



PJSC PhosAgro

**Economic contribution and
payments to governments
Report for the year ended
31 December 2019**

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Introduction

As one of the world's leading producers of mineral fertilizers, PJSC PhosAgro ("PhosAgro" or "the Company") has up-to-date and relevant policies and ensures full compliance with applicable legislation. PhosAgro closely tracks legislative developments at the government and regulatory levels, and acts in a timely manner to prepare and submit all required reports and statements. Adopting the highest standards of disclosure and transparency, PhosAgro is required to disclose payments to governments in accordance with UK Financial Conduct Authority ("FCA") Disclosure and Transparency Rules ("DTR").

This Report is prepared in accordance with the rules enacted by the FCA Disclosure and Transparency Rules 4.3A that require oil, gas, mining and logging companies that have securities listed on UK-regulated markets to annually and publicly disclose any payments made to governments on a country-by-country and/or project-by-project basis.

The Kirovsk branch of JSC Apatit ("Apatit") is the only PhosAgro entity that is involved in exploration, prospecting, discovery, development and extraction activities. Hence, this Report provides an overview of the payments to government authorities in the Russian Federation made by the Kirovsk branch of Apatit for the year ended 31 December 2019.

This Report has been disclosed via an FCA-approved Regulatory Information Service, submitted to the National Storage Mechanism (<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>), and is available for download from www.phosagro.com.

Basis for Preparation – Report on Payments to Governments for the Year ended 31 December 2019

Reporting entities

PhosAgro has more than twenty subsidiaries in the upstream and downstream mining, processing, distribution, logistics, and research and development segments.

However, only one PhosAgro subsidiary, the Kirovsk branch of Apatit, is involved in mining activities. This Report provides an overview of the payments to government authorities in the Russian Federation made by the Kirovsk branch of Apatit for the year ended 31 December 2019.

Activities

The Kirovsk branch of Apatit holds five mining and two exploration licenses, allowing it to conduct exploration and mining activities at three mines. The Kirovsk branch of Apatit extracts apatite-nepheline ore that is then transferred to the beneficiation plant for processing into phosphate rock and nepheline concentrate, which is primarily used by PhosAgro's downstream production sites such as the Balakovo branch of Apatit, as well as other PhosAgro subsidiaries Apatit and the Volkhov Branch of Apatit.

Payments to governments made by the Kirovsk branch of Apatit arising from activities involving the exploration, discovery, development and extraction of apatite-nepheline ore and its beneficiation are disclosed in this Report.

The report excludes payments related to the further processing of phosphate rock into mineral fertilizers at the downstream units Apatit, the Balakovo branch of Apatit and the Volkhov Branch of Apatit.

However, as a practical matter, initial processing activities are integral to the extractive activity resulting in payment liabilities being determined on a basis that includes both the extraction and

initial processing of the apatite-nepheline ore. These initial processing activities may be inseparable from the relevant activities for the purposes of reporting and were included into the Report.

Government

Government means any national, regional or local authority of a country, including a department or agency. All payments by Apatit have been made to federal, regional and local governments of the Russian Federation. Payments to any state-owned enterprises, such as utility fees, water charges, and electricity charges were excluded from this Report (please see payment section). In this Report, payments are broken down by allocation to federal, regional, and local authorities, and include the name of the corresponding government agency.

Project

A project is an operational activity governed by a single contract, license, lease, concession or similar legal agreement, and forms the basis for payment liabilities with a government.

Upstream operations are conducted by PhosAgro subsidiary the Kirovsk branch of Apatit, which mines apatite-nepheline ore from the group of Khibiny mineral deposits in accordance with (please see the Table #1 below):

- 7 (seven) mining and exploration licenses

The Company realises that license-by-license disclosure is the recommended approach for the purposes of the Report. However, where multiple licenses relate to a single mine, these have been treated as a single project due to:

- the geological characteristics of the extracting activities;
- the geographical proximity of the deposits;
- the chemical identity of the mined minerals;
- the particular nature of the ore extraction.

For the purposes of the Report, the Company uses the mine as the project definition.

Table #1

№	Mine	Mineral deposit	License
<i>Exploration and mining activities</i>			
1	Kirovsky mine	Kukisvumchorr deposit	Exploration and mining activities
		Yukspor deposit	
2	Rasvumchorrskiy mine	Apatitovy Cirque and Rasvumchorr Plateau deposits	Exploration and mining activities
3	Vostochniy mine	The Plateau Rasvumchorr deposit	Exploration and mining activities
4		Koashva deposit	Exploration and mining activities
5		Njorkpahk deposit	Exploration and mining activities
6		Iyolitovy otrog deposit	Exploration and mining activities
7		Plot Plateau	Exploration and mining activities

Payments

Payments included in the Report are amounts paid, whether in money or in kind, for relevant activities. The Report includes cash payments actually made during the reporting period (the year ended 31 December 2019).

The Report excludes the following payments:

- administrative government fees, including utility fees, water charges, electricity charges paid to state-owned companies;
- environmental payments, including water pollution, solid waste pollution, and air pollution payments;
- charity payments or any other voluntary payments (made either in cash or in kind) that do not directly follow from a license agreement;
- any other obligatory payments that are not directly linked to mining activity;
- interest or/and penalties on late tax payments or on underpaid tax;
- any refunds received by the Kirovsk branch of Apatit.

The following types of payment are included in this report:

Production entitlements

These entitlements are payments calculated on the basis of the government's share of production under any production-sharing agreements or the government's separate equity interest as an investor in a venture that is incremental to its rights under the production sharing agreement. In 2019 the Kirovsk branch of Apatit had no such arrangements for production entitlements to any government.

Taxes

Taxes include those levied on the income, production or profits of the Kirovsk branch of Apatit and exclude such taxes as value added taxes, personal income taxes, sales taxes, property tax, land tax and social tax.

In 2019 the Kirovsk branch of Apatit paid the following taxes that were included into the Report:

- Resource severance tax;
- Corporate income tax (including withholding tax on dividends);
- Water Tax.

Taking into account provisions of tax legislation in Russia, the corporate income tax and water tax is paid at the legal entity level, rather than in relation to specific projects. Thus, for the purpose of the Report, these payments are included at the entity level, with no detailed project-by-project breakdown. Resource severance tax is, however, paid based on physical volumes of extracted ore, and has therefore been allocated on a project-by-project basis for the purpose of this Report.

Royalties

These are usage-based payments for the right to the on-going use of an asset.

In 2019 the Kirovsk branch of Apatit did not incur any usage-based payments above the **materiality level** that is discussed below

Dividends

These are dividend payments other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of a production entitlement or royalty.

The Kirovsk branch of Apatit has not incurred such payments during the reporting period.

Bonuses

This includes payments to governments upon receipt of a license, when discovering natural resources, and/or when production has commenced.

In the reporting period the Kirovsk branch of Apatit did not make any one-time payments for mining activities above the **materiality level** that is discussed below

Fees

Fees are paid as consideration for acquiring licenses to gain access to an area where extractive activities are performed. These payments include license fees, rental fees, entry fees and other payments for licenses and/or concessions.

In the reporting period, the Kirovsk branch of Apatit paid rental fees for the land used for the purposes of its extractive activities.

Payments for infrastructure improvements

This includes payments in kind made by companies to governments in the form of infrastructure, whether under contractual obligations or otherwise.

In the reporting period, the Kirovsk branch of Apatit has incurred no expenditures that could be treated as legally obliged under licenses for the exploration, discovery, development and extraction of the apatite-nepheline ore.

Other payments

The Kirovsk branch of Apatit has not incurred any such payments during the reporting period.

Reporting currency

The Report was prepared in Russian Rubles ("RUB"), being the reporting currency of the Company and the currency of all payments to the government.

Materiality level

No payment, whether made as a single payment or as a series of related payments, was taken into account in this Report if it was below £86,000 in the reporting year. On the basis of a weighted average of the exchange rates during the reporting period, payments below RUB 5,600,000 may be excluded.

Consolidated Overview

Payments to governments on a project-by-project basis

'000 RUB

<u>Project</u>	<u>Production entitlements</u>	<u>Total Taxes</u>	<u>Royalties</u>	<u>Dividends</u>	<u>Bonuses</u>	<u>Fees</u>	<u>Other payments</u>	<u>In-kind payments</u>	<u>Payments for infrastructure improvements</u>	<u>Total payments to government</u>
<i>Kirov mine</i>	-	-	-	-	-	74 214	-	-	-	-
<i>Rasvumchorrskiy mine</i>	-	-	-	-	-	28 046	-	-	-	-
<i>Vostochniy mine</i>	-	-	-	-	-	50 769	-	-	-	-
Total	-	4 344 957	-	-	-	153 028	-	-	-	4 497 985

Taxes paid on a project-by-project basis

'000 RUB

<i>Projects</i>	<i>Corporate income Tax (including withholding tax on dividends)</i>			<i>Resource severance</i>			<i>Water tax</i>		<i>Total tax</i>
	<i>Total</i>	<i>Federal Budget</i>	<i>Regional Budget</i>	<i>Total</i>	<i>Federal Budget</i>	<i>Regional Budget</i>	<i>Total</i>	<i>Federal Budget</i>	
<i>Kirov mine</i>				419 202	167 168	252 034			
<i>Rasvumchorrskiy mine</i>				195 121	78 048	117 072			
<i>Vostochniy mine</i>				304 372	121 749	182 623			
Total	3 424 799	0	3 424 799	918 694	366 965	551 729	1 464	1 464	4 344 957

Payments made, broken down by level of government authority

'000 RUB

<i>Government authority</i>	<i>Total Taxes</i>	<i>Royalties</i>	<i>Fees</i>	<i>Signature bonuses</i>	<i>Production entitlements</i>	<i>Dividends</i>	<i>Payments for infrastructure improvements</i>	<i>Other payments</i>	<i>In-kind payments</i>	<i>Total payments to government authority</i>
<i>Federal Treasury</i>	4 344 957	-	153 028	-	-		-	-	-	4 497 985
<i>Total</i>	4 344 957	-	153 028		-		-	-	-	4 497 985