



**PJSC “PhosAgro”**

**Consolidated Interim Condensed  
Financial Statements  
for the three months ended  
31 March 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 31 March 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, 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.



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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 31 March 2020, and for the three-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

  
Yagnov I.A.

JSC “KPMG”

Moscow, Russia

13 May 2020



Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the three months ended 31 March 2020 (unaudited)

	Note	Three months ended 31 March	
		2020 RUB million	2019 RUB million
Revenues	5	64,058	72,287
Cost of sales	6	(36,560)	(37,736)
<b>Gross profit</b>		<b>27,498</b>	<b>34,551</b>
Administrative expenses	7	(4,652)	(3,903)
Selling expenses	8	(9,720)	(10,341)
Taxes, other than income tax, net	9	(874)	(730)
Other expenses, net	10	(704)	(1,102)
<b>Operating profit</b>		<b>11,548</b>	<b>18,475</b>
Finance income	11	301	885
Finance costs	11	(1,474)	(1,204)
Foreign exchange (loss)/gain, net		(29,943)	7,620
<b>(Loss)/profit before tax</b>		<b>(19,568)</b>	<b>25,776</b>
Income tax benefit/(expense)	12	3,980	(4,616)
<b>(Loss)/profit for the period</b>		<b>(15,588)</b>	<b>21,160</b>
Attributable to:			
Non-controlling interests ^		(1)	8
Shareholders of the Parent		(15,587)	21,152
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation difference		2,586	(611)
<b>Other comprehensive income/(loss) for the period</b>		<b>2,586</b>	<b>(611)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(13,002)</b>	<b>20,549</b>
Attributable to:			
Non-controlling interests ^		(1)	8
Shareholders of the Parent		(13,001)	20,541
Basic and diluted (loss)/earnings per share (in RUB)	22	(120)	163

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

The consolidated interim condensed financial statements were approved on 13 May 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 31 March 2020 (unaudited)*

	Note	31 March 2020 RUB million	31 December 2019 RUB million
<b>Assets</b>			
Property, plant and equipment	13	199,860	199,459
Advances issued for property, plant and equipment		14,835	13,006
Right-of-use assets	14	7,748	6,891
Catalysts		2,282	2,376
Intangible assets		1,506	1,567
Investments in associates	15	553	519
Deferred tax assets		11,757	8,214
Other non-current assets	16	1,748	1,636
<b>Non-current assets</b>		<b>240,289</b>	<b>233,668</b>
Other current investments	17	215	251
Inventories	18	26,766	29,405
Trade and other receivables	19	31,524	31,061
Cash and cash equivalents	20	20,879	8,236
<b>Current assets</b>		<b>79,384</b>	<b>68,953</b>
<b>Total assets</b>		<b>319,673</b>	<b>302,621</b>
<b>Equity</b>			
	21		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		89,251	111,054
Actuarial losses		(689)	(689)
Foreign currency translation reserve		9,822	7,236
Equity attributable to shareholders of the Parent		106,250	125,467
Equity attributable to non-controlling interests		169	170
<b>Total equity</b>		<b>106,419</b>	<b>125,637</b>
<b>Liabilities</b>			
Loans and borrowings	23	148,312	96,736
Lease liabilities	24	5,052	4,701
Defined benefit obligations		887	857
Deferred tax liabilities		9,376	10,278
<b>Non-current liabilities</b>		<b>163,627</b>	<b>112,572</b>
Loans and borrowings	23	17,901	36,839
Lease liabilities	24	1,756	1,543
Trade and other payables	25	29,970	26,030
<b>Current liabilities</b>		<b>49,627</b>	<b>64,412</b>
<b>Total equity and liabilities</b>		<b>319,673</b>	<b>302,621</b>

**PJSC "PhosAgro"**  
*Consolidated Interim Condensed Statement of Cash Flows*  
*for the three months ended 31 March 2020 (unaudited)*

	Note	Three months ended 31 March	
		2020	2019
		RUB million	RUB million
<b>Cash flows from operating activities</b>			
Operating profit		11,548	18,475
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	6,954	6,303
Loss on disposal of property, plant and equipment and intangible assets	10	7	448
Operating profit before changes in working capital and provisions		18,509	25,226
Decrease in inventories and catalysts		3,244	3,599
Decrease/(increase) in trade and other receivables		2,541	(2,246)
Increase in trade and other payables		3,752	3,482
Cash flows from operations before income taxes and interest paid		28,046	30,061
Income tax paid		(537)	(2,450)
Finance costs paid		(483)	(114)
<b>Cash flows from operating activities</b>		<b>27,026</b>	<b>27,497</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(8,752)	(8,617)
Repayment of loans issued, net		79	64
Proceeds from disposal of property, plant and equipment		4	10
Finance income received		175	93
Other payments		(279)	(272)
<b>Cash flows used in investing activities</b>		<b>(8,773)</b>	<b>(8,722)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	23	39,210	10,943
Repayment of borrowings	23	(41,059)	(4,634)
Dividends paid to shareholders of the Parent	21	(6,216)	(9,324)
Leases paid	23	(522)	(1,102)
Proceeds from settlement of derivatives, net		-	340
<b>Cash flows used in financing activities</b>		<b>(8,587)</b>	<b>(3,777)</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,666</b>	<b>14,998</b>
Cash and cash equivalents at 1 January		8,236	9,320
Effect of exchange rates fluctuations		2,977	(923)
<b>Cash and cash equivalents at 31 March</b>	20	<b>20,879</b>	<b>23,395</b>

RUB million	Attributable to shareholders of the Parent					Attributable to non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Actuarial losses	Foreign currency translation reserve		
<b>Balance at 1 January 2019</b>	<b>372</b>	<b>7,494</b>	<b>93,951</b>	<b>(556)</b>	<b>8,365</b>	<b>195</b>	<b>109,821</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	21,152	-	-	8	21,160
Foreign currency translation difference	-	-	-	-	(611)	-	(611)
	-	-	21,152	-	(611)	8	20,549
<b>Transactions with owners recognised directly in equity</b>							
Dividends to shareholders	-	-	(9,324)	-	-	-	(9,324)
	-	-	(9,324)	-	-	-	(9,324)
<b>Balance at 31 March 2019</b>	<b>372</b>	<b>7,494</b>	<b>105,779</b>	<b>(556)</b>	<b>7,754</b>	<b>203</b>	<b>121,046</b>
<b>Balance at 1 January 2020</b>	<b>372</b>	<b>7,494</b>	<b>111,054</b>	<b>(689)</b>	<b>7,236</b>	<b>170</b>	<b>125,637</b>
<b>Total comprehensive loss for the period</b>							
Loss for the period	-	-	(15,587)	-	-	(1)	(15,588)
Foreign currency translation difference	-	-	-	-	2,586	-	2,586
	-	-	(15,587)	-	2,586	(1)	(13,002)
<b>Transactions with owners recognised directly in equity</b>							
Dividends to shareholders	-	-	(6,216)	-	-	-	(6,216)
	-	-	(6,216)	-	-	-	(6,216)
<b>Balance at 31 March 2020</b>	<b>372</b>	<b>7,494</b>	<b>89,251</b>	<b>(689)</b>	<b>9,822</b>	<b>169</b>	<b>106,419</b>



## **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’s 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 31 March 2020 were translated at the closing exchange rate of RUB 77.7325 for USD 1 (31 December 2019: RUB 61.9057 for USD 1);
- Profit and loss items were translated at the average exchange rate for the three months ended 31 March 2020 of RUB 66.3818 for USD 1 (three months ended 31 March 2019: RUB 66.1271 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.

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

- Assets and liabilities as at 31 March 2020 were translated at the closing exchange rate of RUB 85.7389 for EUR 1 (31 December 2019: RUB 69.3406 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the three months ended 31 March 2020 of RUB 73.2348 for EUR 1 (three months ended 31 March 2019: RUB 75.1715 for EUR 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

### 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 expenses, selling expenses, finance income and share of profit of associates.

The Group changed presentation of statement of cash flows, starting from the line of operating profit instead of profit before tax as in previous comparative periods.

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

	Three months ended 31 March 2019		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(3,972)	69	(3,903)
Selling expenses	(10,272)	(69)	(10,341)
Finance income	864	21	885
Share of profit of associates	21	(21)	-

### 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 31 March 2020 and for the three months ended 31 March 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:	49,585	10,759	3,714	64,058
Export	33,688	6,997	314	40,999
Domestic	15,897	3,762	3,400	23,059
Cost of goods sold	(28,242)	(4,909)	(3,409)	(36,560)
Gross segment profit	<u>21,343</u>	<u>5,850</u>	<u>305</u>	<u>27,498</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(5,255)	(1,621)	(78)	(6,954)
Total non-current segment assets <sup>1</sup>	<u>146,907</u>	<u>59,027</u>	<u>5,462</u>	<u>211,396</u>
Additions to non-current assets <sup>1</sup>	<u>6,613</u>	<u>490</u>	<u>261</u>	<u>7,364</u>

Segment information of the Group as at 31 December 2019 and for the three months ended 31 March 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:	57,564	11,311	3,412	72,287
Export	44,535	8,615	715	53,865
Domestic	13,029	2,696	2,697	18,422
Cost of goods sold	(29,870)	(4,718)	(3,148)	(37,736)
Gross segment profit	<u>27,694</u>	<u>6,593</u>	<u>264</u>	<u>34,551</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(4,483)	(1,624)	(196)	(6,303)
Total non-current segment assets <sup>1</sup>	<u>144,680</u>	<u>60,645</u>	<u>4,968</u>	<u>210,293</u>
Additions to non-current assets <sup>1</sup>	<u>4,859</u>	<u>499</u>	<u>175</u>	<u>5,533</u>

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

The analysis of export revenue by regions is as follows:

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Europe	20,651	24,440
South America	5,503	8,633
Africa	5,395	2,099
North America	3,580	10,458
CIS	2,992	4,154
India	1,557	3,185
Asia	1,321	896
	<b>40,999</b>	<b>53,865</b>

## 5 REVENUES

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Phosphate-based products	49,585	57,564
Sales of chemical fertilisers	41,148	48,442
Sales of apatite concentrate	5,955	6,652
Sales of nepheline concentrate	261	283
Sales of other phosphate-based products and services	2,221	2,187
Nitrogen-based products	10,759	11,311
Other	3,714	3,412
	<b>64,058</b>	<b>72,287</b>

## 6 COST OF SALES

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Depreciation and amortisation	(6,226)	(5,709)
Materials and services	(5,333)	(5,295)
Natural gas	(3,797)	(3,649)
Salaries and social contributions	(3,587)	(3,307)
Potash	(3,206)	(2,716)
Chemical fertilisers and other products for resale	(3,083)	(2,612)
Repair expenses	(2,416)	(2,413)
Transportation of phosphate rock	(2,260)	(2,370)
Electricity	(1,706)	(1,687)
Sulphur and sulphuric acid	(1,195)	(3,346)
Ammonia	(1,191)	(1,357)
Fuel	(1,144)	(1,513)
Drilling and blasting operations expenses	(769)	(555)
Ammonium sulphate	(647)	(1,207)
	<b>(36,560)</b>	<b>(37,736)</b>

## 7 ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Salaries and social contributions	(3,082)	(2,299)
Professional services	(419)	(457)
Depreciation and amortisation	(336)	(361)
Other	(815)	(786)
	<b>(4,652)</b>	<b>(3,903)</b>

**8 SELLING EXPENSES**

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
<i>Expenses linked to basis of delivery, inc.</i>	(8,102)	(9,333)
Freight, port and stevedoring expenses	(4,510)	(5,324)
Russian Railways infrastructure tariff and operators' fees	(2,986)	(3,091)
Custom duties	(354)	(700)
Materials and services	(252)	(218)
<i>Other fixed expenses, inc.</i>	(1,618)	(1,008)
Salaries and social contributions	(869)	(531)
Depreciation and amortisation	(392)	(233)
Materials and services	(357)	(244)
	<b>(9,720)</b>	<b>(10,341)</b>

**9 TAXES, OTHER THAN INCOME TAX, NET**

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Mineral extraction tax	(377)	(227)
Property tax	(348)	(318)
Land tax	(65)	(73)
Environment pollution payment	(37)	(50)
VAT included in expenses	(28)	(44)
Using water objects payment	(11)	(10)
Other taxes	(8)	(8)
	<b>(874)</b>	<b>(730)</b>

**10 OTHER EXPENSES, NET**

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Social expenditures	(738)	(605)
Increase in provision for bad debt	(49)	(12)
Accrual of contingent liabilities	(34)	(42)
Loss on disposal of property, plant and equipment and intangible assets	(7)	(448)
Reversal/(increase) in provision for inventory obsolescence	5	(66)
Other income, net	119	71
	<b>(704)</b>	<b>(1,102)</b>

**11 FINANCE INCOME AND FINANCE COSTS**

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Interest income	95	84
Share of profit of associates (note 15)	34	21
Unwind of discount of financial assets	17	15
Gain from operations with derivatives	-	650
Other finance income	155	115
<b>Finance income</b>	<b>301</b>	<b>885</b>
Interest expense	(1,052)	(983)
Bank fees	(356)	(52)
Securitisation fees	(46)	-
Write off of equity securities	-	(150)
Provision for bad debt on financial investments	(17)	(18)
Other finance costs	(3)	(1)
<b>Finance costs</b>	<b>(1,474)</b>	<b>(1,204)</b>
<b>Net finance costs</b>	<b>(1,173)</b>	<b>(319)</b>

**12 INCOME TAX BENEFIT/(EXPENSE)**

The Company's applicable corporate income tax rate is 20% (three months ended 31 March 2019: 20%).

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Current tax expense	(446)	(4,116)
Origination and reversal of temporary differences, including change in unrecognised assets	4,426	(500)
	<b>3,980</b>	<b>(4,616)</b>

**Reconciliation of effective tax rate:**

	Three months ended 31 March			
	2020		2019	
	RUB million	%	RUB million	%
(Loss)/profit before tax	(19,568)	100	25,776	100
Income tax at applicable tax rate	3,914	(20)	(5,155)	(20)
(Under)/over provided in respect of prior years	(5)	-	7	-
Effect of tax rates in foreign jurisdictions	137	(1)	111	-
Unrecognised tax liability on profit from associates	7	-	4	-
Non-deductible items	(73)	1	(128)	-
Change in unrecognised deferred tax assets	-	-	4	-
Reduction in tax rate	-	-	541	2
	<b>3,980</b>	<b>(20)</b>	<b>(4,616)</b>	<b>(18)</b>

**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	<b>182,960</b>
Additions	359	1,236	879	3,322	<b>5,796</b>
Transfers from right-of-use assets (note 14)	-	3,108	-	-	<b>3,108</b>
Transfers	1,443	3,784	-	(5,227)	-
Disposals	(5)	(21)	(2)	(488)	<b>(516)</b>
Depreciation	(1,356)	(3,845)	(455)	-	<b>(5,656)</b>
Other movements	(41)	(114)	(3)	-	<b>(158)</b>
Net book value at 31 March 2019	<b>59,703</b>	<b>77,963</b>	<b>5,659</b>	<b>42,209</b>	<b>185,534</b>
Net book value at 1 January 2020	72,708	83,765	5,991	36,995	<b>199,459</b>
Additions	271	792	633	4,459	<b>6,155</b>
Transfers	665	2,636	-	(3,301)	-
Disposals	(4)	(3)	-	(10)	<b>(17)</b>
Depreciation	(1,435)	(4,278)	(466)	-	<b>(6,179)</b>
Other movements	91	345	6	-	<b>442</b>
Net book value at 31 March 2020	<b>72,296</b>	<b>83,257</b>	<b>6,164</b>	<b>38,143</b>	<b>199,860</b>

During the three months ended 31 March 2020, the Group capitalised borrowing cost in the amount of RUB 279 million (RUB 278 million in the three months ended 31 March 2019) using the weighted average interest rate of 3.18% per annum.

As at 31 March 2020, the balance of the construction in progress account includes the accumulated costs related to:

*in Cherepovets:*

- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 3,371 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 2,402 million;
- Development programme of ammonia production facilities in the amount of RUB 1,776 million;
- The construction of ammonium sulfate plant in the amount of RUB 990 million.

*in Kirovsk:*

- Kirovsk mine extension and modernization in the amount of RUB 9,304 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 4,974 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 1,833 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 1,565 million.

**14 RIGHT-OF-USE ASSETS**

The Group has the following types of right-of-use assets as at 31 March 2020: railway wagons, production equipment, offices.

*RUB million*

	Buildings	Plant and equipment	Total
Net book value at 1 January 2019	137	4,872	<b>5,009</b>
New lease contracts and modification on existing lease contracts	35	54	<b>89</b>
Depreciation	(26)	(121)	<b>(147)</b>
Transfers to property, plant and equipment (note 13)	-	(3,108)	<b>(3,108)</b>
Net book value at 31 March 2019	<b>146</b>	<b>1,697</b>	<b>1,843</b>
Net book value at 1 January 2020	109	6,782	<b>6,891</b>
New lease contracts and modification on existing lease contracts	36	1,185	<b>1,221</b>
Depreciation	(24)	(358)	<b>(382)</b>
Disposals	(2)	(4)	<b>(6)</b>
Currency translation	19	5	<b>24</b>
Net book value at 31 March 2020	<b>138</b>	<b>7,610</b>	<b>7,748</b>

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	382	147
Interest expense on lease liabilities	117	59

**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)	34	21
Balance at 31 March	<b>553</b>	<b>527</b>

**16 OTHER NON-CURRENT ASSETS**

	31 March 2020	31 December 2019
	RUB million	RUB million
Loans issued to third parties, at amortised cost	784	653
Financial assets, at fair value	603	602
Loans issued to employees, at amortised cost	203	218
Other long-term assets	796	673
Provision for loans issued to third parties	(638)	(510)
	<b>1,748</b>	<b>1,636</b>



**17 OTHER CURRENT INVESTMENTS**

	31 March 2020	31 December 2019
	RUB million	RUB million
Interest receivable	159	118
Loans issued to employees, at amortised cost	70	80
Loans issued to third parties, at amortised cost	60	105
Loans issued to related parties, at amortised cost	1	2
Provision for doubtful accounts	(75)	(54)
	<b>215</b>	<b>251</b>

**18 INVENTORIES**

	31 March 2020	31 December 2019
	RUB million	RUB million
Raw materials and spare parts	12,050	11,723
<i>Finished goods:</i>		
Chemical fertilisers	9,183	10,837
Apatite concentrate	351	443
Other products	289	273
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	4,043	4,491
Chemical fertilisers and other products for resale, purchased from third parties	971	1,778
Other goods for resale	77	63
Provision for obsolescence	(198)	(203)
	<b>26,766</b>	<b>29,405</b>

**19 TRADE AND OTHER RECEIVABLES**

	31 March 2020	31 December 2019
	RUB million	RUB million
Trade accounts receivable	17,241	14,375
VAT and other taxes receivable	8,278	10,214
Advances issued	4,204	4,865
Income tax receivable	1,406	1,286
Deferred expenses	184	99
Receivables from employees	25	20
Other receivables	523	460
Provision for doubtful accounts	(337)	(258)
	<b>31,524</b>	<b>31,061</b>

The movements in provision for doubtful accounts are as follows:

	2020 RUB million	2019 RUB million
Balance at 1 January	(258)	(618)
Use of provision	2	13
Foreign currency translation difference	(38)	34
Increase in provision for bad debt	(43)	(15)
Balance at 31 March	<b>(337)</b>	<b>(586)</b>

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.

	Three months ended 31 March	
	2020 RUB million	2019 RUB million
Trade receivables transferred to the bank	4,126	-
Associated cash proceeds/(outflow), net	805	-
Net-off with other payables and effect of forex	3,321	-

Payables to the bank as of 31 March 2020 amounted to RUB 3,872 million (31 December 2019: RUB 748 million) are presented within other payables. Receivables from the bank as of 31 March 2020 amounted to RUB 598 million (31 December 2019: RUB 474 million) are presented within trade receivables.

## 20 CASH AND CASH EQUIVALENTS

	31 March 2020 RUB million	31 December 2019 RUB Million
Cash in bank	14,473	5,724
Call deposits	6,400	2,506
Petty cash	6	6
	<b>20,879</b>	<b>8,236</b>

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
<b>Total dividends approved during the reporting period</b>			
November 2019	January 2020	48	6,216
			<b>6,216</b>
<b>Total dividends approved subsequent to the reporting date</b>			
February 2020	May 2020	18	2,331
May 2020	To be approved in June 2020	78	10,101
			<b>12,432</b>

**22 (LOSS)/EARNINGS PER SHARE**

Basic (loss)/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.

	Three months ended 31 March	
	2020	2019
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
(Loss)/profit for the period attributable to shareholders of the Parent, RUB million	(15,587)	21,152
Basic and diluted (loss)/earnings per share, RUB	(120)	163

**23 LOANS AND BORROWINGS**

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

	31 March 2020 RUB million	31 December 2019 RUB million
<b>Current loans and borrowings:</b>		
Unsecured bank loans	16,058	36,225
Interest payable	1,850	621
Bank commission (short-term)	(7)	(7)
	<b>17,901</b>	<b>36,839</b>
<b>Non-current loans and borrowings:</b>		
Loan participation notes <sup>1,2,3</sup>	104,939	61,906
Unsecured bank loans	43,646	34,951
Bank commission (long-term)	(273)	(121)
	<b>148,312</b>	<b>96,736</b>
	<b>166,213</b>	<b>133,575</b>

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 27,425 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 38,989 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 36,756 million.

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

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

	31 March 2020	31 December 2019
	RUB million	RUB million
USD-denominated	138,265	101,853
EUR-denominated	24,218	31,850
RUB-denominated	4,010	-
	<b>166,493</b>	<b>133,703</b>

The maturity of the loans and borrowings is as follows:

	31 March 2020	31 December 2019
	RUB million	RUB million
Less than 1 year	17,909	36,846
1-2 years	39,835	41,124
2-3 years	12,457	9,960
3-4 years	42,921	34,190
4-5 years	42,921	3,237
More than 5 years	10,450	8,346
	<b>166,493</b>	<b>133,703</b>

Reconciliation of liabilities arising from financing activities:

RUB million	31 December 2019	Cash inflows	Cash outflows	Accrual of liabilities	Amortisation of bank commission	Foreign exchange loss	31 March 2020
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Loans and borrowings (excluding interest payable)	132,954	39,210	(41,059)	-	18	33,240	164,363
Lease liabilities	6,244	-	(522)	1,066	-	20	6,808
	<b>139,198</b>	<b>39,210</b>	<b>(41,581)</b>	<b>1,066</b>	<b>18</b>	<b>33,260</b>	<b>171,171</b>

## 24 LEASE LIABILITIES

	Lease liability without subsequent asset buyout	Lease liability with subsequent asset buyout	Total
	RUB million	RUB million	RUB million
Balance as at 1 January 2020	4,757	1,487	6,244
New lease contracts and modification of existing lease contracts	54	1,012	1,066
Interest expense on lease liabilities	82	35	117
Principal lease payments	(334)	(188)	(522)
Interest lease payments	(82)	(35)	(117)
Effect of foreign currency translation reserve	20	-	20
Balance as at 31 March 2020	<b>4,497</b>	<b>2,311</b>	<b>6,808</b>

**25 TRADE AND OTHER PAYABLES**

	31 March 2020	31 December 2019
	RUB million	RUB million
Trade accounts payable	10,699	12,121
incl. accounts payable for property, plant and equipment and intangible assets	3,982	4,728
Advances received	8,362	7,160
Payables to employees	3,278	2,970
Taxes payable	3,211	2,526
Income tax payable	254	207
Accruals	126	97
Dividends payable	2	2
Other payables	4,038	947
	<b>29,970</b>	<b>26,030</b>

**26 COMMITMENTS**

The Group has entered into contracts to purchase plant and equipment for RUB 35,690 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**

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Sales of goods and services	9	7
Interest income	1	-
Purchases of goods and services	(135)	(124)
Other expenses, net	1	-

**(ii) Balances with associates**

	31 March 2020	31 December 2019
	RUB million	RUB million
Trade and other receivables	29	41
Trade and other payables	(11)	(18)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 666 million (31 December 2019: RUB 726 million).

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

	Three months ended 31 March	
	2020	2019
	RUB million	RUB million
Sales of goods and services	81	85
Other loss, net	(12)	(8)
Interest income	-	1
Purchases of goods and services	(23)	(482)

**(ii) Balances with other related parties**

	31 March 2020	31 December 2019
	RUB million	RUB million
Short-term loans issued, at amortised cost	1	2
Trade and other receivables	1	7
Trade and other payables	(236)	(123)

**(iii) Financial guarantees**

The Group has not issued financial guarantees to banks in favour of other related parties as at 31 March 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:

	31 March 2020	31 December 2019
	RUB million	RUB million
USD-denominated net liabilities	(130,880)	(99,831)
EUR-denominated net liabilities	(25,073)	(32,507)
	<b>(155,953)</b>	<b>(132,338)</b>

The foreign exchange loss recognized in profit of loss of RUB 29,943 million (RUB 7,620 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 and EUR amount to RUB 19,019 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.