



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the three months ended
31 March 2019 (unaudited)**

Contents

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements	3
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Interim Condensed Statement of Financial Position	6
Consolidated Interim Condensed Statement of Cash Flows	7
Consolidated Interim Condensed Statement of Changes in Equity	8
Notes to the Consolidated Interim Condensed Financial Statements	9



JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

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

To the Shareholders and Board of Directors

PJSC "PhosAgro"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 31 March 2019, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Audited entity: PJSC "PhosAgro"

Registration No. in the Unified State Register of Legal Entities
1027700190572

Moscow, Russia

Independent auditor: 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
1027700125626

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"

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

Page 2

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 31 March 2019 and for the three-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



I.A. Yagnov

JSC "KPMG"

Moscow, Russia

15 May 2019

PJSC "PhosAgro"

*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019 (unaudited)*

		Three months ended 31 March	
		2019	2018
	Note	RUB million	RUB million
Revenues	5	72,287	54,622
Cost of sales	6	(37,736)	(32,070)
Gross profit		34,551	22,552
Administrative expenses	7	(3,972)	(3,392)
Selling expenses	8	(10,272)	(8,495)
Taxes, other than income tax		(730)	(887)
Other expenses, net	9	(1,102)	(692)
Operating profit		18,475	9,086
Finance income	10	864	99
Finance costs	10	(1,204)	(1,270)
Foreign exchange gain, net		7,620	576
Share of profit of associates	14	21	87
Profit before tax		25,776	8,578
Income tax expense	11	(4,616)	(1,700)
Profit for the period		21,160	6,878
Attributable to:			
Non-controlling interests ^		8	16
Shareholders of the Parent		21,152	6,862
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference		(611)	342
Other comprehensive (loss)/income for the period		(611)	342
Total comprehensive income for the period		20,549	7,220
Attributable to:			
Non-controlling interests ^		8	16
Shareholders of the Parent		20,541	7,204
Basic and diluted earnings per share (in RUB)	21	163	53

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

The consolidated interim condensed financial statements were approved on 15 May 2019:

Chief executive officer
A.A. Guryev

Chief financial officer
A.F. Sharabaiko

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2019 (unaudited)

	Note	31 March 2019 RUB million	31 December 2018 RUB million
Assets			
Property, plant and equipment	12	185,534	186,231
Right-of-use assets	13	1,843	-
Catalysts		2,537	2,574
Advances issued for property, plant and equipment		8,761	6,759
Intangible assets		1,718	1,786
Investments in associates	14	527	506
Deferred tax assets		8,717	8,995
Other non-current assets	15	1,588	1,843
Non-current assets		211,225	208,694
Other current investments	16	252	313
Inventories	17	26,709	31,710
Trade and other receivables	18	36,510	36,186
Cash and cash equivalents	19	23,395	9,320
Current assets		86,866	77,529
Total assets		298,091	286,223
Equity			
	20		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		105,779	93,951
Foreign currency translation reserve		7,754	8,365
Actuarial losses		(556)	(556)
Equity attributable to shareholders of the Parent		120,843	109,626
Equity attributable to non-controlling interests		203	195
Total equity		121,046	109,821
Liabilities			
Loans and borrowings	22	114,419	122,877
Lease liabilities	23	1,290	376
Defined benefit obligations		613	630
Deferred tax liabilities		9,250	9,023
Non-current liabilities		125,572	132,906
Loans and borrowings	22	26,110	20,679
Lease liabilities	23	467	718
Trade and other payables	24	24,616	21,473
Derivative financial liabilities		280	626
Current liabilities		51,473	43,496
Total equity and liabilities		298,091	286,223

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Cash Flows
for the three months ended 31 March 2019 (unaudited)

		Three months ended 31 March	
		2019	2018
	Note	RUB million	RUB million
Cash flows from operating activities			
Profit before tax		25,776	8,578
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	6,303	5,207
Loss on disposal of property, plant and equipment and intangible assets	9	448	127
Finance income	10	(864)	(99)
Finance costs	10	1,204	1,270
Share of profit of associates	14	(21)	(87)
Foreign exchange gain, net		(7,620)	(616)
Operating profit before changes in working capital and provisions		25,226	14,380
Decrease in inventories and catalysts		3,599	1,161
Increase in trade and other receivables		(2,246)	(1,990)
Increase/(decrease) in trade and other payables		3,482	(1,516)
Cash flows from operations before income taxes and interest paid		30,061	12,035
Income tax paid		(2,450)	(616)
Finance costs paid		(114)	(988)
Cash flows from operating activities		27,497	10,431
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(8,617)	(8,954)
Repayment of loans issued, net		64	15
Proceeds from disposal of property, plant and equipment		10	3
Finance income received		93	46
Other payments		(272)	(213)
Cash flows used in investing activities		(8,722)	(9,103)
Cash flows from financing activities			
Proceeds from borrowings	22	10,943	43,164
Repayment of borrowings	22	(4,634)	(41,961)
Dividends paid to shareholders of the Parent	20	(9,324)	(1,563)
Leases paid	22	(1,102)	(371)
Proceeds from settlement of derivatives, net		340	-
Cash flows used in financing activities		(3,777)	(731)
Net increase in cash and cash equivalents		14,998	597
Cash and cash equivalents at 1 January		9,320	2,691
Effect of exchange rates fluctuations		(923)	591
Cash and cash equivalents at 31 March		23,395	3,879

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Changes in Equity
for the three months ended 31 March 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
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	6,862	-	-	6,878
Foreign currency translation difference	-	-	-	-	342	342
	-	-	6,862	-	342	7,220
<i>Transactions with owners recognised directly in equity</i>						
Dividends to shareholders	-	-	(2,720)	-	-	(2,720)
	-	-	(2,720)	-	-	(2,720)
Balance at 31 March 2018	372	7,494	89,622	(726)	5,835	102,742
Balance at 1 January 2019	372	7,494	93,951	(556)	8,365	109,821
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	21,152	-	-	21,160
Foreign currency translation difference	-	-	-	-	(611)	(611)
	-	-	21,152	-	(611)	20,549
<i>Transactions with owners recognised directly in equity</i>						
Dividends to shareholders	-	-	(9,324)	-	-	(9,324)
	-	-	(9,324)	-	-	(9,324)
Balance at 31 March 2019	372	7,494	105,779	(556)	7,754	121,046

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 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 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 2019 were translated at the closing exchange rate of RUB 64.7347 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 three months ended 31 March 2019 of RUB 66.1271 for USD 1 (three months ended 31 March 2018: RUB 56.8803 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 2019 were translated at the closing exchange rate of RUB 72.7230 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 three months ended 31 March 2019 of RUB 75.1715 for EUR 1 (three months ended 31 March 2018: RUB 69.8727 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 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 the year ended 31 December 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 first-time 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 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 three months ended 31 March 2019, the Group's consolidated statement of profit or loss and other comprehensive income for three months ended 31 March 2019 and consolidated statement of financial position as at 31 March 2019 would have been as follows:

Three months ended 31 March				
	Note	2019 as if IAS 17 still applied RUB million	IFRS 16 adjustments RUB million	2019 as presented RUB million
Revenues	5	72,287	-	72,287
Cost of sales	6	(37,748)	12	(37,736)
Gross profit		34,539	12	34,551
Administrative expenses	7	(3,969)	(3)	(3,972)
Selling expenses	8	(10,272)	-	(10,272)
Taxes, other than income tax		(730)	-	(730)
Other expenses, net	9	(1,102)	-	(1,102)
Operating profit		18,466	9	18,475
Finance income	10	864	-	864
Finance costs	10	(1,168)	(36)	(1,204)
Foreign exchange gain, net		7,620	-	7,620
Share of loss of associates	14	21	-	21
Profit before tax		25,803	(27)	25,776
Income tax expense	11	(4,621)	5	(4,616)
Profit for the period		21,182	(22)	21,160
Attributable to:				
Non-controlling interests ^		8	-	8
Shareholders of the Parent		21,174	(22)	21,152
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation difference		(611)	-	(611)
Other comprehensive loss for the period		(611)	-	(611)
Total comprehensive income for the period		20,571	(22)	20,549
Attributable to:				
Non-controlling interests ^		8	-	8
Shareholders of the Parent		20,563	(22)	20,541
Basic and diluted earnings per share (in RUB)	21	164	(1)	163

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

	Note	31 March 2019 as if IAS 17 still applied RUB million	IFRS 16 adjustments RUB million	31 March 2019 as presented RUB million
Assets				
Property, plant and equipment	12	185,675	(141)	185,534
Right-of-use assets	13	-	1,843	1,843
Catalysts		2,537	-	2,537
Advances issued for property, plant and equipment		8,761	-	8,761
Intangible assets		1,718	-	1,718
Investments in associates	14	527	-	527
Deferred tax assets		8,712	5	8,717
Other non-current assets	15	1,588	-	1,588
Non-current assets		209,518	1,707	211,225
Other current investments	16	252	-	252
Inventories	17	26,709	-	26,709
Trade and other receivables	18	36,514	(4)	36,510
Cash and cash equivalents	19	23,395	-	23,395
Current assets		86,870	(4)	86,866
Total assets		296,388	1,703	298,091
Equity				
	20			
Share capital		372	-	372
Share premium		7,494	-	7,494
Retained earnings		105,801	(22)	105,779
Foreign currency translation reserve		7,754	-	7,754
Actuarial losses		(556)	-	(556)
Equity attributable to shareholders of the Parent		120,865	(22)	120,843
Equity attributable to non-controlling interests		203	-	203
Total equity		121,068	(22)	121,046
Liabilities				
Loans and borrowings	22	114,419	-	114,419
Lease liabilities	23	1	1,289	1,290
Defined benefit obligations		613	-	613
Deferred tax liabilities		9,250	-	9,250
Non-current liabilities		124,283	1,289	125,572
Loans and borrowings	22	26,110	-	26,110
Lease liabilities	23	29	438	467
Trade and other payables	24	24,618	(2)	24,616
Derivative financial liabilities		280	-	280
Current liabilities		51,037	436	51,473
Total equity and liabilities		296,388	1,703	298,091

3 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

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

- cost of sales, administrative expenses, selling expenses, finance costs and foreign exchange gain, net;
- inventory, catalysts (as non-current assets)

Comparatives were changed accordingly to align them with current year presentation

Three months ended 31 March 2018			
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(32,054)	(16)	(32,070)
Administrative expenses	(3,643)	251	(3,392)
Selling expenses	(8,260)	(235)	(8,495)
Finance costs	(1,229)	(41)	(1,270)
Foreign exchange gain, net	535	41	576

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 31 March 2019 and for the three months ended 31 March 2019 is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	57,564	11,311	3,412	72,287
Export	44,535	8,615	715	53,865
Domestic	13,029	2,696	2,697	18,422
Cost of goods sold	(29,870)	(4,718)	(3,148)	(37,736)
Gross segment profit	27,694	6,593	264	34,551
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(4,483)	(1,624)	(196)	(6,303)
Total non-current segment assets	124,956	61,522	5,154	191,632
Additions to non-current assets	4,859	499	175	5,533

Segment information of the Group as at 31 December 2018 and for the three months ended 31 March 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:	42,467	9,555	2,600	54,622
Export	32,570	6,311	103	38,984
Domestic	9,897	3,244	2,497	15,638
Cost of goods sold	(25,227)	(4,585)	(2,258)	(32,070)
Gross segment profit	17,240	4,970	342	22,552
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(3,373)	(1,602)	(232)	(5,207)
Total non-current segment assets	122,164	63,162	5,265	190,591
Additions to non-current assets	25,618	5,890	843	32,351

The analysis of export revenue by regions is as follows:

	Three months ended 31 March	
	2019 RUB million	2018 RUB million
Europe	23,908	15,991
North America	10,458	7,791
South America	8,633	7,180
CIS	4,154	3,336
India	3,185	2,059
Africa	2,099	912
Asia	1,428	1,715
	53,865	38,984

5 REVENUES

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Phosphate-based products	57,564	42,467
Sales of chemical fertilisers	48,442	35,606
Sales of apatite concentrate	6,652	4,862
Sales of other phosphate-based products and services	2,187	1,789
Sales of nepheline concentrate	283	210
Nitrogen-based products	11,311	9,555
Other	3,412	2,600
	72,287	54,622

6 COST OF SALES

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Materials and services	(8,311)	(6,894)
Depreciation	(5,709)	(4,754)
Natural gas	(3,649)	(3,497)
Sulphur and sulphuric acid	(3,346)	(2,878)
Salaries and social contributions	(3,251)	(3,166)
Potash	(2,716)	(2,272)
Chemical fertilisers and other products for resale	(2,612)	(1,862)
Repair expenses	(2,399)	(2,131)
Electricity	(1,687)	(1,427)
Fuel	(1,492)	(999)
Ammonia	(1,357)	(1,091)
Ammonium sulphate	(1,207)	(1,099)
	(37,736)	(32,070)

7 ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Salaries and social contributions	(2,368)	(1,891)
Professional services	(457)	(474)
Depreciation and amortisation	(361)	(276)
Other	(786)	(751)
	(3,972)	(3,392)

8 SELLING EXPENSES

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Freight, port and stevedoring expenses	(5,291)	(4,128)
Russian Railways infrastructure tariff and operators' fees	(3,094)	(2,840)
Custom duties	(700)	(470)
Materials and services	(492)	(385)
Salaries and social contributions	(462)	(495)
Depreciation	(233)	(177)
	(10,272)	(8,495)

9 OTHER EXPENSES, NET

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Social expenditures	(605)	(450)
Loss on disposal of property, plant and equipment and intangible assets	(448)	(127)
Increase in provision for inventory obsolescence	(66)	(60)
Accrual of contingent liabilities	(42)	(91)
Increase in provision for bad debt	(12)	(5)
Other income, net	71	41
	(1,102)	(692)

10 FINANCE INCOME AND FINANCE COSTS

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Interest income	84	49
Unwind of discount of financial assets	15	18
Gain from revaluation of financial assets	2	23
Dividend income	2	-
Gain from operations with derivatives	650	-
Other finance income	111	9
Finance income	864	99
Interest expense	(983)	(1,162)
Write off of equity securities	(150)	-
Bank fees	(52)	(37)
Provision for bad debt on financial investments	(18)	-
Discount of financial assets	(1)	(22)
Other finance costs	-	(49)
Finance costs	(1,204)	(1,270)
Net finance costs	(340)	(1,171)

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (three months ended 31 March 2018: 20%).

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Current tax expense	(4,116)	(1,234)
Origination and reversal of temporary differences, including change in unrecognised assets	(500)	(466)
	(4,616)	(1,700)

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2019		2018	
	RUB million	%	RUB million	%
Profit before tax	25,776	100	8,578	100
Income tax at applicable tax rate	(5,155)	(20)	(1,716)	(20)
Over provided in respect of prior years	7	-	-	-
Effect of tax rates in foreign jurisdictions	111	-	37	-
Unrecognised tax liability on profit from associates	4	-	17	-
Non-deductible items	(128)	-	(186)	(2)
Change in unrecognised deferred tax assets	4	-	3	-
Reduction in tax rate	541	2	145	2
	(4,616)	(18)	(1,700)	(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 2018	54,740	73,747	4,768	41,858	175,113
Additions	260	730	448	4,635	6,073
Transfers	1,015	5,477	-	(6,492)	-
Disposals	(29)	(40)	(24)	(61)	(154)
Depreciation	(979)	(3,655)	(443)	-	(5,077)
Foreign currency translation movements	33	647	-	-	680
Net book value at 31 March 2018	55,040	76,906	4,749	39,940	176,635
Net book value at 1 January 2019	59,303	73,815	5,240	44,602	182,960
Additions	359	1,236	879	3,322	5,796
Transfers from right-of-use assets (note 13)	-	3,108	-	-	3,108
Transfers	1,443	3,784	-	(5,227)	-
Disposals	(5)	(21)	(2)	(488)	(516)
Depreciation	(1,356)	(3,845)	(455)	-	(5,656)
Foreign currency translation movements	(41)	(114)	(3)	-	(158)
Net book value at 31 March 2019	59,703	77,963	5,659	42,209	185,534

During three months ended 31 March 2019 the Group capitalised borrowing costs in the amount of RUB 278 million (three months ended 31 March 2018: RUB 218 million) in the value of property, plant and equipment using the weighted average interest rate of 2.75% per annum.

As at 31 March 2019, the balance of the construction in progress account includes the accumulated costs related to

in Cherepovets:

- Development programme of production facilities for sulphuric acid in the amount of RUB 2,995 million;
- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 2,821 million;
- The construction of ammonium sulphate plant in the amount of RUB 2,711 million;
- Maintenance programme of ammonia production facilities in the amount of RUB 1,236 million;
- The construction of service infrastructure of ammonia plant in the amount of RUB 265 million;
- Modernization of production facilities for urea plant in the amount of RUB 166 million.

in Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 12,090 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 5,957 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 4,758 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 2,781 million.

13 RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets as at 31 March 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	35	54	89
Transfers to property, plant and equipment (note 12)	-	(4,085)	(4,085)
At 31 March 2019	172	1,832	2,004
Accumulated depreciation			
At 1 January 2019	-	(991)	(991)
Depreciation	(26)	(121)	(147)
Transfers to property, plant and equipment (note 12)	-	977	977
At 31 March 2019	(26)	(135)	(161)
Net book value at 1 January 2019	137	4,872	5,009
Net book value at 31 March 2019	146	1,697	1,843

Three months ended
31 March 2019
RUB million

Amounts recognised in profit and loss

Depreciation expense on right-of-use assets	147
Interest expense on lease liabilities	59

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	21	87
Foreign currency translation difference	-	(96)
Balance at 31 March	527	960

15 OTHER NON-CURRENT ASSETS

	31 March 2019 RUB million	31 December 2018 RUB million
Loans issued to third parties, at amortised cost	740	779
Financial assets, at fair value	579	724
Loans issued to employees, at amortised cost	48	88
Financial assets, at amortised cost	23	28
Provision for loans issued to third parties	(533)	(571)
Other long-term assets	731	795
	1,588	1,843

16 OTHER CURRENT INVESTMENTS

	31 March 2019 RUB million	31 December 2018 RUB million
Loans issued to employees, at amortised cost	95	52
Interest receivable	91	88
Loans issued to related parties, at amortised cost	47	117
Loans issued to third parties, at amortised cost	37	35
Loans issued to associates, at amortised cost	13	13
Investments in debt securities, at amortised cost	-	32
Provision for doubtful accounts	(31)	(24)
	252	313

17 INVENTORIES

	31 March 2019 RUB million	31 December 2018 RUB million
Raw materials and spare parts	12,361	12,340
<i>Finished goods:</i>		
Chemical fertilisers	9,746	12,982
Other products	660	651
Apatite concentrate	415	327
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	3,004	3,782
Chemical fertilisers and other products for resale, purchased from third parties	701	1,729
Other goods for resale	72	83
Provision for obsolescence	(250)	(184)
	26,709	31,710

18 TRADE AND OTHER RECEIVABLES

	31 March 2019 RUB million	31 December 2018 RUB million
Trade accounts receivable	24,789	20,379
VAT and other taxes receivable	7,562	8,973
Advances issued	3,434	5,716
Income tax receivable	141	533
Deferred expenses	186	159
Receivables from employees	20	11
Other receivables	964	1,033
Provision for doubtful accounts	(586)	(618)
	36,510	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	34	-
Disposal of trade receivables through provision	13	324
Increase in provision for bad debt	(15)	(5)
Balance at 31 March	(586)	(217)

19 CASH AND CASH EQUIVALENTS

	31 March 2019 RUB million	31 December 2018 RUB Million
Call deposits	17,505	4,188
Cash in bank	5,882	5,126
Petty cash	8	6
	23,395	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
			9,324
Total dividends approved subsequent to the reporting date			
March 2019	To be approved in May 2019	51	6,605
May 2019	To be approved in June 2019		9,324
			15,929

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.

	Three months ended 31 March	
	2019	2018
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit for the period attributable to shareholders of the Parent, RUB million	21,152	6,862
Basic and diluted earnings per share, RUB	163	53

22 LOANS AND BORROWINGS

	31 March 2019 RUB million	31 December 2018 RUB million
Current loans and borrowings:		
Unsecured bank loans	24,486	19,934
Interest payable	1,601	733
Unsecured loans from related parties	20	20
Bank commission (short-term)	3	(8)
	26,110	20,679
Non-current loans and borrowings:		
Loan participation notes ^{1, 2}	64,734	69,471
Unsecured bank loans	49,847	53,570
Bank commission (long-term)	(162)	(164)
	114,419	122,877
	140,529	143,556

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

	31 March 2019 RUB million	31 December 2018 RUB million
USD-denominated	114,475	123,152
EUR-denominated	24,168	18,531
RUB-denominated	2,045	2,045
	140,688	143,728

The maturity of the loans and borrowings is as follows:

	31 March 2019 RUB million	31 December 2018 RUB million
Less than 1 year	26,107	20,687
1-2 years	18,275	19,623
2-3 years	43,026	46,326
3-4 years	5,407	5,665
4-5 years	35,754	38,380
More than 5 years	12,119	13,047
	140,688	143,728

Reconciliation of liabilities arising from financing activities:

RUB million	31 December 2018 RUB million	Cash inflows RUB million	Cash outflows RUB million	Accrual of liabilities RUB million	Amortisation of bank commission RUB million	Foreign exchange gain RUB million	31 March 2019 RUB million
Loans and borrowings (excluding interest payable)	142,823	10,943	(4,634)	-	14	(10,218)	138,928
Lease liabilities	1,094	-	(1,102)	1,832	-	(67)	1,757
	143,917	10,943	(5,736)	1,832	14	(10,285)	140,685

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 33,364 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 33,282 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.

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	33	46	79
Interest expense on lease liabilities	36	23	59
Principal lease payments	(73)	(1,029)	(1,102)
Interest lease payments	(36)	(23)	(59)
Effect of foreign currency translation reserve	-	(52)	(52)
Balance as at 31 March 2019	1,698	59	1,757

24 TRADE AND OTHER PAYABLES

	31 March 2019 RUB million	31 December 2018 RUB million
Trade accounts payable	9,822	11,922
incl. accounts payable for property, plant and equipment and intangible assets	2,934	4,248
Advances received	6,153	3,644
Payables to employees	4,060	3,068
Taxes payable	2,739	2,229
Income tax payable	1,556	298
Accruals	62	36
Other payables	224	276
	24,616	21,473

25 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 35,149 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**

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Sales of goods and services	7	1,507
Interest income	-	1
Purchases of goods and services	(124)	(119)
Other income, net	-	(3)

(ii) Balances with associates

	31 March 2019	31 December 2018
	RUB million	RUB million
Trade and other receivables	32	15
Short-term loans issued, at amortised cost	13	13
Trade and other payables	(6)	(10)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 936 million (31 December 2018: RUB 1,007 million).

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

	Three months ended 31 March	
	2019	2018
	RUB million	RUB million
Sales of goods and services	85	61
Other income, net	(8)	58
Interest income	1	4
Purchases of goods and services	(482)	(519)
Interest expenses	-	(8)

(ii) Balances with other related parties

	31 March 2019	31 December 2018
	RUB million	RUB million
Short-term loans issued, at amortised cost	47	117
Trade and other receivables	33	53
Trade and other payables	(73)	(131)
Short-term loans received	(20)	(20)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 24 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:

	31 March 2019	31 December 2018
	RUB million	RUB million
USD-denominated net liabilities	(106,216)	(120,937)
EUR-denominated net liabilities	(21,593)	(19,237)
	(127,809)	(140,174)

The foreign exchange gain recognised in profit or loss of RUB 7,620 million (RUB 576 million for the comparative period) resulted from the appreciation 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 15,348 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.