



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the six months ended
30 June 2020 (unaudited)**

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors

PJSC "PhosAgro"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and six-month periods ended 30 June 2020 and the related consolidated interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 2020, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: PJSC "PhosAgro"
Registration No. in the Unified State Register of Legal Entities
1027700190572.
Moscow, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered No. in the Unified State Register of Legal Entities.
1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.



PJSC "PhosAgro"

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2020, and for the three- and six-month periods ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Yagnov I.A.

JSC "KPMG"
Moscow, Russia

27 August 2020

PJSC "PhosAgro"
*Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2020 (unaudited)*

	Note	Six months ended 30 June		Three months ended 30 June	
		2020 RUB million	2019 RUB million	2020 RUB million	2019 RUB million
Revenues	5	123,996	130,433	59,938	58,146
Cost of sales	6	(67,920)	(69,450)	(31,360)	(31,714)
Gross profit		56,076	60,983	28,578	26,432
Administrative expenses	7	(8,802)	(7,935)	(4,150)	(4,032)
Selling expenses	8	(19,049)	(18,828)	(9,329)	(8,487)
Taxes, other than income tax, net	9	(1,583)	(867)	(709)	(137)
Other expenses, net	10	(1,445)	(2,125)	(741)	(1,023)
Operating profit		25,197	31,228	13,649	12,753
Finance income	11	353	1,165	88	284
Finance costs	11	(2,873)	(2,287)	(1,435)	(1,087)
Foreign exchange (loss)/gain, net		(15,925)	10,208	14,018	2,588
COVID-19 related expenses		(289)	-	(289)	-
Profit before tax		6,463	40,314	26,031	14,538
Income tax expense	12	(1,172)	(7,369)	(5,152)	(2,753)
Profit for the period		5,291	32,945	20,879	11,785
Attributable to:					
Non-controlling interests ^		7	18	8	10
Shareholders of the Parent		5,284	32,927	20,871	11,775
Other comprehensive income/(loss) Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference		1,534	(970)	(1,052)	(359)
Other comprehensive income/(loss) for the period		1,534	(970)	(1,052)	(359)
Total comprehensive income for the period		6,825	31,975	19,827	11,426
Attributable to:					
Non-controlling interests ^		7	18	8	10
Shareholders of the Parent		6,818	31,957	19,819	11,416
Basic and diluted earnings per share (in RUB)	22	41	254	161	91

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

The consolidated interim condensed financial statements were approved on 27 August 2020:

Chief executive officer
A.A. Guryev

Deputy CEO for Finance and International Projects
A.F. Sharabaiko

PJSC "PhosAgro"
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2020 (unaudited)

	Note	30 June 2020 RUB million	31 December 2019 RUB million
Assets			
Property, plant and equipment	13	203,715	199,459
Advances issued for property, plant and equipment		15,141	13,006
Right-of-use assets	14	7,896	6,891
Catalysts		2,372	2,376
Intangible assets		1,437	1,567
Investments in associates	15	552	519
Deferred tax assets		10,869	8,214
Other non-current assets	16	1,361	1,636
Non-current assets		243,343	233,668
Other current investments	17	216	251
Inventories	18	28,427	29,405
Trade and other receivables	19	29,549	31,061
Cash and cash equivalents	20	7,793	8,236
Current assets		65,985	68,953
Total assets		309,328	302,621
Equity			
	21		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		97,690	111,054
Actuarial losses		(689)	(689)
Foreign currency translation reserve		8,770	7,236
Equity attributable to shareholders of the Parent		113,637	125,467
Equity attributable to non-controlling interests		147	170
Total equity		113,784	125,637
Liabilities			
Loans and borrowings	23	127,972	96,736
Lease liabilities	24	4,812	4,701
Defined benefit obligations		883	857
Deferred tax liabilities		10,445	10,278
Non-current liabilities		144,112	112,572
Loans and borrowings	23	11,639	36,839
Lease liabilities	24	2,157	1,543
Trade and other payables	25	37,636	26,030
Current liabilities		51,432	64,412
Total equity and liabilities		309,328	302,621

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2020 (unaudited)

	Note	Six months ended 30 June	
		2020	2019
		RUB million	RUB million
Cash flows from operating activities			
Operating profit		25,197	31,228
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	13,646	11,867
Loss on disposal of property, plant and equipment and intangible assets	10	41	748
Operating profit before changes in working capital and provisions		38,884	43,843
Decrease in inventories and catalysts		1,200	1,446
Decrease in trade and other receivables		2,045	7,125
Increase in trade and other payables		1,295	2,726
Cash flows from operations before income taxes and interest paid		43,424	55,140
Income tax paid		(2,200)	(6,254)
Finance costs paid		(2,211)	(2,000)
Cash flows from operating activities		39,013	46,886
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(18,552)	(17,727)
Loans repaid/(issued), net		90	(16)
Proceeds from disposal of property, plant and equipment		14	47
Finance income received		292	299
Other payments		(583)	(530)
Cash flows used in investing activities		(18,739)	(17,927)
Cash flows from financing activities			
Proceeds from borrowings	23	43,647	17,195
Repayment of borrowings	23	(55,881)	(19,696)
Dividends paid to shareholders of the Parent	21	(8,843)	(13,463)
Dividends paid to non-controlling interests		(30)	(36)
Leases paid	24	(823)	(1,249)
Proceeds from settlement of derivatives, net		-	112
Cash flows used in financing activities		(21,930)	(17,137)
Net (decrease)/increase in cash and cash equivalents		(1,656)	11,822
Cash and cash equivalents at 1 January		8,236	9,320
Effect of exchange rates fluctuations		1,213	(1,294)
Cash and cash equivalents at 30 June		7,793	19,848

PJSC "PhosAgro"
Consolidated Interim Condensed Statement of Changes in Equity
for the six months ended 30 June 2020 (unaudited)

<i>RUB million</i>	Attributable to shareholders of the Parent						
	Share capital	Share premium	Retained earnings	Actuarial losses	Foreign currency translation reserve	Attributable to non-controlling interests	Total
Balance at 1 January 2019	372	7,494	93,951	(556)	8,365	195	109,821
Total comprehensive income							
Profit for the period	-	-	32,927	-	-	18	32,945
Foreign currency translation difference	-	-	-	-	(970)	-	(970)
	-	-	32,927	-	(970)	18	31,975
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(25,253)	-	-	(36)	(25,289)
	-	-	(25,253)	-	-	(36)	(25,289)
Balance at 30 June 2019	372	7,494	101,625	(556)	7,395	177	116,507
Balance at 1 January 2020	372	7,494	111,054	(689)	7,236	170	125,637
Total comprehensive income							
Profit for the period	-	-	5,284	-	-	7	5,291
Foreign currency translation difference	-	-	-	-	1,534	-	1,534
	-	-	5,284	-	1,534	7	6,825
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(18,648)	-	-	(30)	(18,678)
	-	-	(18,648)	-	-	(30)	(18,678)
Balance at 30 June 2020	372	7,494	97,690	(689)	8,770	147	113,784

1 BACKGROUND

(a) Organisation and operations

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

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

The Company’ key shareholders are two Cyprus entities holding approximately 44% of the Company’s ordinary shares in total. The majority of the shares of the Company are ultimately owned by trusts, where the economic beneficiary is Mr. Andrey G. Guryev and his family members.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

Since the beginning of 2020, the COVID-19 virus has become a global pandemic. Together with other factors, this has resulted in a sharp decrease of the stock market indices, which, on the backdrop of simultaneous oil price collapse, led to depreciation of the Russian Rouble. PhosAgro was one of the first companies in Russia to start introducing measures to combat the spread of the virus among its employees. The Group provided protective equipment, medical supplies, testing kits and other essentials to the communities where it operates. The Group has developed plans for mitigating the impact on its business and has reviewed the economic environment; the demand for the Group’s products; its supply chain; its available bank facilities; and the possible effects on its cash flow and liquidity position, including consideration of debt covenants. Management has considered events and conditions that could give rise to material uncertainties and concluded that the range of possible outcomes does not cast significant doubt over the Group’s ability to continue as a going concern.

The consolidated interim condensed financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

The International Financial Reporting Standards (“IFRS”) consolidated interim condensed financial statements (“consolidated interim condensed financial statements”) of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

These consolidated interim condensed financial statements do not contain all the information required for presentation in a complete set of IFRS financial statements and therefore should be read in conjunction with PhosAgro's consolidated annual financial statements for the year ended 31 December 2019.

(b) Functional currency

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

(c) Presentation currency

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

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

- Assets and liabilities as at 30 June 2020 were translated at the closing exchange rate of RUB 69.9513 for USD 1 (31 December 2019: RUB 61.9057 for USD 1);
- Profit and loss items for six months ended 30 June 2020 were translated at the average exchange rate for the appropriate month for USD 1:
 - January – 61.7823
 - February – 63.8836
 - March – 73.3183
 - April – 75.2321
 - May – 72.6187
 - June – 69.2239

Profit and loss items for three months ended 31 March 2019 and 30 June 2019 were translated at the average exchange rates RUB 66.1271 and RUB 64.5584 for USD 1 respectively;

- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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

- Assets and liabilities as at 30 June 2020 were translated at the closing exchange rate of RUB 78.6812 for EUR 1 (31 December 2019: RUB 69.3406 for EUR 1);
- Profit and loss items for six months ended 30 June 2020 were translated at the average exchange rate for the appropriate month for EUR 1:
 - January – 68.7249
 - February – 69.7001
 - March – 81.0512
 - April – 81.9481
 - May – 79.0550
 - June – 77.9624

Profit and loss items for three months ended 31 March 2019 and 30 June 2019 were translated at the average exchange rate RUB 75.1715 and 72.5210 for EUR 1 respectively;

- 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.

3 PRIOR YEAR RECLASSIFICATIONS

During the current period the Group made a decision to make certain reclassifications to prior period comparatives to be consistent with the current period classifications, effecting the following captions:

- administrative and selling expenses.

Comparatives were changed accordingly to align them with current year presentation.

	Six months ended 30 June 2019		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(8,117)	182	(7,935)
Selling expenses	(18,646)	(182)	(18,828)

	Three months ended 30 June 2019		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(4,214)	182	(4,032)
Selling expenses	(8,305)	(182)	(8,487)

4 SEGMENT INFORMATION

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

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

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

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

Segment information as at 30 June 2020 and for the six months ended 30 June 2020 is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	97,392	20,804	5,800	123,996
Export	65,415	15,696	599	81,710
Domestic	31,977	5,108	5,201	42,286
Cost of goods sold	(53,404)	(9,121)	(5,395)	(67,920)
Gross segment profit	43,988	11,683	405	56,076
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(10,262)	(3,104)	(280)	(13,646)
Total non-current segment assets ¹	151,280	58,851	5,289	215,420
Additions to non-current assets ¹	15,831	2,345	440	18,616

Segment information of the Group as at 31 December 2019 and for the six months ended 30 June 2019 is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	105,193	20,087	5,153	130,433
Export	73,948	15,114	813	89,875
Domestic	31,245	4,973	4,340	40,558
Cost of goods sold	(56,076)	(8,578)	(4,796)	(69,450)
Gross segment profit	49,117	11,509	357	60,983
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(8,509)	(2,965)	(393)	(11,867)
Total non-current segment assets ¹	144,680	60,645	4,968	210,293
Additions to non-current assets ¹	11,249	1,789	508	13,546

The analysis of export revenue by regions is as follows:

	Six months ended 30 June	
	2020	2019
	RUB million	RUB million
Europe	33,019	39,450
South America	18,656	14,572
India	9,863	9,082
Africa	7,211	3,587
CIS	5,428	8,152
North America	5,405	13,159
Asia	2,128	1,873
	81,710	89,875

¹ Total non-current segment assets include property, plant and equipment, intangible assets, right-of-use assets and catalysts.

5 REVENUES

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Phosphate-based products	97,392	105,193	47,807	47,629
Sales of chemical fertilisers	80,300	87,031	39,152	38,589
Sales of apatite concentrate	12,333	13,100	6,378	6,448
Sales of nepheline concentrate	535	571	274	288
Sales of other phosphate-based products and services	4,224	4,491	2,003	2,304
Nitrogen-based products	20,804	20,087	10,045	8,776
Other	5,800	5,153	2,086	1,741
	123,996	130,433	59,938	58,146

6 COST OF SALES

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Depreciation	(12,223)	(10,669)	(5,997)	(4,960)
Materials and services	(9,843)	(10,102)	(4,510)	(4,807)
Salaries and social contributions	(7,114)	(6,307)	(3,527)	(3,000)
Natural gas	(6,921)	(6,576)	(3,124)	(2,927)
Potash	(6,026)	(6,522)	(2,820)	(3,806)
Repair expenses	(4,767)	(4,747)	(2,351)	(2,334)
Chemical fertilisers and other products for resale	(4,662)	(3,865)	(1,579)	(1,253)
Transportation of phosphate rock	(4,236)	(4,286)	(1,976)	(1,916)
Electricity	(3,236)	(3,270)	(1,530)	(1,583)
Ammonia	(2,267)	(2,024)	(1,076)	(667)
Sulphur and sulphuric acid	(2,258)	(5,635)	(1,063)	(2,289)
Fuel	(2,047)	(2,654)	(903)	(1,141)
Drilling and blasting operations expenses	(1,489)	(995)	(720)	(440)
Ammonium sulphate	(831)	(1,798)	(184)	(591)
	(67,920)	(69,450)	(31,360)	(31,714)

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(5,728)	(4,660)	(2,646)	(2,361)
Professional services	(953)	(880)	(534)	(423)
Depreciation and amortisation	(678)	(711)	(342)	(350)
Other	(1,443)	(1,684)	(628)	(898)
	(8,802)	(7,935)	(4,150)	(4,032)

8 SELLING EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
<i>Expenses linked to basis of delivery, inc.</i>	(16,029)	(16,443)	(7,927)	(7,110)
Freight, port and stevedoring expenses	(9,084)	(8,845)	(4,574)	(3,521)
Russian Railways infrastructure tariff and operators' fees	(5,923)	(6,107)	(2,937)	(3,016)
Custom duties	(566)	(1,012)	(212)	(312)
Materials and services	(456)	(479)	(204)	(261)
<i>Other fixed expenses, inc.</i>	(3,020)	(2,385)	(1,402)	(1,377)
Salaries and social contributions	(1,582)	(1,323)	(713)	(792)
Depreciation and amortisation	(745)	(487)	(353)	(254)
Materials and services	(693)	(575)	(336)	(331)
	(19,049)	(18,828)	(9,329)	(8,487)

9 TAXES, OTHER THAN INCOME TAX, NET

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Property tax	(679)	34	(331)	352
Mineral extraction tax	(599)	(472)	(222)	(245)
Land tax	(130)	(149)	(65)	(76)
Environment pollution payment	(80)	(94)	(43)	(44)
VAT included in expenses	(55)	(147)	(27)	(103)
Using water objects payment	(22)	(19)	(11)	(9)
Other taxes	(18)	(20)	(10)	(12)
	(1,583)	(867)	(709)	(137)

10 OTHER EXPENSES, NET

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(1,336)	(1,265)	(598)	(660)
(Increase)/reversal in provision for inventory obsolescence	(59)	(11)	(64)	55
Increase in provision for bad debt	(57)	(36)	(8)	(24)
Accrual of of contingent liabilities	(51)	(75)	(17)	(33)
Loss on disposal of property, plant and equipment and intangible assets	(41)	(748)	(34)	(300)
Other income/(expenses), net	99	10	(20)	(61)
	(1,445)	(2,125)	(741)	(1,023)

11 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Interest income	168	302	73	218
Share of profit of associates (note 15)	33	20	-	-
Unwind of discount on financial assets	32	30	15	15
Dividend income	3	3	-	1
Gain from operation with derivatives	-	700	-	50
Other finance income	117	110	-	-
Finance income	353	1,165	88	284
Interest expense	(2,117)	(1,909)	(1,065)	(926)
Bank fees	(404)	(90)	(48)	(38)
Increase in provision for bad debts for financial investments	(251)	(19)	(234)	(1)
Securitisation fees	(95)	(86)	(49)	(86)
Discount of financial assets	(4)	(33)	(2)	(32)
Write off of equity securities	-	(150)	-	-
Share of loss of associates (note 15)	-	-	(1)	(1)
Other finance costs	(2)	-	(36)	(3)
Finance costs	(2,873)	(2,287)	(1,435)	(1,087)
Net finance costs	(2,520)	(1,122)	(1,347)	(803)

12 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (six months ended 30 June 2019: 20%).

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(3,652)	(7,094)	(3,206)	(2,978)
Origination and reversal of temporary differences, including change in unrecognised assets	2,480	(275)	(1,946)	225
	(1,172)	(7,369)	(5,152)	(2,753)

Reconciliation of effective tax rate:

	Six months ended 30 June			
	2020		2019	
	RUB million	%	RUB million	%
Profit before tax	6,463	100	40,314	100
Income tax at applicable tax rate	(1,293)	(20)	(8,063)	(20)
Under provided in respect of prior years	(9)	-	(10)	-
Effect of tax rates in foreign jurisdictions	325	5	182	-
Unrecognised tax liability on profit from associates	7	-	4	-
Non-deductible items	(525)	(8)	(453)	-
Change in unrecognised deferred tax assets	-	-	8	-
Reduction in tax rate	323	5	963	2
	(1,172)	(18)	(7,369)	(18)

13 PROPERTY, PLANT AND EQUIPMENT

<i>RUB million</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Net book value at 1 January 2019	59,303	73,815	5,240	44,602	182,960
Additions	771	2,244	1,455	8,449	12,919
Transfers from right-of-use assets (note 14)	-	3,108	-	-	3,108
Transfers	2,193	7,678	-	(9,871)	-
Disposals	(21)	(49)	(27)	(717)	(814)
Depreciation	(2,724)	(7,856)	(852)	-	(11,432)
Foreign currency translation	(46)	(151)	(4)	-	(201)
Net book value at 30 June 2019	59,476	78,789	5,812	42,463	186,540
Net book value at 1 January 2020	72,708	83,765	5,991	36,995	199,459
Additions	562	1,791	1,068	13,112	16,533
Transfers from right-of-use assets (note 14)	-	8	-	-	8
Transfers	3,305	11,018	-	(14,323)	-
Disposals	(6)	(15)	(2)	(49)	(72)
Depreciation	(2,920)	(8,600)	(924)	-	(12,444)
Other movements	51	177	3	-	231
Net book value at 30 June 2020	73,700	88,144	6,136	35,735	203,715

During the six months ended 30 June 2020, the Group capitalized borrowing cost in the amount of RUB 583 million (RUB 542 million in the six months ended 30 June 2019) using the weighted average interest rate of 3.24% per annum.

As at 30 June 2020, the balance of the construction in progress account includes the accumulated costs related to:

in Cherepovets:

- Development program of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 2,843 million;
- Development program of production facilities for sulphuric acid in the amount of RUB 2,828 million;
- Development of transport infrastructure station Cryolite in the amount of RUB 1,671 million;
- Development program of ammonia production facilities in the amount of RUB 1,138 million;
- The construction of ammonium sulphate plant in the amount of RUB 1,079 million.

in Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 10,189 million;
- The construction of apatit-nepheline beneficiation plants in the amount of RUB 2,054 million;
- The development of Rasvumchorskiy mine in the amount of RUB 1,721 million.

14 RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets as at 30 June 2020: railway wagons, production equipment, offices.

RUB million

	Buildings	Plant and equipment	Total
Net book value at 1 January 2019	137	4,872	5,009
New lease contracts and modification on existing lease contracts	82	198	280
Depreciation	(55)	(226)	(281)
Disposals	(6)	(38)	(44)
Transfers to property, plant and equipment (note 13)	-	(3,108)	(3,108)
Net book value at 30 June 2019	158	1,698	1,856
Net book value at 1 January 2020	109	6,782	6,891
New lease contracts and modification on existing lease contracts	37	1,747	1,784
Transfers to property, plant and equipment (note 13)	-	(8)	(8)
Depreciation	(32)	(742)	(774)
Disposals	-	(7)	(7)
Currency translation	9	1	10
Net book value at 30 June 2020	123	7,773	7,896

	Six months ended 30 June	
	2020	2019
	RUB million	RUB million
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	774	281
Interest expense on lease liabilities	239	94

15 INVESTMENTS IN ASSOCIATES

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

	2020	2019
	RUB million	RUB million
Balance at 1 January	519	506
Share in profit for the period (note 11)	33	20
Balance at 30 June	552	526

16 OTHER NON-CURRENT ASSETS

	30 June 2020	31 December 2019
	RUB million	RUB million
Loans issued to third parties, at amortised cost	722	653
Financial assets, at fair value	600	602
Loans issued to employees, at amortised cost	194	218
Other long-term assets	718	673
Provision for loans issued to third parties and other long-term assets	(873)	(510)
	1,361	1,636

17 OTHER CURRENT INVESTMENTS

	30 June 2020 RUB million	31 December 2019 RUB million
Interest receivable	100	118
Loans issued to employees, at amortised cost	86	80
Loans issued to third parties, at amortised cost	47	105
Loans issued to related parties, at amortised cost	1	2
Provision for doubtful accounts	(18)	(54)
	216	251

18 INVENTORIES

	30 June 2020 RUB million	31 December 2019 RUB million
Raw materials and spare parts	12,738	11,723
<i>Finished goods:</i>		
Chemical fertilisers	9,588	10,837
Apatite concentrate	543	443
Other products	418	273
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	4,092	4,491
Chemical fertilisers and other products for resale, purchased from third parties	1,183	1,778
Other goods for resale	127	63
Provision for obsolescence	(262)	(203)
	28,427	29,405

19 TRADE AND OTHER RECEIVABLES

	30 June 2020 RUB million	31 December 2019 RUB million
Trade accounts receivable	14,201	14,375
VAT and other taxes receivable	9,975	10,214
Advances issued	4,504	4,865
Income tax receivable	474	1,286
Deferred expenses	204	99
Receivables from employees	52	20
Other receivables	473	460
Provision for doubtful accounts	(334)	(258)
	29,549	31,061

The movements in provision for doubtful accounts are as follows:

	2020 RUB million	2019 RUB million
Balance at 1 January	(258)	(618)
Reclassification to current assets	(37)	-
Use of provision	54	30
Foreign currency translation difference	(20)	43
Increase in provision for bad debt	(73)	(35)
Balance at 30 June	(334)	(580)

Starting from June 2019 the Group sells without recourse trade receivables to a bank for cash proceeds. These trade receivables are derecognised from the statement of financial position, because the Group transfers substantially all of the risks and rewards - primarily credit risk and late payment risk. The amount of cash proceeds received on transfer is recognised in cash and cash equivalents. The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank. The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables for the reporting period that was transferred and derecognised and the cash proceeds received.

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Trade receivables transferred to the bank	8,946	4,951	4,820	4,951
Associated cash inflow	963	4,497	-	4,497
Associated cash outflow	(1,464)	-	(1,306)	-
Net-off with other payables	7,983	454	5,264	454

Payables to the bank as of 30 June 2020 amounted to RUB 5 593 million (31 December 2019: RUB 748 million) are presented within other payables. Receivables from the bank as of 30 June 2020 amounted to RUB 510 million (31 December 2019: RUB 474 million) are presented within trade receivables.

20 CASH AND CASH EQUIVALENTS

	30 June 2020 RUB million	31 December 2019 RUB Million
Cash in bank	4,516	5,724
Call deposits	3,273	2,506
Petty cash	4	6
	7,793	8,236

The most significant balances of cash and cash equivalents were held in banks with "BBB" credit rating.

21 EQUITY

Dividends

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
Total dividends approved during the reporting period			
November 2019	January 2020	48	6,216
February 2020	May 2020	18	2,331
May 2020	June 2020	78	10,101
			18,648
Total dividends approved subsequent to the reporting date			
August 2020	To be approved in September 2020	33	4,274
			22,922

22 EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
Weighted average number of ordinary shares in issue	129,500,000	129,500,000	129,500,000	129,500,000
Profit for the period attributable to shareholders of the Parent, RUB million	5,284	32,927	20,871	11,775
Basic and diluted earnings per share, RUB	41	254	161	91

23 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings.

	30 June 2020	31 December 2019
	RUB million	RUB million
Current loans and borrowings:		
Unsecured bank loans	10,570	36,225
Interest payable	1,076	621
Bank commission (short-term)	(7)	(7)
	11,639	36,839
Non-current loans and borrowings:		
Loan participation notes ^{1,2,3}	94,434	61,906
Unsecured bank loans	33,789	34,951
Bank commission (long-term)	(251)	(121)
	127,972	96,736
	139,611	133,575

The breakdown of the loans and borrowings denominated in different currencies is as follows:

	30 June 2020	31 December 2019
	RUB million	RUB million
USD-denominated	122,707	101,853
EUR-denominated	17,136	31,850
RUB-denominated	26	-
	139,869	133,703

The maturity of the loans and borrowings is as follows:

	30 June 2020	31 December 2019
	RUB million	RUB million
Less than 1 year	11,646	36,846
1-2 years	32,077	41,124
2-3 years	46,242	9,960
3-4 years	3,660	34,190
4-5 years	38,636	3,237
More than 5 years	7,608	8,346
	139,869	133,703

1 In May 2017, the Company's SPV issued a USD 500 million 4.5-year Eurobond with a coupon rate of 3.95%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 25,179 million (31 December 2019: RUB 33,211 million).

2 In January 2018 the Company's SPV issued a USD 500 million 5.25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 36,383 million (31 December 2019: RUB 33,843 million).

3 In January 2020 the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 3.05%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 35,324 million.

Management believes that the fair value of the Group's other loans and borrowings approximates their carrying amounts.

Reconciliation of liabilities arising from financing activities:

RUB million	31 December	Cash inflows	Cash outflows	Accrual of liabilities	Amortisation of bank commission	Foreign exchange loss	30 June 2020
	2019						
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Loans and borrowings (excluding interest payable)	132,954	43,647	(55,881)	-	40	17,775	138,535
Lease liabilities	6,244	-	(823)	1,538	-	10	6,969
	139,198	43,647	(56,704)	1,538	40	17,785	145,504

RUB million	31 December	Cash inflows	Cash outflows	Accrual of liabilities	Amortisation of bank commission	Foreign exchange gain	30 June 2019
	2018						
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Loans and borrowings (excluding interest payable)	142,823	17,195	(19,696)	-	26	(13,246)	127,102
Lease liabilities	1,094	-	(1,249)	1,994	-	(63)	1,776
	143,917	17,195	(20,945)	1,994	26	(13,309)	128,878

24 LEASE LIABILITIES

	Lease liability without subsequent asset buyout RUB million	Lease liability with subsequent asset buyout RUB million	Total RUB million
Balance as at 1 January 2020	4,757	1,487	6,244
New lease contracts and modification of existing lease contracts	19	1,521	1,540
Interest expense on lease liabilities	158	80	238
Principal lease payments	(588)	(235)	(823)
Interest lease payments	(159)	(80)	(239)
Effect of foreign currency translation reserve	9	-	9
Balance as at 30 June 2020	4,196	2,773	6,969

	Lease liability without subsequent asset buyout RUB million	Lease liability with subsequent asset buyout RUB million	Total RUB million
Balance as at 1 January 2019	1,738	1,094	2,832
New lease contracts and modification of existing lease contracts	198	46	244
Interest expense on lease liabilities	71	23	94
Principal lease payments	(205)	(1,044)	(1,249)
Interest lease payments	(71)	(23)	(94)
Effect of foreign currency translation reserve	1	(52)	(51)
Balance as at 30 June 2019	1,732	44	1,776

25 TRADE AND OTHER PAYABLES

	30 June 2020 RUB million	31 December 2019 RUB million
Trade accounts payable	10,435	12,121
inc. accounts payable for property, plant and equipment and intangible assets	4,603	4,728
Dividends payable	9,807	2
Advances received	4,301	7,160
Payables to employees	4,028	2,970
Other taxes payable	2,310	2,526
Income tax payable	852	207
Accruals	145	97
Other payables (see note 19)	5,758	947
	37,636	26,030

26 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 31,441 million (31 December 2019: RUB 43,603 million).

27 RELATED PARTY TRANSACTIONS

The balances and transactions with related parties are usually unsecured and denominated in RUB.

(a) Transactions and balances with associates

(i) Transactions with associates

	Six months ended 30 June	
	2020 RUB million	2019 RUB million
Sales of goods and services	15	11
Interest income	-	1
Purchases of goods and services	(279)	(266)
Other income, net	1	2

(ii) Balances with associates

	30 June 2020 RUB million	31 December 2019 RUB million
Trade and other receivables	27	41
Trade and other payables	(7)	(18)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 575 million (31 December 2019: RUB 726 million).

(b) Transactions and balances with other related parties**(i) Transactions with other related parties**

	Six months ended 30 June	
	2020 RUB million	2019 RUB million
Sales of goods and services	405	153
Other loss, net	(19)	(36)
Interest income	-	2
Purchases of goods and services	(42)	(987)
Interest expenses	-	(1)

(ii) Balances with other related parties

	30 June 2020	31 December 2019
	RUB million	RUB million
Short-term loans issued, at amortised cost	1	2
Trade and other receivables	100	7
Trade and other payables	(64)	(123)

(iii) Financial guarantees

The Group has not issued financial guarantees to banks in favour of other related parties as at 30 June 2020 and 31 December 2019.

28 FOREIGN CURRENCY RISK

The Group's net monetary position on balances denominated in foreign currencies other than respective functional currencies is as follows:

Group companies in Russia:

	30 June 2020	31 December 2019
	RUB million	RUB million
USD-denominated net liabilities	(123,171)	(99,831)
EUR-denominated net liabilities	(17,673)	(32,507)
	(140,844)	(132,338)

Foreign Group companies:

	30 June 2020	31 December 2019
	RUB million	RUB million
USD-denominated net assets	925	1,157
EUR-denominated net assets	811	822
	1,736	1,979

Total:

	30 June 2020	31 December 2019
	RUB million	RUB million
USD-denominated net liabilities	(122,246)	(98,674)
EUR-denominated net liabilities	(16,862)	(31,685)
	(139,108)	(130,359)

The foreign exchange loss recognized in profit of loss of RUB 15,925 million (RUB 10,208 million of foreign exchange gain for the comparative period) resulted from the (depreciation) appreciation of the Russian Rouble against major currencies during the reporting and comparative periods.

In addition, the net assets of the Group's foreign subsidiaries denominated in USD, EUR and other currencies amount to RUB 18,197 million as at the reporting date (31 December 2019: RUB 15,235 million).

29 SEASONALITY

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group's revenue is partially offset by the fact that the Group sells its fertilisers globally and fertiliser application and purchases vary by region.

The Group's costs are generally stable throughout the year, however several maintenance activities undertaken at the Group's production facilities may not be evenly spreaded.