



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the six months ended
30 June 2019 (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 2019, 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 2019, and the related consolidated interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 2019, 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-regulated organization of auditors: Russian Union of auditors (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203



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 2019, and for the three- and six-month periods ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

I.A. Yagnov

JSC "KPMG"

Moscow, Russia

27 August 2019



PJSC "PhosAgro"
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2019 (unaudited)

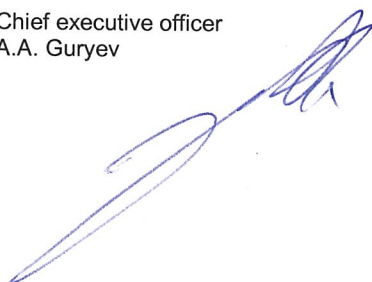
		Six months ended 30 June		Three months ended 30 June	
		2019	2018	2019	2018
	Note	RUB million	RUB million	RUB million	RUB million
Revenues	5	130,433	111,248	58,146	56,626
Cost of sales	6	(69,450)	(61,914)	(31,714)	(29,844)
Gross profit		60,983	49,334	26,432	26,782
Administrative expenses	7	(8,117)	(6,960)	(4,145)	(3,656)
Selling expenses	8	(18,646)	(16,945)	(8,374)	(8,362)
Taxes, other than income tax, net		(867)	(1,805)	(137)	(918)
Other expenses, net	9	(2,125)	(1,254)	(1,023)	(562)
Operating profit		31,228	22,370	12,753	13,284
Finance income	10	1,165	226	284	70
Finance costs	10	(2,287)	(2,445)	(1,087)	(1,205)
Foreign exchange gain/(loss), net		10,208	(8,156)	2,588	(8,732)
Profit before tax		40,314	11,995	14,538	3,417
Income tax expense	11	(7,369)	(2,162)	(2,753)	(462)
Profit for the period		32,945	9,833	11,785	2,955
Attributable to:					
Non-controlling interests ^		18	25	10	9
Shareholders of the Parent		32,927	9,808	11,775	2,946
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference		(970)	1,438	(359)	1,096
Other comprehensive (loss)/income for the period		(970)	1,438	(359)	1,096
Total comprehensive income for the period		31,975	11,271	11,426	4,051
Attributable to:					
Non-controlling interests ^		18	25	10	9
Shareholders of the Parent		31,957	11,246	11,416	4,042
Basic and diluted earnings per share (in RUB)	21	254	76	91	23

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

The consolidated interim condensed financial statements were approved on 27 August 2019:

Chief executive officer
A.A. Guryev

Chief financial officer
A.F. Sharabaiko




PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2019 (unaudited)

	Note	30 June 2019 RUB million	31 December 2018 RUB million
Assets			
Property, plant and equipment	12	186,540	186,231
Advances issued for property, plant and equipment		11,285	6,759
Catalysts		2,536	2,574
Right-of-use assets	13	1,856	-
Intangible assets		1,658	1,786
Investments in associates	14	526	506
Deferred tax assets		9,007	8,995
Other non-current assets	15	1,595	1,843
Non-current assets		215,003	208,694
Other current investments	16	277	313
Inventories	17	29,189	31,710
Trade and other receivables	18	26,621	36,186
Cash and cash equivalents	19	19,848	9,320
Current assets		75,935	77,529
Total assets		290,938	286,223
Equity			
	20		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		101,625	93,951
Foreign currency translation reserve		7,395	8,365
Actuarial losses		(556)	(556)
Equity attributable to shareholders of the Parent		116,330	109,626
Equity attributable to non-controlling interests		177	195
Total equity		116,507	109,821
Liabilities			
Loans and borrowings	22	109,040	122,877
Lease liabilities	23	1,288	376
Defined benefit obligations		653	630
Deferred tax liabilities		9,315	9,023
Non-current liabilities		120,296	132,906
Loans and borrowings	22	18,718	20,679
Lease liabilities	23	488	718
Trade and other payables	24	34,929	21,473
Derivative financial liabilities		-	626
Current liabilities		54,135	43,496
Total equity and liabilities		290,938	286,223

*Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2019 (unaudited)*

	Note	Six months ended 30 June	
		2019 RUB million	2018 RUB million
Cash flows from operating activities			
Operating profit		31,228	22,370
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	11,867	10,597
Loss on disposal of property, plant and equipment and intangible assets	9	748	281
Operating profit before changes in working capital and provisions		43,843	33,248
Decrease in inventories and catalysts		1,446	290
Decrease/(increase) in trade and other receivables		7,125	(1,859)
Increase/(decrease) in trade and other payables		2,726	(434)
Cash flows from operations before income taxes and interest paid		55,140	31,245
Income tax paid		(6,254)	(1,959)
Finance costs paid		(2,000)	(2,757)
Cash flows from operating activities		46,886	26,529
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(17,727)	(16,596)
Loans (issued)/repaid, net		(16)	90
Proceeds from disposal of property, plant and equipment		47	13
Finance income received		299	79
Other payments		(530)	(418)
Cash flows used in investing activities		(17,927)	(16,832)
Cash flows from financing activities			
Proceeds from borrowings	22	17,195	61,618
Repayment of borrowings	22	(19,696)	(67,163)
Dividends paid to shareholders of the Parent	20	(13,463)	(3,836)
Dividends paid to non-controlling interests		(36)	-
Leases paid	22	(1,249)	(496)
Proceeds from settlement of derivatives, net		112	-
Cash flows used in financing activities		(17,137)	(9,877)
Net increase/(decrease) in cash and cash equivalents		11,822	(180)
Cash and cash equivalents at 1 January		9,320	2,691
Effect of exchange rates fluctuations		(1,294)	949
Cash and cash equivalents at 30 June		19,848	3,460

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Changes in Equity
for the six months ended 30 June 2019 (unaudited)

<i>RUB million</i>	Attributable to shareholders of the Parent				Attributable to non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Actuarial losses	Foreign currency translation reserve	
Balance at 1 January 2018	372	7,494	85,480	(726)	5,493	98,242
Total comprehensive income for the period						
Profit for the period	-	-	9,808	-	-	9,833
Foreign currency translation difference	-	-	-	-	1,438	1,438
	-	-	9,808	-	1,438	11,271
Transactions with owners recognised directly in equity						
Dividends to shareholders	-	-	(4,662)	-	-	(4,662)
	-	-	(4,662)	-	-	(4,662)
Balance at 30 June 2018	372	7,494	90,626	(726)	6,931	104,851
 Balance at 1 January 2019	 372	 7,494	 93,951	 (556)	 8,365	 109,821
Total comprehensive income for the period						
Profit for the period	-	-	32,927	-	-	32,945
Foreign currency translation difference	-	-	-	-	(970)	(970)
	-	-	32,927	-	(970)	31,975
Transactions with owners recognised directly in equity						
Dividends to shareholders	-	-	(25,253)	-	-	(25,289)
	-	-	(25,253)	-	-	(25,289)
Balance at 30 June 2019	372	7,494	101,625	(556)	7,395	116,507

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 20% of the Company’s ordinary shares each. The majority of the shares of the Company are ultimately owned by trusts, where the economic beneficiary is Mr. Andrey 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.

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 2018.

Except as disclosed in note 2(d), the accounting policies and judgements applied by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2018.

(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.

(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 2019 were translated at the closing exchange rate of RUB 63.0756 for USD 1 (31 December 2018: RUB 69.4706 for USD 1);
- Profit and loss items were translated at the average exchange rate for the six months ended 30 June 2019 of RUB 65.3384 for USD 1 (six months ended 30 June 2018: RUB 59.3536 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 30 June 2019 were translated at the closing exchange rate of RUB 71.8179 for EUR 1 (31 December 2018: RUB 79.4605 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the six months ended 30 June 2019 of RUB 73.8389 for EUR 1 (six months ended 30 June 2018: RUB 71.8223 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.

(d) Adoption of new standards

As at 1 January 2019, the Group has initially adopted IFRS 16 *Leases* (as issued by the IASB in January 2016).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied IFRS 16 using a modified retrospective approach. The comparative information for 2018 has not been restated in accordance with provisions of IFRS 16.

Impact of the new definition of a lease

The Group used the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* will continue to be applied to leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). When preparing for the initial application of IFRS 16, the Group carried out an implementation project. The project results presented that the new definition in IFRS 16 would not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Leases formerly recognised as operating leases under IAS 17

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Before 1 January 2019 expenses on operating lease were reflected as rent expenses in cost of sales, administrative expenses and selling expenses, which were recognised on a straight-line basis during the lease period.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use assets and the lease liability 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Applying IFRS 16 for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within cost of sales, administrative expenses and selling expenses in the consolidated statement of profit or loss and other comprehensive income.

Financial impact of initial application of IFRS 16

At the date of transition to IFRS 16 the Group recognised additional lease liabilities (short-term and long-term) in amount of RUB 1,738 million with the corresponding increase in right-of-use assets. Previously the Group recognised lease liabilities in the amount of RUB 1,094 million with residual value of fixed assets in amount of RUB 3,271 million as at 31 December 2018 because this lease contracts were classified as finance leases according to IAS 17. The amount of lease liabilities recognised was determined based on the present value of the remaining future minimum lease payments at the transition date. The Group used incremental borrowing rate in determining the present value of future payments.

The weighted average incremental borrowing rate at 1 January 2019 was 9.0% per annum. This discount rate was used for all the lease contracts concluded by the Group.

When the Group is either required to acquire assets at the end of lease contracts or have a purchase option, which the Group is reasonably certain to exercise, such payments are also included in model when determining the present value of future payments.

The majority of the Group's leases of land plots have the periodic lease payment linked to cadastral value of a plot. Cadastral value as well as applicable rates are set and updated by governmental authorities, which do not represent a market index or a rate. Hence, all lease payments under such contracts are considered variable not dependent on index or rate and are recognised in profit or loss as they are incurred, which means the Group recognises no liability in respect of future lease payments and no corresponding right-of-use asset.

As at 1 January 2019, the Group recognised additional right-of-use assets in amount of RUB 1,738 million. According to terms fixed in the lease contracts, right-of-use assets were depreciated on a straight-line basis over the lease term within the range from 1 to 5 years. In cases when ownership of the underlying right-of-use asset is transferred to the Group, or the Group is reasonably certain to exercise a purchase option, then the depreciation period runs to the end of the useful life of the underlying right-of-use asset. Depreciation expenses were reflected in cost of sales, administrative expenses and selling expenses.

Future minimum lease payments as at 31 December 2018 as disclosed in the consolidated financial statements for the year-ended 31 December 2018:

Operating leases	2,469
Finance leases	1,158
	3,627
Impact of payments on land plots based on cadastral values and options to extend and cancel lease contracts	(383)
Impact of discounting	(412)
Lease liabilities recognised as at 1 January 2019 (note 23)	2,832
Residual value of fixed assets under finance lease as at 31 December 2018	3,271
Finance lease liability as at 31 December 2018	(1,094)
Right-of-use assets recognised as at 1 January 2019 (note 13)	5,009
Effect on retained earnings as at 1 January 2019	-

Had the Group not applied IFRS 16 in six months ended 30 June 2019, the Group's consolidated interim condensed statement of profit or loss and other comprehensive income for six months ended 30 June 2019 and consolidated interim condensed statement of financial position as at 30 June 2019 would have been as follows:

	Note	Six months ended 30 June		
		2019 as if IAS 17 still applied RUB million	IFRS 16 adjustments RUB million	2019 as presented RUB million
Revenues	5	130,433	-	130,433
Cost of sales	6	(69,501)	51	(69,450)
Gross profit		60,932	51	60,983
Administrative expenses	7	(8,122)	5	(8,117)
Selling expenses	8	(18,646)	-	(18,646)
Taxes, other than income tax, net		(867)	-	(867)
Other expenses, net	9	(2,125)	-	(2,125)
Operating profit		31,172	56	31,228
Finance income	10	1,165	-	1,165
Finance costs	10	(2,215)	(72)	(2,287)
Foreign exchange gain, net		10,210	(2)	10,208
Profit before tax		40,332	(18)	40,314
Income tax expense	11	(7,373)	4	(7,369)
Profit for the period		32,959	(14)	32,945
Attributable to:				
Non-controlling interests ^		18	-	18
Shareholders of the Parent		32,941	(14)	32,927
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation difference		(970)	-	(970)
Other comprehensive loss for the period		(970)	-	(970)
Total comprehensive income for the period		31,989	(14)	31,975
Attributable to:				
Non-controlling interests ^		18	-	18
Shareholders of the Parent		31,971	(14)	31,957
Basic and diluted earnings per share (in RUB)	21	254	-	254

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

		30 June 2019 as if IAS 17 still applied RUB million	IFRS 16 adjustments RUB million	30 June 2019 as presented RUB million
Note				
Assets				
Property, plant and equipment	12	186,681	(141)	186,540
Advances issued for property, plant and equipment		11,285	-	11,285
Catalysts		2,536	-	2,536
Right-of-use assets	13	-	1,856	1,856
Intangible assets		1,658	-	1,658
Investments in associates	14	526	-	526
Deferred tax assets		9,003	4	9,007
Other non-current assets	15	1,595	-	1,595
Non-current assets		213,284	1,719	215,003
Other current investments	16	277	-	277
Inventories	17	29,189	-	29,189
Trade and other receivables	18	26,625	(4)	26,621
Cash and cash equivalents	19	19,848	-	19,848
Current assets		75,939	(4)	75,935
Total assets		289,223	1,715	290,938
Equity				
	20			
Share capital		372	-	372
Share premium		7,494	-	7,494
Retained earnings		101,639	(14)	101,625
Foreign currency translation reserve		7,395	-	7,395
Actuarial losses		(556)	-	(556)
Equity attributable to shareholders of the Parent		116,344	(14)	116,330
Equity attributable to non-controlling interests		177	-	177
Total equity		116,521	(14)	116,507
Liabilities				
Loans and borrowings	22	109,040	-	109,040
Lease liabilities	23	2	1,286	1,288
Defined benefit obligations		653	-	653
Deferred tax liabilities		9,315	-	9,315
Non-current liabilities		119,010	1,286	120,296
Loans and borrowings	22	18,718	-	18,718
Lease liabilities	23	15	473	488
Trade and other payables	24	34,959	(30)	34,929
Current liabilities		53,692	443	54,135
Total equity and liabilities		289,223	1,715	290,938

3 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to make certain reclassifications to prior period comparatives and the following changes:

- cost of sales, administrative expenses, selling expenses, finance income, finance costs, foreign exchange gain/(loss), net and share of profit of associates;
- inventory, catalysts (as non-current assets);
- to change the presentation of statement of cash flows, starting from the line of operating profit instead of profit before tax as in previous periods.

Comparatives were changed accordingly to align them with current year presentation

Six months ended 30 June 2018			
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(61,898)	(16)	(61,914)
Administrative expenses	(7,011)	51	(6,960)
Selling expenses	(16,910)	(35)	(16,945)
Finance income	123	103	226
Foreign exchange loss, net	(8,137)	(19)	(8,156)
Share of profit of associates	84	(84)	-

Three months ended 30 June 2018			
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(29,828)	(16)	(29,844)
Administrative expenses	(3,619)	(37)	(3,656)
Selling expenses	(8,415)	53	(8,362)
Finance income	24	46	70
Finance costs	(1,175)	(30)	(1,205)
Foreign exchange loss, net	(8,713)	(19)	(8,732)
Share of loss of associates	(3)	3	-

31 December 2018			
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Catalysts	2,414	160	2,574
Inventories	31,870	(160)	31,710

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 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	126,794	60,856	4,940	192,590
Additions to non-current assets	11,217	1,331	511	13,059

Segment information of the Group as at 31 December 2018 and for the six months ended 30 June 2018 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:	88,055	18,637	4,556	111,248
Export	65,915	13,725	393	80,033
Domestic	22,140	4,912	4,163	31,215
Cost of goods sold	(48,794)	(8,964)	(4,156)	(61,914)
Gross segment profit	39,261	9,673	400	49,334
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(7,040)	(3,150)	(407)	(10,597)
Total non-current segment assets	122,164	63,162	5,265	190,591
Additions to non-current assets	10,557	2,310	393	13,260

The analysis of export revenue by regions is as follows:

	Six months ended 30 June	
	2019	2018
	RUB million	RUB million
Europe	39,450	28,956
South America	14,572	21,258
North America	13,159	9,044
India	9,082	9,850
CIS	8,152	5,546
Africa	3,587	2,982
Asia	1,873	2,397
	89,875	80,033

5 REVENUES

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Phosphate-based products	105,193	88,055	47,629	45,588
Sales of chemical fertilisers	87,031	73,417	38,589	37,811
Sales of apatite concentrate	13,100	10,354	6,448	5,492
Sales of other phosphate-based products and services	4,491	3,892	2,304	2,103
Sales of nepheline concentrate	571	392	288	182
Nitrogen-based products	20,087	18,637	8,776	9,082
Other	5,153	4,556	1,741	1,956
	130,433	111,248	58,146	56,626

6 COST OF SALES

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Materials and services	(15,383)	(14,053)	(7,072)	(7,159)
Depreciation	(10,669)	(9,636)	(4,960)	(4,882)
Natural gas	(6,576)	(6,718)	(2,927)	(3,221)
Potash	(6,522)	(4,649)	(3,806)	(2,377)
Salaries and social contributions	(6,307)	(6,114)	(3,056)	(2,948)
Sulphur and sulphuric acid	(5,635)	(5,283)	(2,289)	(2,405)
Repair expenses	(4,747)	(4,269)	(2,348)	(2,138)
Chemical fertilisers and other products for resale	(3,865)	(3,031)	(1,253)	(1,169)
Electricity	(3,270)	(2,868)	(1,583)	(1,441)
Fuel	(2,654)	(1,888)	(1,162)	(889)
Ammonia	(2,024)	(1,806)	(667)	(715)
Ammonium sulphate	(1,798)	(1,599)	(591)	(500)
	(69,450)	(61,914)	(31,714)	(29,844)

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(4,842)	(3,970)	(2,474)	(2,167)
Professional services	(880)	(808)	(423)	(334)
Depreciation and amortisation	(711)	(578)	(350)	(302)
Other	(1,684)	(1,604)	(898)	(853)
	(8,117)	(6,960)	(4,145)	(3,656)

8 SELLING EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(8,769)	(8,504)	(3,478)	(4,376)
Russian Railways infrastructure tariff and operators' fees	(6,107)	(5,253)	(3,013)	(2,545)
Salaries and social contributions	(1,141)	(930)	(679)	(347)
Materials and services	(1,130)	(1,226)	(638)	(709)
Custom duties	(1,012)	(649)	(312)	(179)
Depreciation	(487)	(383)	(254)	(206)
	(18,646)	(16,945)	(8,374)	(8,362)

9 OTHER EXPENSES, NET

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(1,265)	(914)	(660)	(464)
Loss on disposal of property, plant and equipment and intangible assets	(748)	(281)	(301)	(154)
Accrual of contingent liabilities	(75)	(162)	(33)	(71)
(Increase)/decrease in provision for bad debt	(36)	3	(23)	8
(Increase)/decrease in provision for inventory obsolescence	(11)	10	55	70
Other income/(expenses), net	10	90	(61)	49
	(2,125)	(1,254)	(1,023)	(562)

10 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Gain from operations with derivatives	700	-	50	-
Interest income	302	84	218	35
Unwind of discount of financial assets	30	34	15	16
Share of profit of associates	20	84	-	-
Other finance income	113	24	1	19
Finance income	<u>1,165</u>	<u>226</u>	<u>284</u>	<u>70</u>
Interest expense	(1,909)	(2,315)	(926)	(1,153)
Write off of equity securities	(150)	-	-	-
Bank fees	(90)	(79)	(38)	(42)
Securitisation fees	(86)	-	(86)	-
Discount of financial assets	(33)	(29)	(32)	(7)
Provision for bad debt on financial investments	(19)	-	(1)	-
Share of loss of associates	-	-	(1)	(3)
Other finance costs	-	(22)	(3)	-
Finance costs	<u>(2,287)</u>	<u>(2,445)</u>	<u>(1,087)</u>	<u>(1,205)</u>
Net finance costs	<u>(1,122)</u>	<u>(2,219)</u>	<u>(803)</u>	<u>(1,135)</u>

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (six months ended 30 June 2018: 20%).

	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(7,094)	(3,453)	(2,978)	(2,219)
Origination and reversal of temporary differences, including change in unrecognised assets	(275)	1,291	225	1,757
	<u>(7,369)</u>	<u>(2,162)</u>	<u>(2,753)</u>	<u>(462)</u>

Reconciliation of effective tax rate:

	Six months ended 30 June			
	2019		2018	
	RUB million	%	RUB million	%
Profit before tax	40,314	100	11,995	100
Income tax at applicable tax rate	(8,063)	(20)	(2,399)	(20)
Under provided in respect of prior years	(10)	-	(1)	-
Effect of tax rates in foreign jurisdictions	182	-	85	1
Unrecognised tax liability on profit from associates	4	-	17	-
Non-deductible items	(453)	-	(322)	(3)
Change in unrecognised deferred tax assets	8	-	7	-
Reduction in tax rate	963	2	451	4
	<u>(7,369)</u>	<u>(18)</u>	<u>(2,162)</u>	<u>(18)</u>

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 2018	54,740	73,747	4,768	41,858	175,113
Additions	706	1,690	766	9,843	13,005
Transfers	2,011	6,756	-	(8,767)	-
Disposals	(40)	(87)	(25)	(149)	(301)
Depreciation	(2,139)	(7,237)	(903)	-	(10,279)
Foreign currency translation	48	768	-	-	816
Net book value at 30 June 2018	55,326	75,637	4,606	42,785	178,354
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 13)	-	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

During six months ended 30 June 2019 the Group capitalised borrowing costs in the amount of RUB 542 million (six months ended 30 June 2018: RUB 428 million) in the value of property, plant and equipment using the weighted average interest rate of 2.75% per annum.

As at 30 June 2019, 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 3,100 million;
- The construction of ammonium sulphate plant in the amount of RUB 2,764 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 2,542 million;
- Development programme of ammonia production facilities in the amount of RUB 1,056 million;
- The construction of service infrastructure of ammonia plant in the amount of RUB 242 million;
- Modernization of production facilities for urea plant in the amount of RUB 54 million.

in Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 12,631 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 6,100 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 4,133 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 2,798 million.

13 RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets as at 30 June 2019: railway wagons, production equipment, offices.

RUB million

	Buildings	Plant and equipment	Total
Cost			
At 1 January 2019	137	5,863	6,000
New lease contracts and modification on existing lease contracts	82	198	280
Disposals	(9)	(42)	(51)
Transfers to property, plant and equipment (note 12)	-	(4,085)	(4,085)
At 30 June 2019	210	1,934	2,144
Accumulated depreciation			
At 1 January 2019	-	(991)	(991)
Depreciation	(55)	(226)	(281)
Disposals	3	4	7
Transfers to property, plant and equipment (note 12)	-	977	977
At 30 June 2019	(52)	(236)	(288)
Net book value at 1 January 2019	137	4,872	5,009
Net book value at 30 June 2019	158	1,698	1,856

Six months ended
30 June 2019
RUB million

Amounts recognised in profit and loss

Depreciation expense on right-of-use assets	281
Interest expense on lease liabilities	94

14 INVESTMENTS IN ASSOCIATES

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

	2019 RUB million	2018 RUB million
Balance at 1 January	506	969
Share in profit for the period	20	84
Foreign currency translation difference	-	(95)
Balance at 30 June	526	958

15 OTHER NON-CURRENT ASSETS

	30 June 2019 RUB million	31 December 2018 RUB million
Loans issued to third parties, at amortised cost	729	779
Financial assets, at fair value	579	724
Loans issued to employees, at amortised cost	80	88
Financial assets, at amortised cost	23	28
Provision for loans issued to third parties	(519)	(571)
Other long-term assets	703	795
	1,595	1,843

16 OTHER CURRENT INVESTMENTS

	30 June 2019 RUB million	31 December 2018 RUB million
Loans issued to employees, at amortised cost	105	52
Interest receivable	102	88
Loans issued to third parties, at amortised cost	78	35
Loans issued to related parties, at amortised cost	30	117
Loans issued to associates, at amortised cost	-	13
Investments in debt securities, at amortised cost	-	32
Provision for doubtful accounts	(38)	(24)
	277	313

17 INVENTORIES

	30 June 2019 RUB million	31 December 2018 RUB million
Raw materials and spare parts	12,316	12,340
<i>Finished goods:</i>		
Chemical fertilisers	11,902	12,982
Other products	488	651
Apatite concentrate	401	327
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	3,352	3,782
Chemical fertilisers and other products for resale, purchased from third parties	864	1,729
Other goods for resale	61	83
Provision for obsolescence	(195)	(184)
	29,189	31,710

18 TRADE AND OTHER RECEIVABLES

	30 June 2019 RUB million	31 December 2018 RUB million
Trade accounts receivable	13,138	20,379
VAT and other taxes receivable	8,412	8,973
Advances issued	4,497	5,716
Income tax receivable	523	533
Deferred expenses	178	159
Receivables from employees	48	11
Other receivables	405	1,033
Provision for doubtful accounts	(580)	(618)
	26,621	36,186

The movements in provision for doubtful accounts are as follows:

	2019 RUB million	2018 RUB million
Balance at 1 January	(618)	(536)
Foreign currency translation difference	43	-
Disposal of trade receivables through provision	30	361
(Increase)/decrease in provision for bad debt	(35)	3
Balance at 30 June	(580)	(172)

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 remaining 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	
	2019 RUB million	2018 RUB million	2019 RUB million	2018 RUB million
Trade receivables transferred to the bank	4,951	-	4,951	-
Associated cash proceeds	4,497	-	4,497	-

19 CASH AND CASH EQUIVALENTS

	30 June 2019 RUB million	31 December 2018 RUB Million
Call deposits	10,100	4,188
Cash in bank	9,744	5,126
Petty cash	4	6
	19,848	9,320

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

20 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 2018	January 2019	72	9,324
March 2019	May 2019	51	6,605
May 2019	June 2019	72	9,324
			25,253
Total dividends approved subsequent to the reporting date			
August 2019	To be approved in October 2019	54	6,993
			32,246

21 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	
	2019	2018	2019	2018
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	32,927	9,808	11,775	2,946
Basic and diluted earnings per share, RUB	254	76	91	23

22 LOANS AND BORROWINGS

	30 June 2019 RUB million	31 December 2018 RUB million
Current loans and borrowings:		
Unsecured bank loans	18,053	19,934
Interest payable	656	733
Unsecured loans from related parties	16	20
Bank commission (short-term)	(7)	(8)
	18,718	20,679
Non-current loans and borrowings:		
Loan participation notes ^{1, 2}	63,075	69,471
Unsecured bank loans	46,104	53,570
Bank commission (long-term)	(139)	(164)
	109,040	122,877
	127,758	143,556

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

	30 June 2019 RUB million	31 December 2018 RUB million
USD-denominated	106,121	123,152
EUR-denominated	20,759	18,531
RUB-denominated	1,024	2,045
	127,904	143,728

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 32,088 million (31 December 2018: RUB 34,102 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 32,295 million (31 December 2018: RUB 33,745 million).

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

The maturity of the loans and borrowings is as follows:

	30 June 2019	31 December 2018
	RUB million	RUB million
Less than 1 year	18,725	20,687
1-2 years	17,814	19,623
2-3 years	42,026	46,326
3-4 years	35,849	5,665
4-5 years	3,307	38,380
More than 5 years	10,183	13,047
	127,904	143,728

Reconciliation of liabilities arising from financing activities:

RUB million	31 December 2018	Cash inflows	Cash outflows	Accrual of liabilities	Amortisation of bank commission	Foreign exchange gain	30 June 2019
	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

23 LEASE LIABILITY

	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

24 TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	RUB million	RUB million
Dividends payable	11,790	-
Trade accounts payable	10,316	11,922
incl. accounts payable for property, plant and equipment and intangible assets	3,274	4,248
Advances received	6,135	3,644
Payables to employees	3,118	3,068
Taxes payable	2,206	2,229
Income tax payable	1,110	298
Accruals	104	36
Other payables	150	276
	34,929	21,473

25 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 36,188 million (31 December 2018: RUB 30,826 million).

26 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	
	2019	2018
	RUB million	RUB million
Sales of goods and services	11	2,141
Interest income	1	2
Purchases of goods and services	(266)	(242)
Other income, net	2	2

(ii) Balances with associates

	30 June 2019	31 December 2018
	RUB million	RUB million
Trade and other receivables	23	15
Short-term loans issued, at amortised cost	-	13
Trade and other payables	(5)	(10)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 846 million (31 December 2018: RUB 1,007 million).

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

	Six months ended 30 June	
	2019	2018
	RUB million	RUB million
Sales of goods and services	153	136
Other income, net	(36)	48
Interest income	2	8
Purchases of goods and services	(987)	(1,019)
Interest expenses	(1)	(16)

(ii) Balances with other related parties

	30 June 2019	31 December 2018
	RUB million	RUB million
Short-term loans issued, at amortised cost	30	117
Trade and other receivables	104	53
Trade and other payables	(55)	(131)
Short-term loans received	(16)	(20)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 23 million (31 December 2018: RUB 50 million).

27 FOREIGN CURRENCY RISK

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

	30 June 2019	31 December 2018
	RUB million	RUB million
USD-denominated net liabilities	(95,771)	(120,937)
EUR-denominated net liabilities	(18,571)	(19,237)
	(114,342)	(140,174)

The foreign exchange gain recognised in profit or loss of RUB 10,208 million (RUB 8,156 million of foreign exchange loss for the comparative period) resulted from the appreciation (depreciation) of the Russian Rouble against major currencies during the reporting and the comparative periods.

In addition, the net assets of the Group's foreign subsidiaries denominated in USD and EUR amount to RUB 14,987 million as at the reporting date (31 December 2018: RUB 15,319 million).

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 with the exception of a slight increase during May-June as a result of maintenance activities undertaken at the Group's production facilities.