



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the nine months ended
30 September 2020 (unaudited)**

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

To the Shareholders and Board of Directors

PJSC "PhosAgro"

Introduction

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

Scope of Review

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

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

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Registered No. in the Unified State Register of Legal Entities.
1027700125628.
Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.



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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 September 2020, and for the three- and nine-month periods ended 30 September 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Yagnov I.A.

JSC "KPMG"
Moscow, Russia

6 November 2020



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

	Note	Nine months ended 30 September		Three months ended 30 September	
		2020 RUB million	2019 RUB million	2020 RUB million	2019 RUB million
Revenues	4	194,988	194,983	70,992	64,550
Cost of sales	5	(103,722)	(104,624)	(35,802)	(35,174)
Gross profit		91,266	90,359	35,190	29,376
Administrative expenses	6	(12,941)	(11,818)	(4,139)	(3,883)
Selling expenses	7	(28,978)	(27,797)	(9,929)	(8,969)
Taxes, other than income tax, net	8	(2,339)	(1,611)	(756)	(744)
Other expenses, net	9	(1,974)	(2,690)	(529)	(565)
Operating profit		45,034	46,443	19,837	15,215
Finance income	10	576	1,377	223	212
Finance costs	10	(4,357)	(3,439)	(1,484)	(1,152)
Foreign exchange (loss)/gain, net		(35,353)	8,173	(19,428)	(2,035)
COVID-19 related expenses		(844)	-	(555)	-
Profit/(loss) before tax		5,056	52,554	(1,407)	12,240
Income tax (expense)/benefit	11	(1,098)	(9,847)	74	(2,478)
Profit/(loss) for the period		3,958	42,707	(1,333)	9,762
Attributable to:					
Non-controlling interests ^		(6)	37	(13)	19
Shareholders of the Parent		3,964	42,670	(1,320)	9,743
Other comprehensive income/(loss) Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference		3,571	(617)	2,037	353
Other comprehensive income/(loss) for the period		3,571	(617)	2,037	353
Total comprehensive income for the period		7,529	42,090	704	10,115
Attributable to:					
Non-controlling interests ^		(6)	37	(13)	19
Shareholders of the Parent		7,535	42,053	717	10,096
Basic and diluted earnings/(loss) per share (in RUB)	21	31	329	(10)	75

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

The consolidated interim condensed financial statements were approved on 6 November 2020:

Chief executive officer
A.A. Guryev

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

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

	Note	30 September 2020 RUB million	31 December 2019 RUB million
Assets			
Property, plant and equipment	12	206,582	199,459
Advances issued for property, plant and equipment		15,569	13,006
Right-of-use assets	13	7,671	6,891
Catalysts		2,329	2,376
Intangible assets		1,483	1,567
Investments in associates	14	570	519
Deferred tax assets		12,170	8,214
Other non-current assets	15	1,359	1,636
Non-current assets		247,733	233,668
Other current investments	16	239	251
Inventories	17	27,150	29,405
Trade and other receivables	18	30,644	31,061
Cash and cash equivalents	19	15,408	8,236
Current assets		73,441	68,953
Total assets		321,174	302,621
Equity			
Share capital	20	372	372
Share premium		7,494	7,494
Retained earnings		92,096	111,054
Actuarial losses		(689)	(689)
Foreign currency translation reserve		10,807	7,236
Equity attributable to shareholders of the Parent		110,080	125,467
Equity attributable to non-controlling interests		134	170
Total equity		110,214	125,637
Liabilities			
Loans and borrowings	22	146,267	96,736
Lease liabilities	23	4,401	4,701
Defined benefit obligations		919	857
Deferred tax liabilities		10,772	10,278
Non-current liabilities		162,359	112,572
Loans and borrowings	22	12,504	36,839
Lease liabilities	23	2,175	1,543
Trade and other payables	24	33,922	26,030
Current liabilities		48,601	64,412
Total equity and liabilities		321,174	302,621

PJSC "PhosAgro"
Consolidated Interim Condensed Statement of Cash Flows
for the nine months ended 30 September 2020 (unaudited)

	Note	Nine months ended 30 September	
		2020	2019
		RUB million	RUB million
Cash flows from operating activities			
Operating profit		45,034	46,443
<i>Adjustments for:</i>			
Depreciation and amortisation	5, 6, 7	20,863	17,953
Loss on disposal of property, plant and equipment and intangible assets	9	62	705
Operating profit before changes in working capital and provisions		65,959	65,101
Decrease in inventories and catalysts		2,648	1,669
Decrease in trade and other receivables		3,601	6,670
Increase/(decrease) in trade and other payables		1,421	(1,183)
Cash flows from operations before income taxes and interest paid		73,629	72,257
Income tax paid		(3,990)	(8,998)
Finance costs paid		(2,396)	(2,132)
Cash flows from operating activities		67,243	61,127
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(27,360)	(28,336)
Loans repaid/(issued), net		162	(68)
Proceeds from disposal of property, plant and equipment		16	64
Finance income received		493	575
Other payments		(889)	(798)
Cash flows used in investing activities		(27,578)	(28,563)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs of RUB 170 million	22	47,829	27,654
Repayment of borrowings	22	(62,026)	(33,992)
Early eurobond partial redemption fees	10	(292)	-
Dividends paid to shareholders of the Parent	20	(18,774)	(25,252)
Dividends paid to non-controlling interests		(30)	(36)
Leases paid	23	(1,492)	(1,452)
Proceeds from settlement of derivatives, net		-	112
Cash flows used in financing activities		(34,785)	(32,966)
Net increase/(decrease) in cash and cash equivalents		4,880	(402)
Cash and cash equivalents at 1 January		8,236	9,320
Effect of exchange rates fluctuations		2,292	(1,049)
Cash and cash equivalents at 30 September		15,408	7,869

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Changes in Equity
for the nine months ended 30 September 2020 (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 2019	372	7,494	93,951	(556)	8,365	195	109,821
Total comprehensive income							
Profit for the period	-	-	42,670	-	-	37	42,707
Foreign currency translation difference	-	-	-	-	(617)	-	(617)
	-	-	42,670	-	(617)	37	42,090
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(25,253)	-	-	(36)	(25,289)
	-	-	(25,253)	-	-	(36)	(25,289)
Balance at 30 September 2019	372	7,494	111,368	(556)	7,748	196	126,622
Balance at 1 January 2020	372	7,494	111,054	(689)	7,236	170	125,637
Total comprehensive income							
Profit for the period	-	-	3,964	-	-	(6)	3,958
Foreign currency translation difference	-	-	-	-	3,571	-	3,571
	-	-	3,964	-	3,571	(6)	7,529
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(22,922)	-	-	(30)	(22,952)
	-	-	(22,922)	-	-	(30)	(22,952)
Balance at 30 September 2020	372	7,494	92,096	(689)	10,807	134	110,214

1 BACKGROUND

(a) Organisation and operations

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

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

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

(b) Russian business environment

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

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

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

(b) Functional currency

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

(c) Presentation currency

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

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

- Assets and liabilities as at 30 September 2020 were translated at the closing exchange rate of RUB 79.6845 for USD 1 (31 December 2019: RUB 61.9057 for USD 1);
- Profit and loss items for nine months ended 30 September 2020 were translated at the average exchange rate for the appropriate month for USD 1:

January – 61.7823

February – 63.8836

March – 73.3183

April – 75.2321

May – 72.6187

June – 69.2239

July – 71.2853

August – 73.7998

September – 75.6621

Profit and loss items for three months ended 31 March 2019, 30 June 2019 and 30 September 2019 were translated at the average exchange rates RUB 66.1271, RUB 64.5584 and RUB 64.5685 for USD 1 respectively;

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

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

- Assets and liabilities as at 30 September 2020 were translated at the closing exchange rate of RUB 93.0237 for EUR 1 (31 December 2019: RUB 69.3406 for EUR 1);
- Profit and loss items for nine months ended 30 September 2020 were translated at the average exchange rate for the appropriate month for EUR 1:

January – 68.7249

February – 69.7001

March – 81.0512

April – 81.9481

May – 79.0550

June – 77.9624

July – 81.3800

August – 87.3414

September – 89.2870

Profit and loss items for three months ended 31 March 2019, 30 June 2019 and 30 September 2019 were translated at the average exchange rate RUB 75.1715, RUB 72.5210 and RUB 71.8329 for EUR 1 respectively;

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

3 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 September 2020 and for the nine months ended 30 September 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:	157,178	29,325	8,485	194,988
Export	101,683	23,748	972	126,403
Domestic	55,495	5,577	7,513	68,585
Cost of goods sold	(83,260)	(12,704)	(7,758)	(103,722)
Gross segment profit	<u>73,918</u>	<u>16,621</u>	<u>727</u>	<u>91,266</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(16,109)	(4,349)	(405)	(20,863)
Total non-current segment assets ¹	<u>155,137</u>	<u>57,329</u>	<u>5,599</u>	<u>218,065</u>
Additions to non-current assets ¹	<u>24,605</u>	<u>2,887</u>	<u>672</u>	<u>28,164</u>

Segment information of the Group as at 31 December 2019 and for the nine months ended 30 September 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:	158,236	29,338	7,409	194,983
Export	102,035	24,087	955	127,077
Domestic	56,201	5,251	6,454	67,906
Cost of goods sold	(85,334)	(12,438)	(6,852)	(104,624)
Gross segment profit	<u>72,902</u>	<u>16,900</u>	<u>557</u>	<u>90,359</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(13,055)	(4,318)	(580)	(17,953)
Total non-current segment assets ¹	<u>144,680</u>	<u>60,645</u>	<u>4,968</u>	<u>210,293</u>
Additions to non-current assets ¹	<u>20,221</u>	<u>3,255</u>	<u>871</u>	<u>24,347</u>

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

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2020	2019
	RUB million	RUB million
Europe	49,236	55,582
South America	28,206	24,899
India	18,662	11,864
North America	10,204	14,647
Africa	8,966	6,601
CIS	8,163	11,029
Asia	2,885	2,428
Australia	81	27
	126,403	127,077

4 REVENUES

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Phosphate-based products	157,178	158,236	59,786	53,043
Sales of chemical fertilisers	130,388	131,250	50,088	44,219
Sales of apatite concentrate	19,376	19,207	7,043	6,107
Sales of nepheline concentrate	812	835	277	264
Sales of other phosphate-based products and services	6,602	6,944	2,378	2,453
Nitrogen-based products	29,325	29,338	8,521	9,251
Other	8,485	7,409	2,685	2,256
	194,988	194,983	70,992	64,550

5 COST OF SALES

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Depreciation	(18,721)	(16,126)	(6,498)	(5,457)
Materials and services	(15,259)	(15,171)	(5,416)	(5,069)
Salaries and social contributions	(10,910)	(9,574)	(3,796)	(3,267)
Natural gas	(9,875)	(9,655)	(2,954)	(3,079)
Potash	(9,811)	(10,727)	(3,785)	(4,205)
Repair expenses	(7,380)	(7,756)	(2,613)	(3,009)
Transportation of phosphate rock	(6,682)	(6,685)	(2,446)	(2,399)
Chemical fertilisers and other products for resale	(6,630)	(5,467)	(1,968)	(1,602)
Electricity	(4,919)	(4,765)	(1,683)	(1,495)
Ammonia	(3,480)	(2,922)	(1,213)	(898)
Sulphur and sulphuric acid	(3,459)	(7,852)	(1,201)	(2,217)
Fuel	(2,970)	(3,730)	(923)	(1,076)
Drilling and blasting operations expenses	(2,380)	(1,645)	(891)	(650)
Ammonium sulphate	(1,246)	(2,549)	(415)	(751)
	(103,722)	(104,624)	(35,802)	(35,174)

6 ADMINISTRATIVE EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(8,376)	(6,935)	(2,648)	(2,275)
Professional services	(1,285)	(1,267)	(332)	(388)
Depreciation and amortisation	(1,019)	(1,036)	(341)	(325)
Other	(2,261)	(2,580)	(818)	(895)
	(12,941)	(11,818)	(4,139)	(3,883)

7 SELLING EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
<i>Expenses linked to basis of delivery, inc.</i>	(24,671)	(24,078)	(8,511)	(7,544)
Freight, port and stevedoring expenses	(13,949)	(12,914)	(4,865)	(4,069)
Russian Railways infrastructure tariff and operators' fees	(8,741)	(8,827)	(2,818)	(2,720)
Custom duties	(1,037)	(1,440)	(471)	(428)
Materials and services	(944)	(897)	(357)	(327)
<i>Other fixed expenses, inc.</i>	(4,307)	(3,719)	(1,418)	(1,425)
Salaries and social contributions	(2,318)	(1,954)	(736)	(631)
Depreciation and amortisation	(1,123)	(791)	(378)	(304)
Materials and services	(866)	(974)	(304)	(490)
	(28,978)	(27,797)	(9,929)	(8,969)

8 TAXES, OTHER THAN INCOME TAX, NET

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Property tax	(1,022)	(243)	(343)	(277)
Mineral extraction tax (note 29)	(856)	(711)	(257)	(239)
Land tax	(195)	(225)	(65)	(76)
Environment pollution payment	(122)	(116)	(42)	(22)
VAT included in expenses	(83)	(249)	(28)	(102)
Using water objects payment	(33)	(29)	(11)	(10)
Other taxes	(28)	(38)	(10)	(18)
	(2,339)	(1,611)	(756)	(744)

9 OTHER EXPENSES, NET

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(2,005)	(1,963)	(669)	(698)
Accrual of contingent liabilities	(147)	(82)	(96)	(7)
Increase in provision for bad debt	(64)	(81)	(7)	(45)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(62)	(705)	(21)	43
(Increase in)/reversal of provision for inventory obsolescence	(60)	8	(2)	19
Other income, net	364	133	266	123
	(1,974)	(2,690)	(529)	(565)

10 FINANCE INCOME AND FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Interest income	241	411	73	109
Share of profit of associates (note 14)	51	20	18	-
Unwind of discount on financial assets	47	49	15	19
Dividend income	3	4	-	4
Gain from operations with derivatives	-	700	-	-
Other finance income	234	193	117	80
Finance income	<u>576</u>	<u>1,377</u>	<u>223</u>	<u>212</u>
Interest expense	(3,196)	(2,796)	(1,079)	(887)
Increase in provision for bad debts for financial investments	(562)	(52)	(311)	(33)
Bank fees (inc. early eurobond partial redemption fees)	(478)	(143)	(74)	(53)
Securitisation fees	(115)	(127)	(20)	(41)
Write off of equity securities	-	(150)	-	-
Other finance costs	(6)	(171)	-	(138)
Finance costs	<u>(4,357)</u>	<u>(3,439)</u>	<u>(1,484)</u>	<u>(1,152)</u>
Net finance costs	<u>(3,781)</u>	<u>(2,062)</u>	<u>(1,261)</u>	<u>(940)</u>

11 INCOME TAX EXPENSE

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

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(4,518)	(9,302)	(866)	(2,208)
Origination and reversal of temporary differences, including change in unrecognised assets	3,420	(545)	940	(270)
	<u>(1,098)</u>	<u>(9,847)</u>	<u>74</u>	<u>(2,478)</u>

Reconciliation of effective tax rate:

	Nine months ended 30 September			
	2020		2019	
	RUB million	%	RUB million	%
Profit before tax	5,056	100	52,554	100
Income tax at applicable tax rate	(1,011)	(20)	(10,511)	(20)
(Under)/over provided in respect of prior years	(9)	-	8	-
Effect of tax rates in foreign jurisdictions	477	9	236	-
Unrecognised tax liability on profit from associates	10	-	4	-
Non-deductible items	(909)	(18)	(875)	(1)
Change in unrecognised deferred tax assets	-	-	11	-
Reduction in tax rate	344	7	1,280	2
	<u>(1,098)</u>	<u>(22)</u>	<u>(9,847)</u>	<u>(19)</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 2019	59,303	73,815	5,240	44,602	182,960
Additions	1,282	3,433	1,778	14,448	20,941
Transfers from right-of-use assets (note 13)	-	3,108	-	-	3,108
Transfers	3,155	10,061	-	(13,216)	-
Disposals	(95)	(51)	(28)	(623)	(797)
Depreciation	(4,080)	(11,890)	(1,282)	-	(17,252)
Other movements	(55)	(126)	(4)	-	(185)
Net book value at 30 September 2019	59,510	78,350	5,704	45,211	188,775
Net book value at 1 January 2020	72,708	83,765	5,991	36,995	199,459
Additions	955	2,492	1,486	20,706	25,639
Transfers from right-of-use assets (note 13)	-	8	-	-	8
Transfers	4,701	14,296	-	(18,997)	-
Disposals	(36)	(29)	(3)	(51)	(119)
Depreciation	(4,426)	(13,112)	(1,393)	-	(18,931)
Other movements	128	392	6	-	526
Net book value at 30 September 2020	74,030	87,812	6,087	38,653	206,582

During the nine months ended 30 September 2020, the Group capitalized borrowing cost in the amount of RUB 889 million (RUB 814 million in the nine months ended 30 September 2019) using the weighted average interest rate of 3.26% per annum.

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

in Cherepovets:

- Development programm of production facilities for sulphuric acid in the amount of RUB 3,016 million;
- Development programm of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 1,978 million;
- Development of transport infrastructure station Cryolite in the amount of RUB 1,745 million;
- Development programm of ammonia production facilities in the amount of RUB 1,265 million;
- The construction of ammonium sulphate plant in the amount of RUB 361 million.

in Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 11,069 million;
- The construction of apatit-nepheline beneficiation plants in the amount of RUB 1,902 million;
- The development of Rasvumchorskiy mine in the amount of RUB 1,867 million.

in Volkhov:

- Development Programme of Volkhov branch in the amount of RUB 6,396 million.

in Balakovo:

- Development Programme of Balakovo branch in the amount of RUB 862 million.

13 RIGHT-OF-USE ASSETS

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

RUB million

	Buildings	Plant and equipment	Total
Net book value at 1 January 2019	137	4,872	5,009
New lease contracts and modification on existing lease contracts	109	2,901	3,010
Depreciation	(83)	(371)	(454)
Disposals	(15)	(45)	(60)
Transfers to property, plant and equipment (note 12)	-	(3,108)	(3,108)
Net book value at 30 September 2019	148	4,249	4,397
Net book value at 1 January 2020	109	6,782	6,891
New lease contracts and modification on existing lease contracts	75	1,928	2,003
Transfers to property, plant and equipment (note 12)	-	(8)	(8)
Depreciation	(55)	(1,149)	(1,204)
Disposals	(18)	(15)	(33)
Currency translation	20	2	22
Net book value at 30 September 2020	131	7,540	7,671

	Nine months ended 30 September	
	2020	2019
	RUB million	RUB million
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	1,204	454
Interest expense on lease liabilities	363	144

14 INVESTMENTS IN ASSOCIATES

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

	2020	2019
	RUB million	RUB million
Balance at 1 January	519	506
Share in profit for the period (note 10)	51	20
Balance at 30 September	570	526

15 OTHER NON-CURRENT ASSETS

	30 September 2020	31 December 2019
	RUB million	RUB million
Loans issued to third parties, at amortised cost	760	653
Financial assets, at fair value	600	602
Loans issued to employees, at amortised cost	159	218
Other long-term assets	1,176	673
Provision for loans issued to third parties and other long-term assets	(1,336)	(510)
	1,359	1,636

16 OTHER CURRENT INVESTMENTS

	30 September 2020 RUB million	31 December 2019 RUB million
Interest receivable	127	118
Loans issued to employees, at amortised cost	101	80
Loans issued to third parties, at amortised cost	48	105
Loans issued to related parties, at amortised cost	-	2
Provision for doubtful accounts	(37)	(54)
	239	251

17 INVENTORIES

	30 September 2020 RUB million	31 December 2019 RUB million
Raw materials and spare parts	12,829	11,723
<i>Finished goods:</i>		
Chemical fertilisers	6,695	10,837
Apatite concentrate	512	443
Other products	422	273
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	4,595	4,491
Chemical fertilisers and other products for resale, purchased from third parties	2,257	1,778
Other goods for resale	103	63
Provision for obsolescence	(263)	(203)
	27,150	29,405

18 TRADE AND OTHER RECEIVABLES

	30 September 2020 RUB million	31 December 2019 RUB million
Trade accounts receivable	16,850	14,375
VAT and other taxes receivable	8,272	10,214
Advances issued	3,834	4,865
Income tax receivable	978	1,286
Deferred expenses	150	99
Receivables from employees	55	20
Other receivables	858	460
Provision for doubtful accounts	(353)	(258)
	30,644	31,061

The movements in provision for doubtful accounts are as follows:

	2020 RUB million	2019 RUB million
Balance at 1 January	(258)	(618)
Use of provision	65	29
Reversal of provision	6	14
Disposal of trade receivables through provision	-	1
Reclassification (from)/to non-current assets	(37)	95
Foreign currency translation difference	(43)	33
Increase in provision for bad debt	(86)	(81)
Balance at 30 September	(353)	(527)

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

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

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
	RUB million	RUB million	RUB million	RUB million
Trade receivables transferred to the bank	11,863	8,233	2,917	3,282
Associated cash inflow	1,798	5,110	835	463
Associated cash outflow	(2,961)	(854)	(1,497)	(847)
Net-off with other payables	10,065	3,977	2,082	3,666

Payables to the bank as of 30 September 2020 amounted to RUB 6,267 million (31 December 2019: RUB 748 million) are presented within other payables. Receivables from the bank as of 30 September 2020 amounted to RUB 599 million (31 December 2019: RUB 474 million) are presented within trade receivables.

19 CASH AND CASH EQUIVALENTS

	30 September 2020 RUB million	31 December 2019 RUB Million
Cash in bank	9,723	5,724
Call deposits	5,681	2,506
Petty cash	4	6
	15,408	8,236

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 2019	January 2020	48	6,216
February 2020	May 2020	18	2,331
May 2020	June 2020	78	10,101
August 2020	September 2020	33	4,274
			22,922
Total dividends approved subsequent to the reporting date			
November 2020	To be approved in December 2020	123	15,929
			38,851

21 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.

	Nine months ended 30 September		Three months ended 30 September	
	2020	2019	2020	2019
Weighted average number of ordinary shares in issue	129,500,000	129,500,000	129,500,000	129,500,000
Profit/(loss) for the period attributable to shareholders of the Parent, RUB million	3,964	42,670	(1,320)	9,743
Basic and diluted earnings/(loss) per share, RUB	31	329	(10)	75

22 LOANS AND BORROWINGS

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

	30 September 2020 RUB million	31 December 2019 RUB million
Current loans and borrowings:		
Unsecured bank loans	10,669	36,225
Interest payable	1,842	621
Bank commission (short-term)	(7)	(7)
	12,504	36,839
Non-current loans and borrowings:		
Loan participation notes ^{1,2,3}	107,574	61,906
Unsecured bank loans	38,924	34,951
Bank commission (long-term)	(231)	(121)
	146,267	96,736
	158,771	133,575

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

	30 September 2020 RUB million	31 December 2019 RUB million
USD-denominated	140,144	101,853
EUR-denominated	18,678	31,850
RUB-denominated	187	-
	159,009	133,703

The maturity of the loans and borrowings is as follows:

	30 September 2020 RUB million	31 December 2019 RUB million
Less than 1 year	12,511	36,846
1-2 years	39,526	41,124
2-3 years	50,013	9,960
3-4 years	4,194	34,190
4-5 years	44,036	3,237
More than 5 years	8,729	8,346
	159,009	133,703

1 In May 2017, the Company's SPV issued a USD 500 million 4.5-year Eurobond with a coupon rate of 3.95%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 28,597 million (31 December 2019: RUB 33,211 million).

2 In January 2018 the Company's SPV issued a USD 500 million 5.25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 41,453 million (31 December 2019: RUB 33,843 million).

3 In January 2020 the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 3.05%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 40,700 million.

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

Reconciliation of liabilities arising from financing activities:

<i>RUB million</i>	31 December 2019	Cash inflows	Cash outflows	Accrual, sett-off of liabilities	Amortisation of bank commission	Foreign exchange loss	30 September 2020
Loans and borrowings (excluding interest payable)	132,954	47,829	(62,026)	-	60	38,112	156,929
Lease liabilities	6,244	-	(1,492)	1,802	-	22	6,576
	139,198	47,829	(63,518)	1,802	60	38,134	163,505

<i>RUB million</i>	31 December 2018	Cash inflows	Cash outflows	Accrual, sett-off of liabilities	Amortisation of bank commission	Foreign exchange gain	30 September 2019
Loans and borrowings (excluding interest payable)	142,823	27,654	(33,992)	-	38	(11,343)	125,180
Lease liabilities	1,094	-	(1,452)	4,461	-	(82)	4,021
	143,917	27,654	(35,444)	4,461	38	(11,425)	129,201

23 LEASE LIABILITIES

<i>RUB million</i>	Lease liability without subsequent asset buyout	Lease liability with subsequent asset buyout	Total
Balance as at 1 January 2019	1,738	1,094	2,832
New lease contracts and modification of existing lease contracts	1,231	1,467	2,698
Interest expense on lease liabilities	105	39	144
Principal lease payments	(368)	(1,084)	(1,452)
Interest lease payments	(105)	(39)	(144)
Effect of foreign currency translation reserve	(4)	(53)	(57)
Balance as at 30 September 2019	2,597	1,424	4,021
Balance as at 1 January 2020	4,757	1,487	6,244
New lease contracts and modification of existing lease contracts	97	1,705	1,802
Interest expense on lease liabilities	228	135	363
Principal lease payments	(953)	(539)	(1,492)
Interest lease payments	(229)	(134)	(363)
Effect of foreign currency translation reserve	22	-	22
Balance as at 30 September 2020	3,922	2,654	6,576

24 TRADE AND OTHER PAYABLES

	30 September 2020 RUB million	31 December 2019 RUB million
Trade accounts payable	12,302	12,121
inc. accounts payable for property, plant and equipment and intangible assets	5,994	4,728
Dividends payable	4,150	2
Advances received	4,126	7,160
Other taxes payable	3,098	2,526
Payables to employees	3,093	2,970
Income tax payable	465	207
Accruals	233	97
Other payables (see note 18)	6,455	947
	33,922	26,030

25 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 34,637 million (31 December 2019: RUB 43,603 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

	Nine months ended 30 September	
	2020	2019
	RUB million	RUB million
Sales of goods and services	19	18
Interest income	-	1
Purchases of goods and services	(428)	(398)
Other income, net	1	2
Dividend income	-	1

(ii) Balances with associates

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

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 411 million (31 December 2019: RUB 726 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Nine months ended 30 September	
	2020	2019
	RUB million	RUB million
Sales of goods and services	579	303
Other loss, net	(25)	(50)
Interest income	-	2
Purchases of goods and services	(80)	(1,460)
Interest expenses	-	(1)

(ii) Balances with other related parties

	30 September 2020	31 December 2019
	RUB million	RUB million
Short-term loans issued, at amortised cost	-	2
Trade and other receivables	1	7
Trade and other payables	(327)	(123)

(iii) Financial guarantees

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

27 FOREIGN CURRENCY RISK

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

Group companies in Russia:

	30 September 2020 RUB million	31 December 2019 RUB million
USD-denominated net liabilities	(140,217)	(99,831)
EUR-denominated net liabilities	(19,418)	(32,507)
	(159,635)	(132,338)

Foreign Group companies:

	30 September 2020 RUB million	31 December 2019 RUB million
USD-denominated net assets	808	1,157
EUR-denominated net assets	834	822
	1,642	1,979

Total:

	30 September 2020 RUB million	31 December 2019 RUB million
USD-denominated net liabilities	(139,409)	(98,674)
EUR-denominated net liabilities	(18,584)	(31,685)
	(157,993)	(130,359)

The foreign exchange loss recognized in profit or loss of RUB 35,353 million (RUB 8,173 million of foreign exchange gain for the comparative period) resulted from the (depreciation) appreciation of the Russian Rouble against major currencies during the reporting and comparative periods.

In addition, the net assets of the Group’s foreign subsidiaries denominated in USD, EUR and other currencies amount to RUB 20,766 million as at the reporting date (31 December 2019: RUB 15,235 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, however several maintenance activities undertaken at the Group’s production facilities may not be evenly spreaded.

29 SUBSEQUENT EVENTS

Starting from 1 January 2021 the rate for mineral extraction tax (note 8) will change from 4% to 14%. Management estimates the amount of the tax due for 2021 at RUB 3,995 million (total of actual for 9 months 2020 and estimate for fourth quarter 2020 is expected to be RUB 1,141 million). The estimate for 2021 is based on an assumption that the volumes extracted and the costs of extraction will remain unchanged compared to 2020.

Starting from 1 January 2021 the rate for income tax paid for dividends due to shareholders in Cyprus will change from 5% to 15%.