



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the three months ended
31 March 2021 (unaudited)**

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Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of Public Joint Stock Company "PhosAgro":

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Public Joint Stock Company "PhosAgro" and its subsidiaries (together – the "Group") as at 31 March 2021 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 the related explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

18 May 2021

Moscow, Russian Federation



A.Y. Fegetsyn, certified auditor (licence No. 03-001436), AO PricewaterhouseCoopers Audit

Reviewed entity: Public joint stock company "PhosAgro"

Record made in the Unified State Register of Legal Entities on 5 September 2002 under State Registration Number 1027700190572

Taxpayer Identification Number 7736216869

Leninsky prospekt 55/1 building 1, Moscow, Russian Federation, 119333

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

AO PricewaterhouseCoopers Audit

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PJSC "PhosAgro"

*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2021 (unaudited)*

RUB million	Note	Three months ended 31 March	
		2021	2020
Revenues	5	87,579	64,058
Cost of Group products sold	6	(48,895)	(41,573)
Cost of products for resale		(3,313)	(3,089)
Gross profit		35,371	19,396
Administrative and selling overhead expenses	7	(6,492)	(6,270)
Taxes, other than income tax, net	8	(1,518)	(874)
Other income and expenses, net	9	(657)	(704)
Foreign exchange gain from operating activities, net		98	2,236
Operating profit		26,802	13,784
Finance income	10	100	301
Finance costs	10	(1,298)	(1,474)
Foreign exchange loss from financing activities, net	26	(2,885)	(32,179)
COVID-19 related expenses		(119)	-
Profit/(loss) before tax		22,600	(19,568)
Income tax (expense)/benefit	11	(4,256)	3,980
Profit/(loss) for the period		18,344	(15,588)
Attributable to:			
Non-controlling interests*		(9)	(1)
Shareholders of the Parent		18,353	(15,587)
Basic and diluted earnings/(loss) per share (in RUB)	20	142	(120)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		214	2,586
Other comprehensive income for the period		214	2,586
Total comprehensive income/(loss) for the period		18,558	(13,002)
Attributable to:			
Non-controlling interests*		(9)	(1)
Shareholders of the Parent		18,567	(13,001)

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

The consolidated interim condensed financial statements were approved on 18 May 2021:

Chief executive officer
A.A. Guryev

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

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 5 to 22.

PJSC "PhosAgro"**Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2021 (unaudited)**

<i>RUB million</i>	Note	31 March 2021	31 December 2020
Assets			
Property, plant and equipment	12	221,860	220,031
Advances issued for property, plant and equipment		9,469	7,835
Deferred tax assets		7,934	7,462
Right-of-use assets	13	7,245	7,335
Non-current spare parts		4,329	4,308
Catalysts		2,219	2,292
Intangible assets		1,570	1,621
Other non-current assets	14	969	948
Investments in associates		564	556
Non-current assets		256,159	252,388
Trade and other receivables	17	24,202	17,515
Inventories	16	26,680	30,580
Cash and cash equivalents	18	17,915	8,460
VAT and other taxes receivable		8,823	10,285
Income tax receivable		467	479
Other financial assets	15	265	311
Current assets		78,352	67,630
Total assets		334,511	320,018
Equity			
Share capital	19	372	372
Share premium		7,494	7,494
Retained earnings		109,110	90,757
Actuarial losses		(717)	(717)
Foreign currency translation reserve		9,795	9,581
Equity attributable to shareholders of the Parent		126,054	107,487
Equity attributable to non-controlling interests		120	129
Total equity		126,174	107,616
Liabilities			
Loans and borrowings	21	106,116	103,824
Deferred tax liabilities		11,942	11,578
Lease liabilities	22	4,044	4,268
Defined benefit obligations		926	945
Non-current liabilities		123,028	120,615
Loans and borrowings	21	51,111	55,316
Trade and other payables	23	24,540	29,869
Income tax payable		4,133	1,000
VAT and other taxes payable		3,493	3,675
Lease liabilities	22	2,032	1,927
Current liabilities		85,309	91,787
Total equity and liabilities		334,511	320,018

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 5 to 22.

PJSC “PhosAgro”**Consolidated Interim Condensed Statement of Cash Flows
for the three months ended 31 March 2021 (unaudited)**

RUB million	Note	Three months ended 31 March	
		2021	2020
Cash flows from operating activities			
Operating profit		26,802	13,784
Adjustments for:			
Depreciation and amortisation	6,7	7,507	6,954
Loss on disposal of property, plant and equipment and intangible assets	9	112	7
Operating profit before changes in working capital and provisions		34,421	20,745
Decrease in inventories, catalysts and non-current spare parts		3,163	3,244
(Increase)/decrease in trade and other receivables		(5,853)	39
(Decrease)/increase in trade and other payables		(4,525)	4,018
Cash flows from operations before income taxes and interest paid		27,206	28,046
Income tax paid		(1,228)	(537)
Finance costs paid		(607)	(483)
Cash flows from operating activities		25,371	27,026
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(9,909)	(8,752)
Borrowing cost capitalised	12	(302)	(279)
Other		55	258
Cash flows used in investing activities		(10,156)	(8,773)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs	21	2,802	39,210
Repayment of borrowings	21	(8,130)	(41,059)
Dividends paid to shareholders of the Parent	19	-	(6,216)
Lease payments	22	(482)	(522)
Cash flows used in financing activities		(5,810)	(8,587)
Net increase in cash and cash equivalents		9,405	9,666
Cash and cash equivalents at 1 January		8,460	8,236
Effect of exchange rates fluctuations		50	2,977
Cash and cash equivalents at 31 March		17,915	20,879

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 5 to 22.

OJSC “PhosAgro”

Consolidated Interim Condensed Statement of Changes in Equity
for the three months ended 31 March 2021 (unaudited)

<i>RUB million</i>	Attributable to shareholders of the Parent					Total	Attributable to non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Actuarial losses	Foreign currency translation reserve			
Balance at 1 January 2020	372	7,494	111,054	(689)	7,236	125,467	170	125,637
Total comprehensive income								
(Loss) for the period	-	-	(15,587)	-	-	(15,587)	(1)	(15,588)
Foreign currency translation difference	-	-	-	-	2,586	2,586	-	2,586
Transactions with owners recognised directly in equity								
Dividends to shareholders	-	-	(6,216)	-	-	(6,216)	-	(6,216)
Balance at 31 March 2020	372	7,494	89,251	(689)	9,822	106,250	169	106,419
Balance at 1 January 2021	372	7,494	90,757	(717)	9,581	107,487	129	107,616
Total comprehensive income								
Profit/(loss) for the period	-	-	18,353	-	-	18,353	(9)	18,344
Foreign currency translation difference	-	-	-	-	214	214	-	214
Transactions with owners recognised directly in equity								
Dividends to shareholders	-	-	-	-	-	-	-	-
Balance at 31 March 2021	372	7,494	109,110	(717)	9,795	126,054	120	126,174

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 5 to 22.

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 above mentioned companies’ shares 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.

The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. 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. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, as well as the Russian and global economy for an unknown period of time.

PJSC “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 consolidated interim condensed financial statements of the Group have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

The Group additionally prepared consolidated interim condensed financial statements in the Russian language in order to comply with the securities market legislation.

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 the Group’s consolidated annual financial statements for the year ended 31 December 2020.

2 BASIS OF PREPARATION (CONTINUED)

(b) Significant accounting policies

The accounting policies followed in the preparation of these consolidated interim condensed financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended 31 December 2020, except for changes resulting from the adoption of amended standards as set out below and changes in accounting policies described in Note 3.

(c) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(d) 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.

(e) 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 2021 were translated at the closing exchange rate of RUB 75.7023 for USD 1 (31 December 2020: RUB 73.8757 for USD 1);
- Profit and loss items for three months ended 31 March 2021 were translated at the average exchange rate for the appropriate month for USD 1:
January – RUB 74.2291
February – RUB 74.3842
March – RUB 74.4151

Profit and loss items for three months ended 31 March 2020 were translated at the average exchange rates of RUB 66.3818 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 2021 were translated at the closing exchange rate of RUB 88.8821 for EUR 1 (31 December 2020: RUB 90.6824 for EUR 1);
- Profit and loss items for three months ended 31 March 2021 were translated at the average exchange rate for the appropriate month for EUR 1:
January – RUB 90.5062
February – RUB 89.9403
March – RUB 88.6904

Profit and loss items for three months ended 31 March 2020 were translated at the average exchange rates of RUB 73.2348 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 CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATIONS

Starting from 1 January 2021 the Group:

- Changed accounting policy for recognition of logistics expenses to the point of sale. Starting from 1 January 2021 the Group started to capitalise such logistics expenses in the cost of finished goods, while previously these expenses were recognised as part of selling expenses as they occurred. The Group also classified these expenses as part of cost of products sold, while previously these expenses were recognised as part of selling expenses. Comparative figures were changed respectively to align them with the current year presentation. Balances at 1 January 2020 were not restated as having no material effect on the financial statements.
- Changed presentation of administrative and fixed selling expenses. Starting from 1 January 2021 the Group presented these expenses together as administrative and selling overhead expenses, while previously these expenses were presented separately as selling and as administrative expenses. Comparative figures were changed respectively to align them with the current year presentation.
- Netted-off trade accounts receivable against other payables under the arrangement with the bank for a sale of accounts receivable described in Note 17.
- Made other reclassifications.

Management believes that new accounting policy and change in classification and presentation of certain expenses will provide more relevant and transparent information about the results of Group's operations.

The tables below reconcile the carrying amounts of assets, liabilities, equity, expenses and cash flows as presented in accordance with previous accounting policy and the new amounts after adoption of changes.

Extract from the Consolidated Interim Condensed Statement of Financial Position:

<i>RUB million</i>	31 December 2020 (as previously reported)	Adjustment/ reclassification	31 December 2020 (as presented)
Assets			
Non-current spare parts	-	4,308	4,308
Non-current assets	248,080	4,308	252,388
Trade and other receivables	32,887	(15,372)	17,515
VAT and other taxes receivable	-	10,285	10,285
Income tax receivable	-	479	479
Inventories	32,636	(2,056)	30,580
Current assets	74,294	(6,664)	67,630
Total assets	322,374	(2,356)	320,018
Equity			
Retained earnings	88,887	1,870	90,757
Equity attributable to shareholders of the Parent	105,617	1,870	107,487
Total equity	105,746	1,870	107,616
Liabilities			
Deferred tax liabilities	11,196	382	11,578
Non-current liabilities	120,233	382	120,615
Trade and other payables	39,152	(9,283)	29,869
Income tax payable	-	1,000	1,000
VAT and other taxes payable	-	3,675	3,675
Current liabilities	96,395	(4,608)	91,787
Total equity and liabilities	322,374	(2,356)	320,018

PJSC “PhosAgro”

Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2021 (unaudited)

3 CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATIONS (CONTINUED)

Extract from the Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income:

<i>RUB million</i>	Three months ended 31 March 2020 (as previously reported)	Reclassification	Three months ended 31 March 2020 (as presented)
Cost of sales	(36,560)	36,560	-
Cost of Group products sold	-	(41,573)	(41,573)
Cost of products for resale	-	(3,089)	(3,089)
Gross profit	27,498	(8,102)	19,396
Selling expenses	(9,720)	9,720	-
Administrative expenses	(4,652)	4,652	-
Administrative and selling overhead expenses	-	(6,270)	(6,270)
Foreign exchange gain from operating activities, net	-	2,236	2,236
Operating profit	11,548	2,236	13,784
Foreign exchange loss	(29,943)	29,943	-
Financial foreign exchange loss, net	-	(32,179)	(32,179)

Extract from the Consolidated Interim Condensed Statement of Changes in Equity:

<i>RUB million</i>	31 December 2020 (as previously reported)	Adjustment	1 January 2021 (as presented)
Retained earnings	88,887	1,870	90,757
Total	105,746	1,870	107,616

Extract from the Consolidated Interim Condensed Statement of Cash Flows:

<i>RUB million</i>	Three months ended 31 March 2020 (as previously reported)	Reclassification	Three months ended 31 March 2020 (as presented)
Cash flows from operating activities			
Operating profit	11,548	2,236	13,784
Operating profit before changes in working capital and provisions	18,509	2,236	20,745
Decrease in trade and other receivables	2,541	(2,502)	39
Increase in trade and other payables	3,752	266	4,018

4 SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM has been identified as the Group's top management.

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, diammonium phosphate, 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 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.

The CODM assesses the performance of the reportable segments based on, among other factors, a measure of EBITDA (operating profit adjusted by depreciation and amortization). Since the EBITDA term is not a standard IFRS measure, its definition may differ from that of other companies.

Information regarding the results of each reportable segment is included below.

Segment information for the three months ended 31 March 2021 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:	67,427	16,162	3,990	87,579
Export	48,059	12,251	1,168	61,478
Domestic	19,368	3,911	2,822	26,101
Cost of Group products sold	(40,284)	(8,249)	(362)	(48,895)
Cost of products for resale	-	-	(3,313)	(3,313)
Gross segment profit	27,143	7,913	315	35,371
Administrative and selling overhead expenses	(4,963)	(1,493)	(36)	(6,492)
Taxes, other than income tax, net	(1,213)	(305)	-	(1,518)
Other income and expenses, net	(525)	(132)	-	(657)
Foreign exchange gain from operating activities, net	78	20	-	98
Operating profit	20,520	6,003	279	26,802
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(5,754)	(1,595)	(158)	(7,507)
EBITDA	26,274	7,598	437	34,309
Non-operating expenses	(3,357)	(846)	1	(4,202)
Profit before tax	17,163	5,157	280	22,600

PJSC “PhosAgro”

Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2021 (unaudited)

4 SEGMENT INFORMATION (CONTINUED)

Segment information of the Group 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 Group products sold	(34,639)	(6,575)	(359)	(41,573)
Cost of products for resale	-	-	(3,089)	(3,089)
Gross segment profit	14,946	4,184	266	19,396
Administrative and selling overhead expenses	(4,749)	(1,213)	(308)	(6,270)
Taxes, other than income tax, net	(717)	(157)	-	(874)
Other income and expenses, net	(577)	(126)	(1)	(704)
Foreign exchange gain from operating activities, net	1,834	401	1	2,236
Operating profit	10,737	3,089	(42)	13,784
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(5,255)	(1,621)	(78)	(6,954)
EBITDA	15,992	4,710	36	20,738
Non-operating expenses	(27,350)	(5,979)	(23)	(33,352)
Profit before tax	(16,613)	(2,890)	(65)	(19,568)

The analysis of export revenue by regions is as follows:

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Europe	27,851	20,651
South America	16,780	5,503
North America	6,323	3,580
Africa	4,123	5,395
CIS	3,008	2,992
India	2,000	1,557
Asia	1,393	1,321
	61,478	40,999

PJSC “PhosAgro”

Notes to the Consolidated Interim Condensed Financial Statements
for the three months ended 31 March 2021 (unaudited)

5 REVENUES

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Phosphate-based products	67,427	49,585
Sales of chemical fertilisers	58,479	41,148
Sales of apatite concentrate	6,078	5,955
Sales of other phosphate-based products and services	2,870	2,482
Nitrogen-based products	16,162	10,759
Other	3,990	3,714
	87,579	64,058

6 COST OF GROUP PRODUCTS SOLD

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
<i>Production expenses for Group goods sold</i>	(38,236)	(33,509)
Depreciation	(6,760)	(6,226)
Materials and services	(5,986)	(5,365)
Salaries and social contributions	(4,234)	(3,587)
Natural gas	(3,990)	(3,797)
Potash	(3,261)	(3,206)
Repair and maintenance expenses	(2,889)	(2,416)
Transportation of phosphate rock	(2,284)	(2,260)
Ammonia	(2,081)	(1,191)
Sulphur and sulphuric acid	(2,046)	(1,195)
Electricity	(1,801)	(1,706)
Fuel	(1,506)	(1,144)
Drilling and blasting operations expenses	(985)	(769)
Ammonium sulphate	(413)	(647)
<i>Logistics expenses for Group goods sold</i>	(10,659)	(8,064)
Freight, port and stevedoring expenses	(6,490)	(4,500)
Russian Railways infrastructure tariff and operators' fees	(3,124)	(2,982)
Customs duties	(742)	(360)
Other services	(303)	(222)
	(48,895)	(41,573)

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7 ADMINISTRATIVE AND SELLING OVERHEAD EXPENSES

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Administrative overhead expenses:	(4,892)	(4,652)
Salaries and social contributions	(3,161)	(3,082)
Professional services	(424)	(419)
Depreciation and amortisation	(356)	(336)
Other	(951)	(815)
Selling overhead expenses:	(1,600)	(1,618)
Salaries and social contributions	(974)	(869)
Depreciation and amortisation	(391)	(392)
Materials and services	(235)	(357)
	(6,492)	(6,270)

8 TAXES, OTHER THAN INCOME TAX, NET

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Mineral extraction tax	(920)	(377)
Property tax	(438)	(348)
Land tax	(55)	(65)
Environment pollution payment	(50)	(37)
VAT included in expenses	(30)	(28)
Using water objects payment	(14)	(11)
Other taxes	(11)	(8)
	(1,518)	(874)

9 OTHER INCOME AND EXPENSES, NET

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Social expenditures	(574)	(738)
Loss on disposal of property, plant and equipment and intangible assets	(112)	(7)
Accrual of contingent liabilities	(45)	(34)
(Increase in)/reversal of provision for inventory obsolescence	(17)	5
Increase in provision for bad debt and expected credit losses allowance	(8)	(49)
Other income, net	99	119
	(657)	(704)

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10 FINANCE INCOME AND FINANCE COSTS

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Interest income	69	95
Share of profit of associates	8	34
Gain arising from operations with foreign currency	8	61
Agent's fee income upon dividends payments on Group's GDR	-	91
Other finance income	15	20
Finance income	100	301
Interest expense	(1,140)	(1,052)
Increase in provision for bad debts for financial investments	(67)	(17)
Bank fees (including early eurobond partial redemption fees)	(44)	(356)
Securitisation fees	(34)	(46)
Other finance costs	(13)	(3)
Finance costs	(1,298)	(1,474)
Net finance costs	(1,198)	(1,173)

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (three months ended 31 March 2020: 20%).

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Current income tax expense	(4,361)	(446)
Deferred income tax - origination and reversal of temporary differences, including change in unrecognised assets	105	4,426
Income tax (expenses)/benefit	(4,256)	3,980

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2021		2020	
	RUB million	%	RUB million	%
Profit/(loss) before tax	22,600		(19,568)	
Income tax at applicable tax rate	(4,520)	(20)	3,914	(20)
Effect of tax rates in foreign jurisdictions	85	1	137	(1)
Tax effect of items which are not deductible or assessable for taxation purposes	(138)	(1)	(71)	1
Effect of reduction in tax rate	287	1	-	-
Tax incentive	30	-	-	-
Income tax (expenses)/benefit	(4,256)	(19)	3,980	(20)

12 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 2020	72,708	83,765	5,991	36,995	199,459
Additions	271	792	633	4,459	6,155
Transfers	665	2,636	-	(3,301)	-
Disposals	(4)	(3)	-	(10)	(17)
Depreciation	(1,435)	(4,278)	(466)	-	(6,179)
Effect of foreign currency translation reserve	91	345	6	-	442
Net book value at 31 March 2020	72,296	83,257	6,164	38,143	199,860
Net book value at 1 January 2021	79,150	95,677	6,604	38,600	220,031
Additions	264	816	598	6,627	8,305
Transfers to right-of-use assets (note 13)	-	(12)	-	-	(12)
Transfers	2,234	5,037	-	(7,271)	-
Disposals	(73)	(13)	(1)	(59)	(146)
Depreciation	(1,540)	(4,344)	(458)	-	(6,342)
Effect of foreign currency translation reserve	(10)	34	-	-	24
Net book value at 31 March 2021	80,025	97,195	6,743	37,897	221,860

During the three months ended 31 March 2021, the Group capitalized borrowing cost of RUB 302 million (RUB 279 million in the three months ended 31 March 2020) using the weighted average interest rate of 3.16% per annum.

As at 31 March 2021, the balance of the construction in progress account includes the accumulated costs mainly related to:

in Cherepovets:

- Development of Cryolite transport infrastructure station (RUB 1,846 million);
- Development of aluminium fluoride production facilities (RUB 1,001 million);
- Development of ammonia production facilities (RUB 920 million);
- Development of phosphoric acid extract and fertilizers production facilities (RUB 864 million);
- Development of sulphuric acid production facilities for (RUB 568 million);
- Construction of ammonium sulphate plant (RUB 302 million).

in Kirovsk:

- Extension and modernization of Kirovsk mine (RUB 11,562 million);
- Development of Rasvumchorrskiy mine (RUB 1,826 million);
- Construction of apatit-nepheline beneficiation plants (RUB 1,801 million).

in Volkhov:

- Construction of sulphuric acid production facilities (RUB 1,747 million);
- Development of monoammonium phosphate production facilities (RUB 1,242 million);
- Construction of communication lines (RUB 1,129 million);
- Construction of filtering station for phosphoric acid extraction (RUB 839 million).

12 PROPERTY, PLANT AND EQUIPMENT (COTINUED)*in Balakovo:*

- Development of NPK production facilities (RUB 333 million);
- Construction of vacuum system for phosphoric acid production (RUB 255 million);
- Development of ammonium sulphate production facilities (RUB 211 million).

13 RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets: railway wagons, production equipment, offices.

<i>RUB million</i>	Buildings	Plant and equipment	Total
Net book value at 1 January 2020	109	6,782	6,891
New lease contracts and modification on existing lease contracts	36	1,185	1,221
Depreciation	(24)	(358)	(382)
Disposals	(2)	(4)	(6)
Effect of foreign currency translation reserve	19	5	24
Net book value at 31 March 2020	138	7,610	7,748
Net book value at 1 January 2021	185	7,150	7,335
New lease contracts and modification on existing lease contracts	196	163	359
Transfers from property, plant and equipment (note 12)	-	12	12
Depreciation	(45)	(409)	(454)
Disposals	(7)	-	(7)
Effect of foreign currency translation reserve	1	(1)	-
Net book value at 31 March 2021	330	6,915	7,245

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	454	382
Interest expense on lease liabilities	114	117

14 OTHER NON-CURRENT ASSETS

<i>RUB million</i>	31 March 2021	31 December 2020
Loans issued to third parties, at amortised cost	733	716
Financial assets, at fair value through profit or loss	597	592
Loans issued to employees, at amortised cost	152	148
Long-term accounts receivable	759	732
Provision for loans issued to third parties and long-term accounts receivable	(1,272)	(1,240)
	969	948

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15 OTHER FINANCIAL ASSETS

<i>RUB million</i>	31 March 2021	31 December 2020
Interest receivable	148	134
Loans issued to employees, at amortised cost	96	125
Loans issued to third parties, at amortised cost	69	48
Dividend receivable	-	41
Provision for doubtful accounts	(48)	(37)
	265	311

16 INVENTORIES

<i>RUB million</i>	31 March 2021	31 December 2020
Raw materials and spare parts	8,201	8,086
<i>Finished goods:</i>		
Chemical fertilisers	11,378	14,254
Phosphate rock	528	717
Other products	301	378
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	4,900	4,902
Chemical fertilisers and other products for resale, purchased from third parties	1,482	2,292
Other goods	128	172
Provision for obsolescence	(238)	(221)
	26,680	30,580

17 TRADE AND OTHER RECEIVABLES

<i>RUB million</i>	31 March 2021	31 December 2020
Financial assets		
Trade accounts receivable	18,113	11,212
Receivables from employees	33	22
Other receivables	875	996
Provision for doubtful accounts and expected credit losses allowance	(347)	(349)
Non-financial assets		
Advances issued	5,309	5,537
Deferred expenses	236	117
Provision for doubtful accounts and expected credit losses allowance	(17)	(20)
	24,202	17,515

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17 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in bad debt and expected credit losses allowance are as follows:

<i>RUB million</i>	2021	2020
Balance at 1 January	(369)	(258)
Use of allowance	16	2
Reversal of allowance	1	-
Effect of foreign currency translation reserve	(4)	(38)
Increase in provision for doubtful accounts and expected credit losses allowance	(8)	(43)
Balance at 31 March	(364)	(337)

Starting from June 2019 the Group sells trade receivables to a bank without recourse. The receivables are derecognised from the statement of financial position as the Group transfers substantially all of the risks and rewards – primarily credit risk. The arrangement with the bank assumes that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

Payables to the bank of RUB 955 million at 31 March 2021 are presented within other payables (31 December 2020: RUB 852 million). Receivables from the bank of RUB 668 million at 31 March 2021 represent a security deposit and included in trade receivables (31 December 2020: RUB 537 million).

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

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Trade receivables transferred to the bank	5,322	4,126
Associated cash inflow	2,524	1,407
Associated cash outflow	-	(602)
Net-off with other payables	2,798	2,719
Other non-cash turnovers	131	63

18 CASH AND CASH EQUIVALENTS

<i>RUB million</i>	31 March 2021	31 December 2020
Call deposits	10,578	4,023
Cash in bank	7,327	4,432
Petty cash	10	5
	17,915	8,460

The most significant balances of cash and cash equivalents were held in banks with credit rating from “AA” to “BBB”.

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19 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 subsequent to the reporting date			
April 2021	May 2021	63	8,158.5
May 2021	To be approved in June 2021	105	13,597.5
			21,756

20 EARNINGS/(LOSS) PER SHARE

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

	Three months ended 31 March	
	2021	2020
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit/(loss) for the period attributable to shareholders of the Parent, RUB million	18,353	(15,587)
Basic and diluted earnings/(loss) per share, RUB	142	(120)

21 LOANS AND BORROWINGS

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

<i>RUB million</i>	31 March 2021	31 December 2020
Current loans and borrowings:		
Unsecured bank loans	22,883	28,326
Eurobonds	26,496	25,857
Interest payable	1,736	1,137
Bank commission (short-term)	(4)	(4)
	51,111	55,316
Non-current loans and borrowings:		
Eurobonds	75,702	73,876
Unsecured bank loans	30,606	30,159
Bank commission (long-term)	(192)	(211)
	106,116	103,824
	157,227	159,140

21 LOANS AND BORROWINGS (CONTINUED)

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. In 2020, the Group repaid USD 150 million of the Eurobond ahead of schedule. The fair value of the Eurobond at the reporting date is RUB 26,963 million (31 December 2020: RUB 26,514 million).

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 39,265 million (31 December 2020: RUB 38,763 million).

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 38,879 million (31 December 2020: RUB 38,534 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:

<i>RUB million</i>	31 March 2021	31 December 2020
USD-denominated	132,002	129,593
EUR-denominated	17,524	20,018
RUB-denominated	7,701	9,529
	157,227	159,140

The maturity of the loans and borrowings is as follows:

<i>RUB million</i>	31 March 2021	31 December 2020
Less than 1 year	51,115	55,320
1-2 years	12,332	12,182
2-3 years	41,839	40,859
3-4 years	41,839	3,921
4-5 years	3,988	40,859
More than 5 years	6,310	6,214
Bank commission	(196)	(215)
	157,227	159,140

Reconciliation of liabilities arising from financing activities:

<i>RUB million</i>	Three months ended 31 March	
	2021	2020
Balance as at 1 January	159,140	133,576
Cash inflows	2,802	39,210
Cash outflows	(8,130)	(41,059)
Interest accrued	992	902
Interest paid	(406)	-
Amortisation of bank commission	21	18
Foreign exchange loss	2,820	33,566
Other turnovers	(12)	-
Balance as at 31 March	157,227	166,213

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22 LEASE LIABILITIES

<i>RUB million</i>	Lease liability without subsequent asset buyout	Lease liability with subsequent asset buyout	Total
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	4,497	2,311	6,808
Balance as at 1 January 2021	3,622	2,573	6,195
New lease contracts and modification of existing lease contracts	475	(114)	361
Interest expense on lease liabilities	64	50	114
Principal lease payments	(334)	(148)	(482)
Interest lease payments	(64)	(50)	(114)
Effect of foreign currency translation reserve	1	1	2
Balance as at 31 March 2021	3,764	2,312	6,076

23 TRADE AND OTHER PAYABLES

<i>RUB million</i>	31 March 2021	31 December 2020
Trade accounts payable	11,907	12,230
including accounts payable for property, plant and equipment and intangible assets	4,535	4,777
Advances received (contract liabilities)	7,107	12,406
Payables to employees	4,171	4,029
Accruals	255	210
Other payables	1,100	994
	24,540	29,869

24 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 28,536 million (31 December 2020: RUB 31,197 million), including VAT where applicable.

25 RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

a) Transactions with related parties

<i>RUB million</i>	Nature of relationship	Three months ended 31 March	
		2021	2020
Sales of goods and services	Associates	9	9
Other income, net	Associates	-	2
Purchases of goods and services	Associates	(149)	(135)
Sales of goods and services	Other related parties	174	81
Other income/(loss), net	Other related parties	3	(12)
Purchases of goods and services	Other related parties	(44)	(23)

b) Balances with related parties

<i>RUB million</i>	Nature of relationship	31 March 2021	31 December 2020
Trade and other receivables	Associates	14	16
Trade and other payables	Associates	(14)	(12)
Trade and other receivables	Other related parties	7	14
Trade and other payables	Other related parties	(145)	(237)

c) Financial guarantees

The Group issued financial guarantees to the bank to secure associates' bank loans amounting to RUB 271 million (31 December 2020: RUB 340 million).

26 FOREIGN CURRENCY RISK

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

<i>RUB million</i>	31 March 2021	31 December 2020
Group companies in Russia:		
USD-denominated net liabilities	(129,628)	(130,337)
EUR-denominated net liabilities	(18,142)	(20,782)
	(147,770)	(151,119)
Foreign Group companies:		
USD-denominated net assets	2,599	1,594
EUR-denominated net assets	1,290	745
	3,889	2,339
Total:		
USD-denominated net liabilities	(127,029)	(128,743)
EUR-denominated net liabilities	(16,852)	(20,037)
	(143,881)	(148,780)

26 FOREIGN CURRENCY RISK (CONTINUED)

The foreign exchange loss from financing activities recognized in profit or loss of RUB 2,885 million (RUB 32,179 million of foreign exchange loss from financing activities for the comparative period) resulted from the depreciation 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 18,448 million as at the reporting date (31 December 2020: RUB 16,760 million).

27 DETERMINATION OF FAIR VALUES

Fair values of assets and liabilities are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and / or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Financial assets and liabilities measured at amortised cost

The fair values of financial assets and liabilities presented by loans issued, trade and other receivables, cash and cash equivalents, trade and other payables approximate their carrying amounts as at the reporting date.

The fair values of eurobonds are determined for disclosure purposes based on quoted market prices and included in level 1 of the fair value hierarchy. The fair values of loans and borrowings are categorised as Level 3 of the fair value hierarchy. The fair values are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

b) Financial instruments measured at fair value

The fair value of investments measured at fair value through profit or loss is categorised as Level 3 of the fair value hierarchy. Management believes that no changes are required to the fair value of the investment estimated in the consolidated financial statements as at 31 December 2020.

28 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.