is as follows:

RUB Million	Phosphate-based products	Nitrogen fertilizers	Other operations	Inter-segment elimination	Total
Segment revenue and profitability					
Segment external revenues, thereof:	68,832	7,012	1,106	-	76,950
Export	43,875	6,131	78	-	50,084
Domestic	24,957	881	1,028	-	26,866
Inter-segment revenues	-	2,154	-	(2,154)	-
Cost of goods sold	(42,812)	(6,253)	(1,814)	2,154	(48,725)
Gross segment profit/(loss)	26,020	2,913	(708)	-	28,225
Certain items of profit and loss					
Amortisation and depreciation	(4,262)	(347)	(115)	-	(4,724)
Total non-current segment assets	37,241	4,767	2,309	-	44,317
Additions to non-current assets	8,393	1,101	1,120	-	10,614

6. Segment information (continued)

The analysis of export revenue by regions is as follows:

RUB Million	2011	2010
Europe	16,197	14,381
India	12,029	9,127
North and South America	28,287	14,334
Other regions	13,750	12,242
	70,263	50,084

In 2011 revenue from sales of phosphate-based products to one single customer amounted to approximately 28% (RUB 27,725 million) of the Group's total revenue (2010: 20% (RUB 15,169 million)).

RUB Million	2011	2010
Total segment revenues	100,518	76,950
Difference in timing of revenue recognition between management accounts and IFRS	-	1
Consolidated revenue	100,518	76,951

RUB Million	2011	2010
Total segmental profit	43,979	28,225
Difference in depreciation and amortisation	(77)	(50)
Difference in timing of expenses recognition	(168)	(295)
Difference in timing of revenue recognition	-	1
Re-allocation (from)/to administrative expenses	(89)	1,044
Re-allocation from selling expenses	(184)	-
Re-allocation from other income	297	-
Recognition of finance lease	350	219
Other adjustments	214	137
Consolidated gross profit	44,322	29,281

RUB Million	2011	2010
Total segment assets	52,554	44,317
Difference in the carrying value of the tangible fixed assets and intangible assets between management accounts and IFRS	5,202	2,939
Consolidated non-current segment assets	57,756	47,256

7. Revenues

RUB Million	2011	2010
Sales of chemical fertilizers	79,714	57,861
Sales of apatite concentrate	14,480	13,887
Sales of ammonia	1,824	1,167
Sales of nepheline concentrate	771	615
Other sales	3,729	3,421
	100,518	76,951

The domestic sales prices for apatite concentrate are subject to various regulations of the Federal Anti-monopoly Service and Russian law "On the protection of competition and restriction of monopoly activities". 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 8,705 million (2010: RUB 7,995 million).

8. Personnel costs

RUB Million	2011	2010
Cost of sales	(11,078)	(8,789)
Administrative expenses	(3,334)	(2,809)
Selling expenses	(537)	(461)
	(14,949)	(12,059)

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

9. Cost of sales

RUB Million	2011	2010
Materials and services	(23,032)	(21,013)
Salaries and social contributions	(11,078)	(8,789)
Depreciation and amortisation	(5,486)	(4,774)
Natural gas	(4,951)	(4,459)
Sulphur and sulphuric acid	(4,838)	(2,447)
Fuel	(4,207)	(3,674)
Electricity	(3,290)	(3,152)
Other items	(51)	(43)
Change in stock of WIP and finished goods	737	681
	(56,196)	(47,670)

10. Administrative expenses

RUB Million	2011	2010
Salaries and social contributions	(3,334)	(2,809)
Depreciation, amortisation and impairment	(449)	(428)
Other	(1,975)	(2,010)
	(5,758)	(5,247)

11. Selling expenses

RUB Million	2011	2010
Russian Railways infrastructure tariff and operators' fees	(3,488)	(3,272)
Port and stevedoring expenses	(1,571)	(1,291)
Materials and services	(901)	(1,401)
Salaries and social contributions	(537)	(461)
Depreciation and amortisation	(91)	(90)
	(6,588)	(6,515)

12. Other income/(expenses), net

RUB Million	2011	2010
Social expenditures	(1,348)	(964)
Depreciation and amortisation	(25)	(83)
Loss on disposal of fixed assets	(24)	(262)
(Increase)/decrease in provision for inventory obsolescence	4	151
Decrease/(increase) in provision for bad debt	40	(35)
Reversal/(recognition) of impairment losses	190	(402)
Other operating expenses	(83)	(238)
	(1,246)	(1,833)

13. Finance income

RUB Million	2011	2010
Interest income	819	703
Dividend income	5	78
Gain on disposal of investments	-	731
	824	1,512

Interest income mainly relates to interest accrued on bank deposits and loans issued to related parties. The gain on disposal of investment in 2010 relates mainly to disposal of 60% in a subsidiary LLC "FOSAGRO UKRAINE" for a consideration of RUB 1 million to a third party. At the moment of disposal, this subsidiary had negative net assets in the amount of RUB 288 million which resulted in recognition of a gain on disposal of RUB 289 million. The Group retained 40% shareholding in LLC "FOSAGRO UKRAINE" subsequent to the disposal.

14. Finance costs

RUB Million	2011	2010
Interest expense	(883)	(437)
Loss on revaluation of derivative financial instruments	(446)	-
	(1,329)	(437)

15. Income tax expense

The Parent company's applicable corporate income tax rate is 20%.

RUB Million	2011	2010
Current tax expense	(5,670)	(3,506)
Origination and reversal of temporary differences, including change in unrecognised assets	(150)	(143)
	(5,820)	(3,649)

Reconciliation of effective tax rate:

	2011		2010	
	RUB Million	%	RUB Million	%
Profit before taxation	28,296		15,630	
Income tax at applicable tax rate	(5,659)	(20)	(3,126)	(20)
Underprovided in respect of prior years	35	-	7	-
Unrecognized tax liability on income from associates	464	2	-	-
Unrecognized 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	-	-
Realisation of the deferred tax liability relating to investment in subsidiary due to intra-group transfer of investments	-	-	(329)	(2)
Non-deductible items	(823)	(3)	(574)	(3)
Change in unrecognised deferred tax assets	(284)	(1)	373	2
	(5,820)	(21)	(3,649)	(23)

16. Property, plant and equipment

RUB Million	Land and building	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2010	11,675	33,912	840	10,934	57,361
Additions	-	-	-	10,614	10,614
Transfers	625	3,913	1,387	(5,925)	-
Transfer to investments in associates, see note 17	-	(1,183)	-	(10)	(1,193)
Disposals	(38)	(410)	(12)	(158)	(618)
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 31 December 2011	13,856	45,336	1,949	20,750	81,891
Accumulated depreciation					
At 1 January 2010	(2,530)	(11,671)	(603)	-	(14,804)
Depreciation charge	(505)	(4,457)	(119)	-	(5,081)
Impairment	-	(213)	-	(190)	(403)
Transfer to investments in associates, see note 17	-	297	-	-	297
Disposals	27	272	8	-	307
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 31 December 2011	(3,722)	(20,114)	(939)	-	(24,775)
Net book value at 1 January 2010	9,145	22,241	237	10,934	42,557
Net book value at 1 January 2011	9,254	20,460	1,501	15,265	46,480
Net book value at 31 December 2011	10,134	25,222	1,010	20,750	57,116

RUB 94 million of interest expense was capitalized in the cost of qualifying assets.

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

- After-tax discount rate 13.8% (2010: 13.8%)
- Terminal growth rate 3% (2010: 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 1,783 million (2010: RUB 4,643 million) are pledged to secure bank loans, see note 26.

(c) Leasing

Machinery with the carrying value of RUB 2,603 million (31 December 2010: RUB 994 million) is leased under various finance lease agreements, see note 28.

17. Investments in associates

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.

17. Investments in associates (continued)

As at 31 December 2010 and 2011 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.

Upon the loss of control in the associate in 2010, the Group entered in a number of put-call agreements with the PhosInt Limited, whereby the PhosInt Limited has the right and the obligation to sell and the Company has the right and obligation to buy, 561 thousand of ordinary and 106 thousand of preferred shares in JSC "Cherepovetsky "Azot", representing 7.03% and 9.44% of the shares of the relevant class, for a fixed consideration of RUB 570 million. In accordance with the substance of these agreements, the minority parcels of the shares subject to the option agreements have been recognised as if the shares are owned by the Company.

In May 2011 the Group entered into acquisition agreement for 24% of CJSC "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".

The movement in the balance of investment in associate for the year ended 31 December 2011 is as follows:

RUB Million	2011
Balance at 31 December 2010	9,365
Acquisition of CJSC "Metachem" and CJSC "Pikalevskaya soda"	313
Disposal of CJSC "Pikalevskaya soda"	(145)
Share in profit for the period	2,318
Share in revaluation of available-for-sale securities	(359)
Re-cycling of the available-for-sale revaluation surplus to profit and loss	(2,076)
Currency translation difference	334
Dividends accrued	(1,840)
Balance at 31 December 2011	7,910

Carrying values of the Group's investment in associates at 31 December 2011 and 2010 are as follows:

RUB Million	2011	2010
PhosInt Group	7,646	9,365
FOSAGRO UKRAINE	-	-
Metachem Group	264	-
	7,910	9,365

The summarized financial position of the associates at 31 December 2011 and 2010 is as follows:

2011	Metachem Group	PhosInt Group	FOSAGRO UKRAINE
Total assets	2,593	10,213	76
Total liabilities	(1,493)	(2,600)	(363)
	1,100	7,613	(287)

2010	PhosInt Group	FOSAGRO UKRAINE
Total assets	9,575	148
Total liabilities	(210)	(436)
	9,365	(288)

The summarized result of operations of the associates for the year ended 31 December 2011 is as follows:

2011	Metachem Group*	PhosInt Group	FOSAGRO UKRAINE
Revenue	5,007	291	2,200
Profit for the period	399	2,441	21

* For the seven-month period ended 31 December 2011

Profit for the year was partly allocated to PhosAgro based on the profit sharing agreement which was signed on the date the control was lost.

No significant revenue or net result was realised by PhosInt Group or LLC "FOSAGRO UKRAINE" from the moment when they became Group associates until 31 December 2010.

18. Other non-current assets

RUB Million	2011	2010
Advances issued for construction of property, plant and equipment, at cost	1,976	3,766
Advance for construction of residential property, at cost	-	2,278
Financial assets available for sale at cost	748	720
Finance lease receivable	315	290
Loans issued at amortised cost	181	27
Financial assets available-for-sale at fair value	64	66
Loans issued to associates at amortised cost	11	-
Other non-current assets	261	-
	3,556	7,147

In June 2011 the advance for construction of residential property, at cost, was assigned to a related party and settled until the year end.

19. 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	2011			2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	5	(3,270)	(3,265)	25	(2,912)	(2,887)
Other long-term assets	47	(219)	(172)	10	(108)	(98)
Current assets	220	(255)	(35)	263	(115)	148
Liabilities	620	(56)	564	261	(63)	198
Tax loss carry-forwards	570	–	570	167	–	167
Provision for tax loss carry-forwards	(438)	–	(438)	(167)	–	(167)
Unrecognised deferred tax assets	(74)	–	(74)	(61)	–	(61)
Tax assets / (liabilities)	950	(3,800)	(2,850)	498	(3,198)	(2,700)
Set off of tax	(950)	950	–	(498)	498	–
Net tax assets / (liabilities)	–	(2,850)	(2,850)	–	(2,700)	(2,700)

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

The aggregate amount of temporary differences associated with investment in subsidiaries at the reporting date is RUB 18,970 million (31 December 2010: RUB 26,306 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 5,234 million.

(b) Movement in temporary differences during the year

RUB Million	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)

RUB Million	2010	Recognised in profit and loss	2009
Property, plant and equipment	(2,887)	(261)	(2,626)
Other long-term assets	(98)	(37)	(61)
Current assets	148	51	97
Liabilities	198	(41)	239
Tax loss carry-forwards	167	(228)	395
Provision for tax loss carry-forwards	(167)	228	(395)
Unrecognised deferred tax assets	(61)	145	(206)
Net tax assets / (liabilities)	(2,700)	(143)	(2,557)

20. Other current investments

RUB Million	2011	2010
Loans issued to associates at amortised cost	944	–
Bank promissory notes	669	766
Bank deposits	–	4
Letters of credit	–	64
Loans issued to related parties at amortised cost	441	2,466
Loans issued at amortised cost	69	–
	2,123	3,300

Bank promissory notes with the carrying value of RUB 669 million (31 December 2010: RUB 766 million) are pledged to secure bank loans, see note 26.

21. Inventories

RUB Million	2011	2010
Raw materials and spare parts	5,983	4,344
Fertilizers	2,795	2,645
Apatit rock	775	293
Apatit concentrate	463	374
Work-in-progress	345	329
Provision for obsolescence	(265)	(269)
	10,096	7,716

Finished goods with the carrying value of RUB 49 million (31 December 2010: RUB 36 million) are pledged to secure bank loans, see note 26.

22. Trade and other receivables

RUB Million	2011	2010
Receivable for shares of OJSC "AgroGard-Finance"	—	4,222
Taxes receivable	4,373	3,285
Advances issued	2,038	2,462
Trade accounts receivable	3,372	1,846
Other receivables	792	1,117
Deferred expenses	125	185
Receivables from associates	168	131
Receivables from related parties	51	2,546
Receivables from employees	13	—
Finance lease receivable	35	—
Provision for doubtful accounts	(233)	(273)
	10,734	15,521

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

RUB Million	2011	2010
Not past due	3,202	1,773
Past due 0-180 days	86	35
Past due 180-365 days	12	17
More than one year	72	21
	3,372	1,846

23. Cash and cash equivalents

RUB Million	2011	2010
Cash in bank	11,710	2,857
Call deposits	5,173	2,400
Short-term promissory notes	58	—
Petty cash	5	4
	16,946	5,261

24. Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares	Preferred shares of class "A1"	Preferred shares of class "A2"
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	—	—
Shares on issue at 31 December 2010, RUB 25 par value	10,647,708	1,764,001	35,999
Shares authorised for additional issue at 31 December 2010, RUB 25 par value	100,000,000	30,000,000	—

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 the year 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 into 10 ordinary shares with the par value of 2.5 RUB. The share split was completed in March 2012. As a result, the Company's issued share capital is comprised of 124,477,080 shares having par value of 2.5 RUB each. The Company's authorized share capital for additional issue is comprised of 1,000,000,000 shares having par value of 2.5 RUB each.

(b) Dividend policy

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

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 Parent Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Parent Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2011 the Parent Company had cumulative retained earnings of RUB 16,705 million (31 December 2010: RUB 27,179 million).

In January 2011 dividends in the amount of RUB 205.35 for each issued outstanding preferred share of class "A1" were approved in the General shareholders' meeting. The total amount of approved dividend is RUB 362 million.

In April 2011 the Board of Directors proposed a dividend in the amount of RUB 2,097 for one ordinary share and RUB 2,080.5 for one preferred share of class "A1" and RUB 52.9 for one preferred share of class "A2". The total proposed dividend is RUB 26,000 million. This decision was approved by the shareholders' meeting in May 2011.

In April 2011 the Board of Directors proposed payment of an interim dividend for the first quarter of 2011 in the amount of RUB 310.35 for one ordinary share, RUB 308.25 for one preferred share of the class "A1" and RUB 50.2 for one preferred share of class "A2". The total amount of proposed dividend is RUB 3,850 million. This decision was approved by the shareholders' meeting in May 2011.

The dividend accrued on treasury shares during 2011 amounted to RUB 252 million.

In October 2011 the Board of Directors proposed an interim dividend for the nine months ended 30 September 2011 in the amount of RUB 250 for one ordinary share. The total amount was RUB 3,112 million (including tax on dividends of RUB 198 million). This decision was approved by the shareholders' meeting in December 2011.

During the six-month period ended 30 June 2011, the Group conducted a legal restructuring of the shareholding in one of its subsidiaries. The restructuring resulted in a series of sales-purchase transactions which was recognised as part of the result of acquisition and disposal of non-controlling interest in subsidiaries in the statement of changes in equity in the amount of RUB 142 million.

(d) Treasury shares

During 2010 the Group purchased 180,492 preferred treasury shares of class "A1" representing 10.23% of such shares for the consideration of RUB 75 million. In 2010 the Group sold 90,320 of these shares for a consideration of RUB 324 million with the result recognised in share premium in the statement of changes in equity. In 2011 the Group sold the remaining 90,172 preferred treasury shares of class "A1" representing 5.11% of such shares for a consideration of RUB 640 million recognising a share premium of RUB 603 million.

(e) Special right of the Russian Federation for participation in governance of OJSC "Apatit" – "Golden share"

OJSC "Apatit", a Group subsidiary belongs to a category of entities, where the government of the Russian Federation retained special voting rights after the entity's privatisation. These rights include a right to appoint one Federal representative to the Company's Board of directors and to the audit committee, right to call for extraordinary shareholder's meeting and a "veto" voting right in the shareholder's meeting in respect of certain issues as defined by the Federal Law on the "Privatisation of the Federal and Municipal property" and specified in the charter of OJSC "Apatit". The "veto" voting right can be exercised in respect of the following issues:

- Making changes to the entity's charter;
- Reorganisation of the entity;
- Liquidation of the entity;
- Amendment of the entity's share capital;
- Approval of "significant transactions" and "transactions with interest", as defined in the Russian Law on "Join stock companies".

Additionally, the Government of the Russian Federation holds 26% of the ordinary voting shares (20% of all issued shares of OJSC "Apatit").

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 share split, see note 24. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	2011	2010
Weighted average number of ordinary shares in issue	124,032,396	124,187,182
Profit for the year attributable to ordinary shareholders of the parent, RUB million	19,935	10,578
Basic and diluted earnings per share, RUB	161	85

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. For more information about the Group's exposure to foreign currency risk, see note 30.

RUB Million	Contractual interest rate	2011	2010
CURRENT LOANS AND BORROWINGS			
Secured bank loans:			
RUB-denominated	1.0%-10.0%	1,105	1,944
USD-denominated	LIBOR(1M)+3.0%-3.3%	-	2,438
Unsecured loans:			
RUB-denominated	1.0 %-6.4 %	130	229
RUB-denominated	12.00%	9	-
USD-denominated	2.33%	-	674
USD-denominated	LIBOR(1M)+1.9%	5,634	-
USD-denominated	LIBOR(1M)+2.10%	8,049	-
Secured letters of credit:			
EUR-denominated	0.8%-1.2%	-	31
EUR-denominated	LIBOR (3M)+1.7% -4.10%	148	-
RUB-denominated	1.0%	66	-
Finance lease liabilities:			
USD-denominated	11.2-13.9%	405	187
Interest payable:			
RUB-denominated		15	6
		15,561	5,509
NON-CURRENT LOANS AND BORROWINGS			
Secured bank loans:			
RUB-denominated	1.50%	114	-
Unsecured bank loans:			
USD-denominated	LIBOR(1M)+2.04% -2.90%	13,039	-
Secured letter of credit:			
USD-denominated	EURIBOR (6M)+0.80%	356	-
EUR-denominated	EURIBOR (3M)+1.95%	242	-
EUR-denominated	EURIBOR (6M)+1.95%-3.3%	954	-
EUR-denominated	EURIBOR (3M)+4.35%	-	1,855
EUR-denominated	EURIBOR (6M)+0.8%	-	337
EUR-denominated	0.9%	-	57
EUR-denominated	1.25%	-	596
EUR-denominated	LIBOR (6M)+2.05%	134	-
Finance lease liabilities:			
USD-denominated	11.2%-13.9%	1,753	578
		16,592	3,423
		32,153	8,932

27. Defined benefit obligations (continued)

See notes 16(b), 20 and 21 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 indebtedness 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

RUB Million	2011	2010
Pension obligations, long-term	530	549
Post-retirement obligations other than pensions	392	382
	922	931

Defined benefit – pension plans relate to three subsidiaries of the Company: OJSC “Apatit”, OJSC “Ammophos” and JSC “Cherepovetsky “Azot”. 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 defined benefit obligation is made up as follows:

RUB Million	Pension obligation	Post-retirement obligation other than pension
Present value of defined benefit obligation at 31 December 2009	418	228
Interest cost	31	17
Benefit paid	(119)	(21)
Recognised actuarial losses	219	158
Present value of defined benefit obligation at 31 December 2010	549	382
Interest cost	44	31
Benefit paid	(46)	(21)
Recognised actuarial gains	(17)	-
Present value of defined benefit obligation at 31 December 2011	530	392

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

	2011	2010
Discount rate	8%	7%
Future pension increases	6%	6%

28. Leases

Finance leases

LLC “PhosAgro-Trans”, a Group subsidiary, has entered into several agreements to lease 1,650 railway wagons. At the end of the lease term, the ownership for the leased assets will be transferred to the lessee.

RUB Million	2011		
	Minimum lease payments	Interest	Principal
Less than one year	595	189	405
Between one and five years	1,841	401	1,441
More than five years	330	18	312
	2,766	608	2,158

RUB Million	2010		
	Minimum lease payments	Interest	Principal
Less than one year	273	86	187
Between one and five years	615	189	426
More than five years	168	16	152
	1,056	291	765

Operating leases

During 2010-2011, LLC “PhosAgro-Trans”, a group subsidiary, entered into several operating lease agreements to rent railway wagons. The rent payments for 2011, which are recorded in the cost of sales, amounted to RUB 729 million (2010: RUB 414 million).

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

RUB Million	2011	2010
Less than one year	345	278
Between one and five years	152	202
	497	480

29. Trade and other payables

RUB Million	2011	2010
Trade accounts payable	2,887	2,266
Dividends payable	3,001	2,611
Advances received	2,024	1,970
Accruals	1,371	632
Taxes payable	990	799
Payables to employees	739	590
Payables to related parties	93	50
Other payables	302	543
	11,407	9,461

30. Financial instruments

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 Euro.

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

	2011 (denominated)		2010 (denominated)	
	USD	EUR	USD	EUR
Current Assets				
Receivables	2,909	31	1,978	184
Current investments	-	-	-	-
Cash and cash equivalents	4,058	86	180	7
Non-current liabilities				
Non-current loans and borrowings	(15,148)	(1,330)	(578)	(2,845)
Current Liabilities				
Payables	(84)	(371)	(632)	(12)
Current loans and borrowings	(14,088)	(148)	(3,299)	(31)
	(22,353)	(1,732)	(2,351)	(2,697)

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 2,409 million, before any tax effect (2010: RUB 505 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

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:

RUB Million	2011	2010
Fixed rate instruments		
Long-term loans issued at amortised cost	192	27
Short-term promissory notes	669	766
Letters of credit	-	64
Finance lease receivable	350	290
Short-term deposits	5,173	2,404
Short-term loans issued at amortised cost	1,454	2,466
Long-term borrowings	(1,867)	(1,231)
Short-term borrowings	(1,730)	(3,071)
	4,241	1,715
Variable rate instruments		
Long-term borrowings	(14,725)	(2,192)
Short-term borrowings	(13,831)	(2,438)
	(28,556)	(4,630)

At 31 December 2011, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit or loss and equity by RUB 286 million (31 December 2010: RUB 46 million).

30. Financial instruments (continued)

Liquidity risk

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

	2011							
	Carrying value	Contractual cash flow	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 given to related parties	1,704	1,704	1,704	-	-	-	-	-
	41,957	43,998	26,246	7,784	5,921	873	2,256	918

	2010							
	Carrying value	Contractual cash flow	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
Secured bank loans	4,382	4,452	4,452	-	-	-	-	-
Unsecured bank loans	903	907	907	-	-	-	-	-
Letters of credit	2,876	3,484	34	68	-	369	-	3,013
Interest payable	6	6	6	-	-	-	-	-
Secured finance leases	765	1,056	273	208	169	119	119	168
Trade and other payables	6,102	6,102	6,102	-	-	-	-	-
Financial guarantees given to related parties	1,779	1,779	1,779	-	-	-	-	-
	16,813	17,786	13,553	276	169	488	119	3,181

Fair values

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

Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

31. Commitments

The Group has entered into a contract to purchase plant and equipment for RUB 5,905 million (31 December 2010: RUB 7,446 million).

32. Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group has limited coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, 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 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 position in their interpretation and enforcement of tax legislation.

32. Contingencies (continued)

Taxation contingencies (continued)

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.

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**Transactions with associates**

RUB Million	2011	2010
Sales of goods and services	2,469	345
Sales of equity investments	6,123	-
Sales of treasury shares	791	-
Dividend income from associates	1,840	-
Interest income from associates	60	-
Purchases of goods and services	(2,351)	(2,076)
Interest expense to associates	(7)	-

Balances with associates

RUB Million	2011	2010
Short-term loans issued to associates	944	-
Receivables from associates	168	131
Payables to associates	(81)	(26)

Transactions with other related parties

RUB Million	2011	2010
Assignment of receivables to a related party	2,347	1,561
Sales to related parties	553	563
Purchases of goods and services	(73)	(163)
Interest income from related parties	52	131

Balances with other related parties

RUB Million	2011	2010
Short-term loans issued to related parties	441	2,466
Long-term loans issued to related parties	11	-
Receivable for shares of OJSC "AgroGard-Finance"	-	4,222
Other receivables from related parties	51	2,546
Payables to related parties	(12)	(24)
Dividends payable to shareholders of the Parent	(2,913)	(2,094)

Key management remuneration

The remuneration of board of directors and 16 members of key management personnel amounted to RUB 459 million (2010: RUB 212 million).

See notes 18, 24 and 30 describing other transactions with related parties.

34. Significant subsidiaries

Name	Country of incorporation	Effective shareholding as of 31 December 2011	Effective shareholding as of 31 December 2010
Ammophos, OJSC	Russia	94%	94%
Apatit, OJSC (1)	Russia	58%	58%
Balakovo Mineral Fertilizers, LLC	Russia	100%	100%
Cherepovetsky Azot, JSC (2)	Russia	69%	69%
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%

1 including preferred shares

2 see note 17 on put-call option agreement on acquisition of shares in JSC "Cherepovetsky "Azot".

(a) Consolidation of OJSC "Apatit"

As at the reporting date the Group held 50% of ordinary and 80.28% of preferred shares in OJSC "Apatit". The remaining ordinary and preferred shares are widely held. In accordance with the subsidiary's charter, under certain circumstances, holders of preferred shares are entitled to vote in the meetings of the shareholders. As at the reporting date the preferred shares were voting. Management believes that the current shareholding allows the Group to exercise control over OJSC "Apatit".

35. Events subsequent to the reporting date

See note 24 for significant events which took place after 31 December 2011.

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. 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. It is expected that the legal structuring will be completed in July 2012.

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.

Additional Information

Headquarter

Full name	Open Joint Stock Company “PhosAgro”
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3
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4
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5
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Glossary

Abbreviations

GDR	Global Depositary Receipt
km	Kilometres
kt	Thousand metric tonnes
Mt	Million metric tonnes
MW	Megawatt
RUB	Russian Rouble
t	Metric tonne = 1000 kg
US\$	United States Dollars

Industry terms

Ammonia	A colourless combustible alkaline gas with the chemical formula NH_3 . Ammonia is a compound of nitrogen and hydrogen, and is 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 produced by reacting nitric acid (an intermediate chemical feedstock produced from ammonia) with ammonia (contains around 34% of nitrogen).
Ammonium polyphosphate or APP	Liquid phosphate-based fertiliser.
Apatite	A group of phosphate minerals (phosphate ore), usually referring to hydroxylapatite, fluorapatite, and chlorapatite with the chemical formula $\text{Ca}_5(\text{PO}_4)_3(\text{OH}, \text{F}, \text{Cl})$. 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	Rocks and minerals containing apatite and nepheline.
Blending	Mixing two or more materials together to give a mixture of the desired quality.
By-product	Material, other than the principal product, that is generated as a consequence of an industrial process.
Concentrate	Material that has been separated from 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 resources or reserves identified by surface mapping, drilling or development.
Development	Excavations or tunnels required to access the ore. (i) The initial stages of opening up a new mine, and/or (ii) The tunnelling to access, prove the location and value, and enable the extraction of ore.
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.
Dump	A site used to dispose of solid wastes with environmental controls.
Emission	Pollution discharged into the atmosphere from smokestacks, other vents, surface areas of commercial or industrial facilities, residential chimneys and from motor vehicle, locomotive, or aircraft exhausts.
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 ₂ O 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 ₂ O 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 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 ₃ PO ₄ .
P ₂ O ₅ (phosphoric pentoxide)	A term used to express the content of phosphorus. To convert P to P ₂ O ₅ , multiply by 2,2915.
Phosphorous or P	One of the primary plant nutrients essential for plant growth. It occurs in natural geological deposits known as phosphorus rocks.
Potash	The common type of fertiliser that contains potassium (K) and raw material for the production of complex fertilisers
Potassium 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 mineral acid with the chemical formula H ₂ SO 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 nitrogen 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

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.
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.
Kyoto Protocol	An international agreement linked to the United Nations Framework Convention on Climate Change. The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005. It establishes legally binding commitments for the reduction of greenhouse gas (GHG) emissions produced by industrialised countries and the European community.
LSE	London Stock Exchange
MICEX	Moscow Interbank Currency Exchange
MICEX-RTS	Russian stock exchanges, MICEX and RTS, were merged into one entity MICEX-RTS in December 2011.
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.
RTS	Russian Trading System

Disclaimer

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 2012 is based on information compiled by the Geology Service Department of Apatit and authorised by Mr. Sergey Glubokiy, Chief Geologist of Apatit.

Shareholder Information

PhosAgro
held its Initial
Public Offering
in July 2011

Share Capital

As of 31 December 2011, PhosAgro's issued share capital was RUB 311,192,700, which represents 12,447,708 ordinary shares with a par value of RUB 25 per share.

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, which comprised approximately 10.8% of the Company's charter capital.

PhosAgro's stock was priced at US\$ 14 per GDR and US\$ 420 per share, valuing the Company at US\$ 5.2 billion.

On 31 December 2011, one PhosAgro ordinary share represented 30 GDRs. Citigroup Global Markets Deutschland AG acts as the depositary for the Company's GDR Programme.

In 2011, PhosAgro ordinary shares were also admitted to trading on the Russian MICEX and RTS stock exchanges.

In order to simplify its charter capital structure, the Company undertook a programme to convert its preferred shares into ordinary shares, which was completed in October 2011. The Company issued a total of 1,800,000 ordinary shares as part of the programme.

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 by way of conversion during the 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. Following the share split, each PhosAgro ordinary share is represented by 3 GDRs.

Shareholding Structure

Shareholder	Number of shares	Share, %
Fornido Holdins Limited	1,278,001	10.27
Carranita Holdings Limited	1,277,450	10.26
Dubhe Holdings Limited	1,231,737	9.90
Dubberson Holdings Limited	1,144,752	9.20
Chlodwig Enterprises Limited	1,077,788	8.66
Adorabella Limited	1,074,359	8.63
Owl Nebula Enterprises Limited	864,901	6.95
Vindematrix Trading Limited	624,147	5.01
Mrs. Evgeniya Gurieva	623,596	5.01
Mr. Vladimir Litvinenko	622,386	5.00
Feivel Limited	622,385	5.00
Mr. Igor Antoshin	248,954	2.00
Miles Ahead Management Limited	199,547	1.60
Mr. Maxim Volkov*	129,867	1.04
Maderatcha Consulting Limited	87,119	0.70
Menoza Trading Limited*	7,546	0.06
Free float*	1,333,173	10.71
TOTAL	12,447,708	100%

* Ordinary shares and GDRs

**PhosAgro
GDRs were listed
on the main market
of the London
Stock Exchange
(LSE)**

Other ownership information¹

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 Vindematrix 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. The ordinary shares of Maderatcha Consulting Limited are ultimately held on trust where the economic beneficiaries are several employees and former employees of the Group.

Stock Exchanges

As of 31 December 2011, PhosAgro's ordinary shares and GDRs were traded on MICEX-RTS and the LSE under the ticker PHOR. In December 2011, the Company's shares were included in the RTS-2 Index, while its GDRs were added to the Dow Jones Islamic Market BRIC Equal Weighted Index. Following the end of the reporting period, in January 2012.

PhosAgro ordinary shares were included in the MICEX Mid Cap Index.

From July to December 2011, the price of the Company's GDRs on the LSE has decreased by 39.7%, reflecting the overall market environment and performing in line with the FTSE Russia IOB Index, which lost 27.8% during the same period.

The Company's ordinary shares on MICEX decreased 39.4% from July to December 2011, while the MICEX Index decreased by 16.9% over the same period. The liquidity of the Company's shares on RTS in July-December 2011 was low, with a total of only 2,261 shares being traded.

PHOSAGRO GDR PERFORMANCE ON THE LSE

High – US\$ 14.75. Low – US\$ 8.40. At year-end – US\$ 8.44.
Trading volume – 28.6 million GDRs



PHOSAGRO ORDINARY SHARE PERFORMANCE ON MICEX

High – 13,367 RUB. Low – 7,818 RUB. At year-end – 8,099 RUB.
Trading volume – 38.5 thousands shares



¹ Based on information available to Company management

Dividend Payments

The Annual General Meeting of Shareholders approved an interim dividend payment for the three months ended 31 March 2011 in the total amount of RUB 3,850 million, representing a payment of RUB 310.35 per ordinary share, RUB 308.25 per A1 type preferred share and RUB 50.20 per A2 type preferred share. All payments of dividends were made in May.

On 1 December 2011, the Extraordinary General Meeting of PhosAgro's shareholders approved an interim dividend payment for the nine months of 2011 in a total amount of RUB 3,112 million, which is RUB 250 per ordinary share. The payment of the dividend was completed in January 2012.

In April 2012, the Board of Directors recommended that the Annual General Shareholders Meeting approves a final dividend payment of RUB 32.5 per ordinary share and US\$ 0.37¹ per GDR for the fourth quarter of 2011 (the total amount of RUB 4,046 million). The total dividend payment recommended for the last nine months of 2011 is therefore RUB 7.2 billion or 49% of net profit attributable to the equity holders of OJSC PhosAgro.

Dividend Taxation

PhosAgro acts as a tax agent when it pays out dividends to its shareholders. The Company calculates and withholds tax on those dividends and remits the amount of tax to the relevant authorities. The dividends paid out to shareholders are less 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.

¹ Applied average exchange rate of US\$ 1 = RUB 29.6359 on 11 April 2012, the dividend declaration date

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