# PJSC “PhosAgro”

# Consolidated Financial Statements for 2020

## Contents

# Independent Auditors' Report

## To the Shareholders and Board of Directors of PJSC "PhosAgro"

## Opinion

We have audited the consolidated financial statements of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Valuation of deferred tax assets** | |
|---|---|
| Please refer to the Note 18 in the consolidated financial statements. | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The Group has recognised significant deferred tax assets in respect of tax losses.<br><br>The Group regularly considers possible options for utilization of deferred tax asset and assesses recoverability based on the most likely utilization option. The recovery of the deferred tax assets also depends on achieving sufficient taxable profits in the future.<br><br>The assessment of the recoverability of tax losses depends on the projected profitability of the Group, which is formed on the basis of planned sales volumes and prices for sold products and expected inflation rates and exchange rates.<br><br>There is inherent uncertainty involved in forecasting timing and quantum of future taxable profits, which support the extent to which tax assets are recognised. Therefore, this is the key judgmental area our audit is concentrated on. | Our audit procedures included the following:<br><br>We considered the Group’s assessment of possible options for the utilization of deferred tax asset and its assessment of the likelihood of those options.<br><br>We tested the accuracy of the taxable profits forecast model used to estimate the recoverability of deferred tax assets.<br><br>We evaluated the appropriateness of management’s key assumptions and estimates used by management to assess the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, taking into account external market indicators such as trends in prices for chemical fertilizers, inflation rates and exchange rates.<br><br>Using KPMG tax specialists, we considered the appropriateness of the application of relevant tax legislation by the Group, in relation to the utilization of tax losses, including analysis of the most likely option for their utilization. |

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditors’ report thereon. The Annual report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors’ report is:

КПМГ
KPMG
АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
МОСКВА

I.A. Yagnov

JSC “KPMG”

Moscow, Russia

18 February 2021

| | Note | 2020 RUB Million | 2019 RUB Million |
|---|---|---|---|
| Revenues | 6 | 253,879 | 248,125 |
| Cost of sales | 8 | (133,335) | (136,224) |
| **Gross profit** | | **120,544** | **111,901** |
| Administrative expenses | 9 | (17,828) | (16,476) |
| Selling expenses | 10 | (39,588) | (38,121) |
| Taxes, other than income tax, net | 11 | (2,962) | (2,384) |
| Other expenses, net | 12 | (2,512) | (3,269) |
| **Operating profit** | | **57,654** | **51,651** |
| Finance income | 13 | 975 | 1,458 |
| Finance costs | 13 | (5,455) | (4,271) |
| Foreign exchange (loss)/gain, net | 30(b) | (25,070) | 12,346 |
| COVID-19 related expenses | | (1,434) | - |
| **Profit before tax** | | **26,670** | **61,184** |
| Income tax expense | 14 | (9,749) | (11,776) |
| **Profit for the year** | | **16,921** | **49,408** |
| Attributable to: | | | |
| Non-controlling interests ^ | | (11) | 59 |
| Shareholders of the Parent | | 16,932 | 49,349 |
| ***Other comprehensive income/(loss)*** | | | |
| ***Items that will never be reclassified to profit or loss*** | | | |
| Actuarial losses | 28 | (28) | (133) |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Foreign currency translation difference | | 2,345 | (1,129) |
| **Other comprehensive income/(loss) for the year** | | **2,317** | **(1,262)** |
| **Total comprehensive income for the year** | | **19,238** | **48,146** |
| Attributable to: | | | |
| Non-controlling interests ^ | | (11) | 59 |
| Shareholders of the Parent | | 19,249 | 48,087 |
| Basic and diluted earnings per share (in RUB) | 25 | 131 | 381 |

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

The consolidated financial statements were approved on 18 February 2021:

Chief executive officer
A.A. Guryev

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



The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 44.

| | Note | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|---|
| ***Assets*** | | | |
| Property, plant and equipment | 15 | 220,031 | 199,459 |
| Advances issued for property, plant and equipment | | 7,835 | 13,006 |
| Right-of-use assets | 16 | 7,335 | 6,891 |
| Catalysts | | 2,292 | 2,376 |
| Intangible assets | | 1,621 | 1,567 |
| Investments in associates | 17 | 556 | 519 |
| Deferred tax assets | 18 | 7,462 | 8,214 |
| Other non-current assets | 19 | 948 | 1,636 |
| **Non-current assets** | | **248,080** | **233,668** |
| Other current investments | 20 | 311 | 251 |
| Inventories | 21 | 32,636 | 29,405 |
| Trade and other receivables | 22 | 32,887 | 31,061 |
| Cash and cash equivalents | 23 | 8,460 | 8,236 |
| **Current assets** | | **74,294** | **68,953** |
| **Total assets** | | **322,374** | **302,621** |
| ***Equity*** | 24 | | |
| Share capital | | 372 | 372 |
| Share premium | | 7,494 | 7,494 |
| Retained earnings | | 88,887 | 111,054 |
| Actuarial losses | | (717) | (689) |
| Foreign currency translation reserve | | 9,581 | 7,236 |
| Equity attributable to shareholders of the Parent | | 105,617 | 125,467 |
| Equity attributable to non-controlling interests | | 129 | 170 |
| **Total equity** | | **105,746** | **125,637** |
| ***Liabilities*** | | | |
| Loans and borrowings | 26 | 103,824 | 96,736 |
| Lease liabilities | 27 | 4,268 | 4,701 |
| Defined benefit obligations | 28 | 945 | 857 |
| Deferred tax liabilities | 18 | 11,196 | 10,278 |
| **Non-current liabilities** | | **120,233** | **112,572** |
| Loans and borrowings | 26 | 55,316 | 36,839 |
| Lease liabilities | 27 | 1,927 | 1,543 |
| Trade and other payables | 29 | 39,152 | 26,030 |
| **Current liabilities** | | **96,395** | **64,412** |
| **Total equity and liabilities** | | **322,374** | **302,621** |



The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 44.

| | Note | 2020 RUB million | 2019 RUB million |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Operating profit | | 57,654 | 51,651 |
| *Adjustments for:* | | | |
| Depreciation and amortisation | 8, 9, 10 | 26,626 | 23,931 |
| Loss on disposal of property, plant and equipment and intangible assets | 12 | 209 | 611 |
| Operating profit before changes in working capital and provisions | | 84,489 | 76,193 |
| (Increase)/decrease in inventories and catalysts | | (1,843) | 1,593 |
| (Increase)/decrease in trade and other receivables | | (345) | 2,764 |
| Increase in trade and other payables | | 12,020 | 5,398 |
| Cash flows from operations before income taxes and interest paid | | 94,321 | 85,948 |
| Income tax paid | | (6,462) | (10,550) |
| Finance costs paid | | (4,121) | (3,842) |
| **Cash flows from operating activities** | | **83,738** | **71,556** |
| ***Cash flows from investing activities*** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (40,878) | (42,656) |
| Loans repaid/(issued), net | | 147 | (84) |
| Proceeds from disposal of property, plant and equipment | | 37 | 86 |
| Payments for settlement of financial instruments | | 42 | - |
| Finance income received | | 653 | 637 |
| Other payments | | (1,220) | (1,267) |
| **Cash flows used in investing activities** | | **(41,219)** | **(43,284)** |
| ***Cash flows from financing activities*** | | | |
| Proceeds from borrowings, net of transaction costs[1] | 26 | 63,520 | 48,725 |
| Repayment of borrowings | 26 | (66,182) | (42,698) |
| Early eurobond partial redemption fees | 13 | (292) | - |
| Dividends paid to shareholders of the Parent | 24 | (38,852) | (32,244) |
| Dividends paid to non-controlling interests | | (30) | (84) |
| Leases paid | 27 | (1,951) | (1,937) |
| Other payments | | (249) | - |
| Proceeds from settlement of derivatives, net | | - | 112 |
| **Cash flows used in financing activities** | | **(44,036)** | **(28,126)** |
| **Net (decrease)/ increase in cash and cash equivalents** | | **(1,517)** | **146** |
| Cash and cash equivalents at 1 January | | 8,236 | 9,320 |
| Effect of exchange rates fluctuations | | 1,741 | (1,230) |
| **Cash and cash equivalents at 31 December** | 23 | **8,460** | **8,236** |

1 Transaction cost RUB 170 million for 2020 [RUB 0 million for 2019]



The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 44.

| *RUB Million* | Attributable to shareholders of the Parent: Share capital | Share premium | Retained earnings | Actuarial losses | Foreign currency translation reserve | Attributable to non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **372** | **7,494** | **93,951** | **(556)** | **8,365** | **195** | **109,821** |
| ***Total comprehensive income*** | | | | | | | |
| Profit for the year | - | - | 49,349 | - | - | 59 | 49,408 |
| Actuarial losses, note 28 | - | - | - | (133) | - | - | (133) |
| Foreign currency translation difference | - | - | - | - | (1,129) | - | (1,129) |
| | - | - | 49,349 | (133) | (1,129) | 59 | 48,146 |
| ***Transactions with owners recognised directly in equity*** | | | | | | | |
| Dividends to shareholders of the Parent | - | - | (32,246) | - | - | (84) | (32,330) |
| | - | - | (32,246) | - | - | (84) | (32,330) |
| **Balance at 31 December 2019** | **372** | **7,494** | **111,054** | **(689)** | **7,236** | **170** | **125,637** |
| | | | | | | | |
| **Balance at 1 January 2020** | **372** | **7,494** | **111,054** | **(689)** | **7,236** | **170** | **125,637** |
| ***Total comprehensive income*** | | | | | | | |
| Profit for the year | - | - | 16,932 | - | - | (11) | 16,921 |
| Actuarial losses, note 28 | - | - | - | (28) | - | - | (28) |
| Foreign currency translation difference | - | - | - | - | 2,345 | - | 2,345 |
| | - | - | 16,932 | (28) | 2,345 | (11) | 19,238 |
| ***Transactions with owners recognised directly in equity*** | | | | | | | |
| Dividends to shareholders of the Parent, note 24 | - | - | (38,850) | - | - | (30) | (38,880) |
| Other | - | - | (249) | - | - | - | (249) |
| | - | - | (39,099) | - | - | (30) | (39,129) |
| **Balance at 31 December 2020** | **372** | **7,494** | **88,887** | **(717)** | **9,581** | **129** | **105,746** |



The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 44.

# 1 BACKGROUND

## (a) Organisation and operations

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

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

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

## (b) Russian business environment

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

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

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

The consolidated 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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

### (b) Going concern

Note 30 to the consolidated financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-standing relationships with a number of customers across different geographic areas. The excess of current liabilities over current assets would be resolved by raising of new long-term borrowings, please see the Note 30 (d). As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

The directors remain confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### (c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the financial assets measured at fair value.

### (d) Functional currency

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

### (e) Presentation currency

These consolidated 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 December 2020 were translated at the closing exchange rate of RUB 73.8757 for USD 1 (31 December 2019: RUB 61.9057 for USD 1);
- Profit and loss items for 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

  October – 77.5924

  November – 77.0462

  December – 74.0563

Profit and loss items for three months ended 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 were translated at the average exchange rates RUB 66.1271, RUB 64.5584, RUB 64.5685 and RUB 63.7192 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 31 December 2020 were translated at the closing exchange rate of RUB 90.6824 for EUR 1 (31 December 2019: RUB 69.3406 for EUR 1);
- Profit and loss items for 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

  October – 91.2900

  November – 91.0875

  December – 90.0734

Profit and loss items for three months ended 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 were translated at the average exchange rate RUB 75.1715, RUB 72.5210, RUB 71.8329 and RUB 70.5414 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.

### (f) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- note 3(c)(iii) – estimated useful lives of property, plant and equipment;
- note 18 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

### (g) Adoption of new and revised standards and interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

### (h) New standards and interpretations not yet adopted

A number of new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted, but is in process of assessing the impact on the Group's consolidated financial statements.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### (a) Basis of consolidation

#### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### *(ii) Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

#### *(iii) Acquisitions and disposals of non-controlling interests*

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised in equity.

Any difference between the consideration received from disposal of a portion of a Group’s interest in the subsidiary and the carrying amount of that portion, including attributable goodwill, is recognised in equity.

#### *(iv) Associates*

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group’s share of losses exceeds the Group’s interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

#### *(v) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group’s interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

### (b) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the profit or loss.

### (c) Property, plant and equipment

#### *(i) Owned assets*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to IFRS was determined by reference to its fair value at that date (“deemed cost”) as determined by an independent appraiser.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

#### *(ii) Subsequent expenditure*

Expenses in connection with ordinary maintenance and repairs are recognised in the consolidated statement of profit or loss and other comprehensive income as they are incurred.

Expenses in connection with periodic maintenance on property, plant and equipment are recognised as assets and depreciated on a straight-line basis over the period until the next periodic maintenance, provided the criteria for capitalizing such items have been met.

Expenses incurred in connection with major replacements and renewals of property, plant and equipment are capitalised and depreciated on a systematic basis.

### *(iii) Depreciation*

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the month of acquisition or, in respect of internally constructed assets, from the month when an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives as determined when adopting IFRS (1 January 2005) are as follows:

| | |
|---|---|
| Buildings | 12 to 17 years; |
| Plant and equipment | 4 to 15 years; |
| Fixtures and fittings | 3 to 6 years. |

Tangible fixed assets acquired after the date of adoption of IFRS, are depreciated over the following useful lives:

| | |
|---|---|
| Buildings | 10 to 60 years; |
| Plant and equipment | 5 to 35 years; |
| Fixtures and fittings | 2 to 25 years. |

## (d) Intangible assets

### *(i) Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

### *(ii) Other intangible assets*

Other intangible assets acquired by the Group are represented by Oracle software, which has finite useful life and is stated at cost less accumulated amortisation and impairment losses.

### *(iii) Amortisation*

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful lives are 3 – 10 years.

## (e) Financial instruments

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The Group financial assets are classified in the following measurement categories based on the Group’s business model for managing the financial assets and the contractual terms of the cash flows: financial assets at amortised cost; financial assets at fair value (either through other comprehensive income or profit or loss).

*Financial assets at amortised cost.* Financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (“FVTPL”)*:*

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any gains or losses arising from derecognition are recognised directly in profit or loss.

*Financial assets at fair value through other comprehensive income (“FVOCI”).* Financial assets are classified and measured at fair value through other comprehensive income if they meet both of the following conditions and are not designated as at FVTPL:

- they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

*Financial assets at fair value through profit or loss (“FVPL”).* Financial asset that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss (“FVPL”).

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### (g) Impairment

*Financial assets*

The Group recognises loss allowances for expected credit loss (ECLs) on financial asset measured at amortised cost and debt investments measured at fair value through other comprehensive income *(“FVOCI”).* The loss allowances are measured on either of the following bases: 12-month ECLs that result from default events that are possible within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables the Group estimated the expected credit losses for the entire period, applying a simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance. In the terms of calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors, historical credit loss experience and economic environment in which they operate.

If, in a subsequent period, the fair value of an impaired financial assets increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

*Non-financial assets*

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (h) Leases

#### As a lessee

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.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and making certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on the rate;
- amounts expected to be payable under a residual value guarantee.

Lease liability is measured at amortised cost using the effective interest method. It is revalued when there is a change in future lease payments arising from adjusted interest rate, extension or termination option and other events.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*.

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.

### (i) Share capital

#### *(i) Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity.

#### *(ii) Dividends*

Dividends are recognised as a liability in the period in which they are declared.

### (j) Financial liabilities

The Group financial liabilities comprise trade and other payables, borrowings and bonds and derivative financial instruments. The Group financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives, other liabilities held for trading, and liabilities that the Group designates to be measured at fair value through profit or loss.

The Group derecognises a financial liability when its obligation specified in the contract is discharged or cancelled or expires.

### (k) Employee benefits

#### *(i) Pension plans*

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the profit or loss. To the extent the benefits vest immediately, the expense is recognised immediately in the profit or loss.

All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

#### *(ii) Long-term service benefits other than pensions*

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

#### *(iii) State pension fund*

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

### (l) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(m) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(n) Revenues**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer. The amount of revenue recognised reflects the consideration the Group expects to be entitled in exchange for goods or services, taking into account any trade, volume and other discounts. Advances received before the control passes to a customer are recognised as the contract liabilities. The amount of consideration does not contain a significant financial component as payment terms for the majority of contracts are less than one year. No information is provided about remaining performance obligations as at the reporting date that have an original expected duration of one year or less, as allowed by IFRS 15.

Contracts with customers for the supply of goods use a variety of delivery terms. The Group determined that under the terms of the majority contracts for the supply of mineral fertilizers the Group undertakes to provide delivery and the related delivery services after the transfer of control over the goods to the buyer at the loading port. Under IFRS 15, these services are a separate performance obligation, which revenue must be recognised during the period of delivery as revenue from logistics activities. The Group recognises revenue from these logistics services at the time of delivery, due to the fact that the potential difference is calculated and recognised as insignificant.

In the revenue disclosure the sales of certain product groups include the proceeds from logistics services. Costs related to rendering of logistics services are mainly represented by transportation costs and included in selling expenses.

**(o) Finance income and costs**

Finance income comprises interest income, dividend income, gain on the financial assets at FVTPL, gain arising from operations with foreign currency, unwind of discount of financial assets, share of profit of associates and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established.

Finance costs comprise interest expense on borrowings, loss on the financial assets at FVTPL, bank fees, securitisation fees, loss arising from operations with foreign currency, discount of financial assets, share of loss of associates and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses, gains and losses arising from operations with foreign currency, securitisation fees, share of profit and losses of associates are reported on a net basis.

### (p) Overburden removal expenditure

In open pit apatite rock mining operations, it is necessary to remove the overburden and other waste in order to access the economically recoverable resources.

Stripping costs incurred during the pre-production phase of the open pit mine are capitalised as the cost of the development of the mining property and amortised over the life of the mine.

According to the Group's approach to stripping, the ore, which becomes accessible after the overburden removal, is extracted within three months. Therefore, the stripping ratio (volume of overburden removed over the volume of resources extracted) is expected to stay relatively constant over the future periods and stripping costs incurred during the production phase of the open pit mine are recognised in the profit or loss as incurred.

### (q) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the profit or loss as incurred.

### (r) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

If the number of ordinary shares outstanding increases/ (decreases) as a result of a share split/(reverse share split), the calculation of the EPS for all periods presented is adjusted retrospectively.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, related head office expenses and Group's associates.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

## 4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the methods described in notes 4(a) to 4(c). When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (a) Financial assets measured at amortised cost

The fair values of financial assets carried at amortised cost, which are mainly loans issued and trade and other receivables, approximate their carrying amounts as at the reporting date.

### (b) Financial instruments measured at fair value

The fair values of derivative financial assets and liabilities are determined using inputs from observable market data and are categorised as Level 2 of the fair value hierarchy.

The fair values of derivative financial liabilities, represented by put and call options on oil (Brent) contracts, are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

### (c) Other financial liabilities not measured at fair value

The fair values of other financial liabilities, which are mainly loans and borrowings and lease liabilities, are determined for disclosure purposes and categorised as Level 3 of the fair value hierarchy. The fair values are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 5 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 December 2020 and for the year then ended is as follows:

| *RUB million* | Phosphate-based products | Nitrogen-based products | Other operations | Total |
|---|---|---|---|---|
| *Segment revenue and profitability* | | | | |
| Segment external revenues, thereof: | 203,561 | 38,701 | 11,617 | 253,879 |
| Export | 135,506 | 31,530 | 1,771 | 168,807 |
| Domestic | 68,055 | 7,171 | 9,846 | 85,072 |
| Cost of sales | (106,240) | (16,489) | (10,606) | (133,335) |
| Gross segment profit | 97,321 | 22,212 | 1,011 | 120,544 |
| *Certain items of profit or loss* | | | | |
| Amortisation and depreciation | (20,545) | (5,558) | (523) | (26,626) |
| Total non-current segment assets[1] | 169,287 | 56,613 | 5,379 | 231,279 |
| Additions to non-current assets[1] | 43,678 | 4,356 | 784 | 48,818 |

Segment information of the Group as at 31 December 2019 and for the year then ended is as follows:

| *RUB million* | Phosphate-based products | Nitrogen-based products | Other operations | Total |
|---|---|---|---|---|
| *Segment revenue and profitability* | | | | |
| Segment external revenues, thereof: | 201,248 | 37,882 | 8,995 | 248,125 |
| Export | 135,220 | 31,100 | 1,098 | 167,418 |
| Domestic | 66,028 | 6,782 | 7,897 | 80,707 |
| Cost of sales | (111,086) | (16,609) | (8,529) | (136,224) |
| Gross segment profit | 90,162 | 21,273 | 466 | 111,901 |
| *Certain items of profit or loss* | | | | |
| Amortisation and depreciation | (17,521) | (5,723) | (687) | (23,931) |
| Total non-current segment assets[1] | 144,680 | 60,645 | 4,968 | 210,293 |
| Additions to non-current assets[1] | 37,084 | 5,587 | 963 | 43,634 |

The analysis of export revenue by regions is as follows:

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Europe | 66,516 | 72,372 |
| South America | 41,915 | 34,836 |
| India | 21,623 | 14,153 |
| Africa | 12,336 | 9,509 |
| North America | 12,287 | 19,397 |
| CIS | 10,512 | 13,634 |
| Asia | 3,519 | 3,477 |
| Australia | 99 | 40 |
| | **168,807** | **167,418** |

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

## 6 REVENUES

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Phosphate-based products | 203,561 | 201,248 |
| Sales of chemical fertilisers | 167,718 | 165,110 |
| Sales of apatite concentrate | 25,877 | 25,799 |
| Sales of nepheline concentrate | 1,090 | 1,136 |
| Sales of other phosphate-based products and services | 8,876 | 9,203 |
| Nitrogen-based products | 38,701 | 37,882 |
| Other | 11,617 | 8,995 |
| | **253,879** | **248,125** |

## 7 PERSONNEL COSTS

| | 2020 RUB Million | 2019 RUB Million |
|---|---|---|
| Cost of sales | (13,807) | (12,744) |
| Administrative expenses | (11,249) | (9,300) |
| Selling expenses | (3,484) | (2,662) |
| | **(28,540)** | **(24,706)** |

## 8 COST OF SALES

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Depreciation | (23,743) | (21,368) |
| Materials and services | (19,537) | (20,138) |
| Salaries and social contributions | (13,807) | (12,744) |
| Natural gas | (12,342) | (12,627) |
| Potash | (12,253) | (13,691) |
| Repair expenses | (10,134) | (10,119) |
| Chemical fertilisers and other products for resale | (9,102) | (6,683) |
| Transportation of phosphate rock | (8,134) | (8,641) |
| Electricity | (6,311) | (6,204) |
| Ammonia | (4,802) | (4,095) |
| Sulphur and sulphuric acid | (4,360) | (9,165) |
| Fuel | (3,885) | (4,849) |
| Drilling and blasting operations expenses | (3,168) | (2,323) |
| Ammonium sulphate | (1,757) | (3,577) |
| | **(133,335)** | **(136,224)** |

## 9 ADMINISTRATIVE EXPENSES

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Salaries and social contributions | (11,249) | (9,300) |
| Professional services | (1,929) | (1,963) |
| Depreciation and amortisation | (1,368) | (1,378) |
| Other | (3,282) | (3,835) |
| | **(17,828)** | **(16,476)** |

## 10 SELLING EXPENSES

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| *Expenses linked to basis of delivery, inc.* | *(33,368)* | *(32,892)* |
| Freight, port and stevedoring expenses | (19,208) | (18,372) |
| Russian Railways infrastructure tariff and operators’ fees | (11,466) | (11,441) |
| Custom duties | (1,484) | (1,898) |
| Materials and services | (1,210) | (1,181) |
| | | |
| *Other fixed expenses, inc.* | *(6,220)* | *(5,229)* |
| Salaries and social contributions | (3,484) | (2,662) |
| Depreciation and amortisation | (1,515) | (1,185) |
| Materials and services | (1,221) | (1,382) |
| | **(39,588)** | **(38,121)** |

## 11 TAXES, OTHER THAN INCOME TAX, NET

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Property tax | (1,397) | (558) |
| Mineral extraction tax | (919) | (954) |
| Land tax | (258) | (301) |
| Environment pollution payment | (174) | (171) |
| VAT included in expenses | (129) | (294) |
| Using water objects payment | (44) | (38) |
| Other taxes | (41) | (68) |
| | **(2,962)** | **(2,384)** |

## 12 OTHER EXPENSES, NET

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Social expenditures | (2,570) | (2,661) |
| Loss on disposal of property, plant and equipment and intangible assets | (209) | (611) |
| Accrual of contingent liabilities | (119) | (62) |
| Increase in provision for bad debt | (114) | (106) |
| Increase in provision for inventory obsolescence | (18) | (19) |
| Other income, net | 518 | 190 |
| | **(2,512)** | **(3,269)** |

## 13 FINANCE INCOME AND FINANCE COSTS

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Interest income | 338 | 484 |
| Dividend income | 242 | 4 |
| Unwind of discount on financial assets | 60 | 68 |
| Share of profit of associates (note 17) | 37 | 13 |
| Gain from operations with derivatives | - | 700 |
| Other finance income | 298 | 189 |
| Finance income | 975 | 1,458 |
| | | |
| Interest expense | (4,268) | (3,457) |
| Bank fees (incl. early eurobond partial redemption fees) | (517) | (209) |
| Provision for bad debt on financial investments | (503) | (45) |
| Securitisation fees | (141) | (175) |
| Write off of equity securities | - | (150) |
| Other finance costs | (26) | (235) |
| Finance costs | (5,455) | (4,271) |
| Net finance costs | **(4,480)** | **(2,813)** |

## 14 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2019: 20%).

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Current tax expense | (8,045) | (9,724) |
| Origination and reversal of temporary differences, including change in unrecognised assets | (1,704) | (2,052) |
| | **(9,749)** | **(11,776)** |

**Reconciliation of effective tax rate:**

| | 2020 RUB million | 2020 % | 2019 RUB million | 2019 % |
|---|---|---|---|---|
| Profit before tax | 26,670 | 100 | 61,184 | 100 |
| Income tax at applicable tax rate | (5,334) | (20) | (12,237) | (20) |
| Deferred tax assets decrease | (4,800) | (18) | - | - |
| (Under)/over provided in respect of prior years | (9) | - | 4 | - |
| Unrecognised tax liability on profit from associates | 7 | - | 3 | - |
| Non-deductible items | (871) | (3) | (1,174) | (2) |
| Change in unrecognised deferred tax assets | - | - | 15 | - |
| Effect of tax differences in foreign jurisdictions | 317 | 1 | 337 | 1 |
| Reduction in tax rate | 716 | 2 | 1,276 | 2 |
| Tax incentive | 225 | 1 | - | - |
| | **(9,749)** | **(37)** | **(11,776)** | **(19)** |

## 15 PROPERTY, PLANT AND EQUIPMENT

| *RUB Million* | Land and buildings | Plant and equipment | Fixtures and fittings | Construction in progress | Total |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 January 2019 | 76,252 | 144,648 | 13,324 | 44,602 | **278,826** |
| Recognition of ROU asset on initial application of IFRS 16 | - | (4,262) | - | - | **(4,262)** |
| Adjusted cost at 1 January 2019 | 76,252 | 140,386 | 13,324 | 44,602 | **274,564** |
| Additions | 2,493 | 5,826 | 2,517 | 26,696 | **37,532** |
| Transfers from right-of-use assets (note 16) | - | 4,245 | - | - | **4,245** |
| Transfers | 16,582 | 17,203 | - | (33,785) | **-** |
| Disposals | (779) | (2,623) | (182) | (518) | **(4,102)** |
| Other movements | (66) | (108) | (10) | - | **(184)** |
| At 1 January 2020 | 94,482 | 164,929 | 15,649 | 36,995 | **312,055** |
| Additions | 1,757 | 4,013 | 2,477 | 37,590 | **45,837** |
| Transfers from right-of-use assets (note 16) | - | 16 | - | - | **16** |
| Transfers | 10,653 | 25,253 | - | (35,906) | **-** |
| Disposals | (2,425) | (6,425) | (242) | (79) | **(9,171)** |
| Other movements | 138 | 175 | 16 | - | **329** |
| At 31 December 2020 | 104,605 | 187,961 | 17,900 | 38,600 | **349,066** |
| | | | | | |
| *Accumulated depreciation* | | | | | |
| At 1 January 2019 | (16,949) | (67,562) | (8,084) | - | **(92,595)** |
| Recognition of ROU asset on initial application of IFRS 16 | - | 991 | - | - | **991** |
| Adjusted depreciation at 1 January 2019 | (16,949) | (66,571) | (8,084) | - | **(91,604)** |
| Transfers from right-of-use assets (note 16) | - | (1,033) | - | - | **(1,033)** |
| Depreciation charge | (5,469) | (16,010) | (1,732) | - | **(23,211)** |
| Disposals | 638 | 2,522 | 152 | - | **3,312** |
| Other movements | 6 | (72) | 6 | - | **(60)** |
| At 1 January 2020 | (21,774) | (81,164) | (9,658) | - | **(112,596)** |
| Transfers from right-of-use assets (note 16) | - | (8) | - | - | **(8)** |
| Depreciation charge | (5,945) | (17,552) | (1,862) | - | **(25,359)** |
| Disposals | 2,289 | 6,343 | 234 | - | **8,866** |
| Other movements | (25) | 97 | (10) | - | **62** |
| At 31 December 2020 | (25,455) | (92,284) | (11,296) | - | **(129,035)** |
| Net book value at 1 January 2019 | **59,303** | **77,086** | **5,240** | **44,602** | **186,231** |
| Net book value at 1 January 2019 adjusted of IFRS 16 | **59,303** | **73,815** | **5,240** | **44,602** | **182,960** |
| Net book value at 1 January 2020 | **72,708** | **83,765** | **5,991** | **36,995** | **199,459** |
| Net book value at 31 December 2020 | **79,150** | **95,677** | **6,604** | **38,600** | **220,031** |

During 2020, the Group capitalised borrowing costs in the amount of RUB 1,220 million (2019: RUB 1,283 million) in the value of property, plant and equipment using the weighted average interest rate of 3.20% per annum.

As at 31 December 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 2,211 million;
- Development of transport infrastructure station Cryolite in the amount of RUB 1,832 million;
- Development programm of ammonia production facilities in the amount of RUB 1,336 million;
- Development programm of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 949 million;
- The construction of ammonium sulphate plant in the amount of RUB 328 million.

*in Kirovsk:*

- Kirovsk mine extension and modernization in the amount of RUB 10,758 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 1,769 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 1,610 million.

*in Volkhov:*

- Construction of production facilities for sulphuric acid in the amount of RUB 1,357 million;
- Development of monoammonium phosphate production in the amount of RUB 1,127 million;
- Construction of filtering station of production facilities for extraction of phosphoric acid in the amount of RUB 809 million;
- Construction of communication lines in the amount of RUB 800 million;
- Construction of a storage tank for liquid ammonia in the amount of RUB 558 million.

*in Balakovo:*

- Development of NPK production facilities in the amount of RUB 331 million;
- Development of ammonium sulphate production facilities in the amount of RUB 161 million;
- Construction of vacuum system for the production of phosphoric acid in the amount of RUB 141 million.

## 16 RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets as at 31 December 2020: railway wagons, production equipment, offices. The leases typically run for a period of 5 years, with an option to renew the lease after that date.

| *RUB million* | Buildings | Plant and equipment | Total |
|---|---|---|---|
| Cost | | | |
| At 1 January 2019 | 137 | 5,863 | **6,000** |
| New lease contracts and modification of existing lease contracts | 136 | 5,822 | **5,958** |
| Disposals | (73) | (51) | **(124)** |
| Currency translation | (11) | - | **(11)** |
| Transfers to property, plant and equipment (note 15) | - | (4,245) | **(4,245)** |
| At 1 January 2020 | 189 | 7,389 | **7,578** |
| New lease contracts and modification of existing lease contracts | 146 | 1,934 | **2,080** |
| Disposals | (23) | (32) | **(55)** |
| Currency translation | 25 | 3 | **28** |
| Transfers to property, plant and equipment (note 15) | - | (16) | **(16)** |
| At 31 December 2020 | **337** | **9,278** | **9,615** |
| Accumulated depreciation | | | |
| At 1 January 2019 | - | (991) | **(991)** |
| Depreciation | (105) | (654) | **(759)** |
| Disposals | 23 | 5 | **28** |
| Currency translation | 2 | - | **2** |
| Transfers to property, plant and equipment (note 15) | - | 1,033 | **1,033** |
| At 1 January 2020 | (80) | (607) | **(687)** |
| Depreciation | (79) | (1,545) | **(1,624)** |
| Disposals | 17 | 17 | **34** |
| Currency translation | (10) | (1) | **(11)** |
| Transfers to property, plant and equipment (note 15) | - | 8 | **8** |
| At 31 December 2020 | **(152)** | **(2,128)** | **(2,280)** |
| Net book value at 1 January 2019 | **137** | **4,872** | **5,009** |
| Net book value at 1 January 2020 | **109** | **6,782** | **6,891** |
| Net book value at 31 December 2020 | **185** | **7,150** | **7,335** |

| *Amounts recognised in profit and loss* | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Depreciation expense on right-of-use assets | 1,624 | 759 |
| Interest expense on lease liabilities | 485 | 236 |
| Expenses relating to short-term leases | 618 | 587 |
| Expenses relating to leases with variable payments | 476 | 375 |

| *Amounts recognised in statement of cash flows* | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Principal lease payments (note 27) | (1,951) | (1,937) |
| Interest lease payments (note 27) | (485) | (236) |
| Expenses relating to short-term leases | (618) | (587) |
| Expenses relating to leases with variable payments | (476) | (375) |
| | **(3,530)** | **(3,135)** |

## 17 INVESTMENTS IN ASSOCIATES

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

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Balance at 1 January | 519 | 506 |
| Share in profit for the period | 37 | 13 |
| Balance at 31 December | **556** | **519** |

Carrying values of the Group's investments in associates are as follows:

| | 31 December 2020 RUB Million | 31 December 2019 RUB Million |
|---|---|---|
| JSC Khibinskaya Teplovaya Kompaniya | 463 | 435 |
| JSC Giproruda | 62 | 63 |
| JSC Soligalichskiy izvestkovyi kombinat | 31 | 21 |
| | **556** | **519** |

Summary financial information for associates is as follows:

| 2020 | Total assets RUB Million | Total liabilities RUB Million | Net assets RUB Million | Revenue RUB Million | Profit/(loss) for the year RUB Million |
|---|---|---|---|---|---|
| JSC Khibinskaya Teplovaya Kompaniya | 1,303 | (450) | 853 | 439 | 5 |
| JSC Giproruda | 140 | (14) | 126 | 55 | (4) |
| JSC Soligalichskiy izvestkovyi kombinat | 575 | (321) | 254 | 568 | 47 |
| | **2,018** | **(785)** | **1,233** | **1,062** | **48** |

| 2019 | Total assets RUB Million | Total liabilities RUB Million | Net assets RUB Million | Revenue RUB Million | Profit/(loss) for the year RUB Million |
|---|---|---|---|---|---|
| JSC Khibinskaya Teplovaya Kompaniya | 1,605 | (809) | 796 | 494 | 27 |
| JSC Giproruda | 161 | (33) | 128 | 99 | 6 |
| JSC Soligalichskiy izvestkovyi kombinat | 598 | (381) | 217 | 581 | (3) |
| | **2,364** | **(1,223)** | **1,141** | **1,174** | **30** |

## 18 DEFERRED TAX ASSETS AND LIABILITIES

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

| RUB Million | Assets 2020 | Liabilities 2020 | Net 2020 | Assets 2019 | Liabilities 2019 | Net 2019 |
|---|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | 383 | (12,390) | (12,007) | 129 | (12,056) | (11,927) |
| Other long-term assets | 115 | (51) | 64 | 43 | (51) | (8) |
| Current assets | 1,322 | (630) | 692 | 1,067 | (390) | 677 |
| Liabilities | 1,921 | (311) | 1,610 | 1,826 | (4) | 1,822 |
| Tax loss carry-forwards | 5,962 | - | 5,962 | 7,427 | - | 7,427 |
| Unrecognised deferred tax assets | (55) | - | (55) | (55) | - | (55) |
| Tax assets/(liabilities) | 9,648 | (13,382) | (3,734) | 10,437 | (12,501) | (2,064) |
| Set off of tax | (2,186) | 2,186 | - | (2,223) | 2,223 | - |
| Net tax assets/(liabilities) | **7,462** | **(11,196)** | **(3,734)** | **8,214** | **(10,278)** | **(2,064)** |

The deferred tax assets on tax loss carry-forwards relate to the Russian entities. Due to amendments to the Russian tax legislation, starting from 1 January 2017, tax losses for Russian tax purposes carried forward existing as at 31 December 2020 do not expire.

Management has developed a tax strategy to utilise the tax losses above. In assessing the recoverability of the tax losses, management considers a forecast of future taxable profits of the Group and the Group’s tax position. The forecast is reviewed at each reporting date to ensure that the related tax benefit will be realised.

As at 31 December 2020, no deferred tax liability for taxable temporary differences of RUB 19,984 million has been recognised (31 December 2019: RUB 57,156 million), either because the Parent can control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, or because the applicable tax rate is expected to be 0%.

### (b) Movement in temporary differences during the year

| RUB million | 31 December 2020 | Recognised in profit or loss | Recognised in other comprehensive income | Reclassification | 1 January 2020 |
|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | (12,007) | (78) | (2) | - | (11,927) |
| Other long-term assets | 64 | 63 | 9 | - | (8) |
| Current assets | 692 | (9) | 24 | - | 677 |
| Liabilities | 1,610 | (215) | 3 | - | 1,822 |
| Tax loss carry-forwards | 5,962 | (1,465) | - | - | 7,427 |
| Unrecognised deferred tax assets | (55) | - | - | - | (55) |
| Net tax (liabilities)/assets | **(3,734)** | **(1,704)** | **34** | **-** | **(2,064)** |

| RUB million | 31 December 2019 | Recognised in profit or loss | Recognised in other comprehensive income | Reclassification | 1 January 2019 |
|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | (11,927) | (2,186) | 3 | 23 | (9,767) |
| Other long-term assets | (8) | 19 | - | - | (27) |
| Current assets | 677 | 108 | (10) | - | 579 |
| Liabilities | 1,822 | 1,077 | - | - | 745 |
| Tax loss carry-forwards | 7,427 | (1,055) | - | - | 8,482 |
| Unrecognised deferred tax assets | (55) | (15) | - | - | (40) |
| Net tax (liabilities)/assets | **(2,064)** | **(2,052)** | **(7)** | **23** | **(28)** |

## 19 OTHER NON-CURRENT ASSETS

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Loans issued to third parties, at amortised cost | 716 | 653 |
| Financial assets, at fair value | 592 | 602 |
| Loans issued to employees, at amortised cost | 148 | 218 |
| Other long-term assets | 732 | 673 |
| Provision for loans issued to third parties and other long-term assets | (1,240) | (510) |
| | **948** | **1,636** |

## 20 OTHER CURRENT INVESTMENTS

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Interest receivable | 134 | 118 |
| Loans issued to employees, at amortised cost | 125 | 80 |
| Loans issued to third parties, at amortised cost | 48 | 105 |
| Dividend receivable | 41 | - |
| Loans issued to related parties, at amortised cost | - | 2 |
| Provision for doubtful accounts | (37) | (54) |
| | **311** | **251** |

## 21 INVENTORIES

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Raw materials and spare parts | 12,394 | 11,723 |
| | | |
| *Finished goods:* | | |
| Chemical fertilisers | 12,010 | 10,837 |
| Apatite concentrate | 711 | 443 |
| Other products | 376 | 273 |
| | | |
| *Work-in-progress:* | | |
| Chemical fertilisers and other products | 4,902 | 4,491 |
| | | |
| Chemical fertilisers and other products for resale, purchased from third parties | 2,292 | 1,778 |
| Other goods for resale | 95 | 63 |
| Other goods | 77 | - |
| Provision for obsolescence | (221) | (203) |
| | **32,636** | **29,405** |

## 22 TRADE AND OTHER RECEIVABLES

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Trade accounts receivable | 15,820 | 14,375 |
| VAT and other taxes receivable | 10,285 | 10,214 |
| Advances issued | 5,537 | 4,865 |
| Income tax receivable | 479 | 1,286 |
| Deferred expenses | 117 | 99 |
| Receivables from employees | 22 | 20 |
| Other receivables | 996 | 460 |
| Provision for doubtful accounts | (369) | (258) |
| | **32,887** | **31,061** |

The movements in provision for doubtful accounts are as follows:

| | 2020<br>RUB Million | 2019<br>RUB Million |
|---|---|---|
| Balance at 1 January | (258) | (618) |
| Use of provision | 78 | - |
| Reversal of provision | 5 | 15 |
| Reclassification (from)/to non-current assets | (37) | 73 |
| Foreign currency translation difference | (29) | 42 |
| Written off provision through trade receivables | - | 305 |
| Disposal of trade receivables through provision | - | 5 |
| Increase in provision for bad debt | (128) | (80) |
| Balance at 31 December | **(369)** | **(258)** |

See note 30 (c) for the analysis of overdue trade accounts receivable.

## 23 CASH AND CASH EQUIVALENTS

| | 31 December 2020<br>RUB Million | 31 December 2019<br>RUB Million |
|---|---|---|
| Call deposits | 4,432 | 2,506 |
| Cash in bank | 4,023 | 5,724 |
| Petty cash | 5 | 6 |
| | **8,460** | **8,236** |

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

## 24 EQUITY

### (a) Share capital

| **Number of shares unless otherwise stated** | Ordinary shares |
|---|---|
| Shares on issue at 31 December 2020 RUB 2.5 par value | 129,500,000 |
| Shares authorised for additional issue at 31 December 2020, RUB 2.5 par value | 994,977,080 |
| Shares on issue at 31 December 2019, RUB 2.5 par value | 129,500,000 |
| Shares authorised for additional issue at 31 December 2019, RUB 2.5 par value | 994,977,080 |

### (b) Dividend policy

The Group's dividend policy is based on the following principles:

- striking an effective and reasonable balance between the payment of dividends and reinvestment of profit in further development;

- ensuring transparency and predictability of dividend payments as a way to boost the Company's investment case.

Amount of such payment is subject to approval of the General Shareholders' Meeting, based on recommendations provided by the PhosAgro Board of Directors. The Board of Directors' recommendations depend on such factors as the Company's earnings for the reporting period and its financial position. To calculate the amount of dividend payments, the Board of Directors considers the Company's consolidated free cash flow for the reporting period (quarter, six months, first nine months or year) under IFRS. A decision on the payment of an interim dividend is made at the General Shareholders' Meeting within three months of the end of the relevant reporting period. The term for dividend payments is determined by the General Shareholders' Meeting and must not exceed 60 days from the date of the resolution to pay the same. Holders of PhosAgro

GDRs are also entitled to receive dividends in respect of the underlying shares, subject to the terms of their Depositary Agreements.

In accordance with dividend policy, the Board of Directors shall seek to make sure that the amount of distributed dividends ranges from 50% to over 75% (subject to the Company’s leverage ratio) of the Company’s consolidated free cash flow for the respective period under IFRS. At the same time, the amount of declared dividends shall not be lower than 50% of net profit for the relevant period under IFRS adjusted by the amount of unrealized exchange rate difference.

### (c) Dividends

In accordance with Russian legislation the Company’s distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company’s statutory financial statements prepared in accordance with Russian Accounting Standards. As at 31 December 2020, the Company had cumulative retained earnings of RUB 18,057 million (31 December 2019: RUB 8,689 million).

| 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 | 4,273.5 |
| November 2020 | December 2020 | 123 | 15,928.5 |
| | | | **38,850** |

## 25 EARNINGS PER SHARE

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

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Weighted average number of ordinary shares in issue | 129,500,000 | 129,500,000 |
| Profit for the year attributable to shareholders of the Parent, RUB million | 16,932 | 49,349 |
| Basic and diluted earnings per share, RUB | 131 | 381 |

## 26 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the leases, see note 27. For more information about the Group's exposure to foreign currency risk, interest rate risk and liquidity risk, see note 30.

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| ***Current loans and borrowings*** | | |
| Unsecured bank loans | 28,326 | 36,225 |
| Loan participation notes | 25,857 | - |
| Interest payable | 1,137 | 621 |
| Bank commission (short-term) | (4) | (7) |
| | **55,316** | **36,839** |
| ***Non-current loans and borrowings*** | | |
| Loan participation notes[1,2,3] | 73,876 | 61,906 |
| Unsecured bank loans | 30,159 | 34,951 |
| Bank commission (long-term) | (211) | (121) |
| | **103,824** | **96,736** |
| | **159,140** | **133,575** |

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

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| USD-denominated | 129,794 | 101,853 |
| EUR-denominated | 20,018 | 31,850 |
| RUB-denominated | 9,543 | - |
| | **159,355** | **133,703** |

The maturity of the loans and borrowings is as follows:

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Less than 1 year | 55,320 | 36,846 |
| 1-2 years | 12,182 | 41,124 |
| 2-3 years | 40,859 | 9,960 |
| 3-4 years | 3,921 | 34,190 |
| 4-5 years | 40,859 | 3,237 |
| More than 5 years | 6,214 | 8,346 |
| | **159,355** | **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 26,514 million (31 December 2019: RUB 33,211 million).

[2] In January 2018 the Company's SPV issued a USD 500 million 5,25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 38,763 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 38,534 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:

| _RUB million_ | Loans and borrowings (excluding interest payable) | Lease liabilities | Total |
|---|---|---|---|
| Balance as at 1 January 2019 | 142,823 | 1,094 | **143,917** |
| **Changes from financing cash flows** | | | |
| Impact of IFRS 16 | - | 1,738 | **1,738** |
| Cash inflows | 48,725 | - | **48,725** |
| Cash outflows | (42,698) | (1,937) | **(44,635)** |
| Accrual, set-off of liabilities | - | 5,412 | **5,412** |
| Amortisation of bank commission | 51 | - | **51** |
| Foreign exchange gain | (15,947) | (63) | **(16,010)** |
| Total changes from financing cash flows | (9,869) | 5,150 | **(4,719)** |
| Balance as at 1 January 2020 | 132,954 | 6,244 | **139,198** |
| Changes from financing cash flows | | | |
| Cash inflows | 63,520 | - | **63,520** |
| Cash outflows | (66,182) | (1,951) | **(68,133)** |
| Accrual, set-off of liabilities | - | 1,887 | **1,887** |
| Amortisation of bank commission | 83 | - | **83** |
| Foreign exchange loss | 27,628 | 15 | **27,643** |
| Total changes from financing cash flows | 25,049 | (49) | **25,000** |
| Balance as at 31 December 2020 | **158,003** | **6,195** | **164,198** |

## 27 LEASES

| _RUB million_ | 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 | 3,804 | 1,608 | **5,412** |
| Interest expense on lease liabilities | 168 | 68 | **236** |
| Principal lease payments | (776) | (1,161) | **(1,937)** |
| Interest lease payments | (168) | (68) | **(236)** |
| Effect of foreign currency translation reserve | (9) | (54) | **(63)** |
| Balance as at 1 January 2020 | 4,757 | 1,487 | **6,244** |
| New lease contracts and modification of existing lease contracts | 94 | 1,793 | **1,887** |
| Interest expense on lease liabilities | 295 | 190 | **485** |
| Principal lease payments | (1,242) | (709) | **(1,951)** |
| Interest lease payments | (296) | (189) | **(485)** |
| Effect of foreign currency translation reserve | 14 | 1 | **15** |
| Balance as at 31 December 2020 | **3,622** | **2,573** | **6,195** |

## 28 DEFINED BENEFIT OBLIGATIONS

| | 31 December 2020 RUB Million | 31 December 2019 RUB Million |
|---|---|---|
| Pension obligations, long-term | 323 | 332 |
| Post-retirement obligations other than pensions | 622 | 525 |
| | **945** | **857** |

The Group has defined benefit plans at JSC "Apatit", including all the branches, and PhosAgro Trading SA which stipulate payment of a lump sum allowance to employees who have a specified period of service in these companies upon their retirement. All the defined benefit plans are unfunded. The movement in the present value of the defined benefit obligations is as follows:

| | RUB Million |
|---|---|
| Defined benefit obligations at 1 January 2019 | 630 |
| Benefits paid | (104) |
| Current service costs and interest | 129 |
| Past service costs | 69 |
| Actuarial loss in other comprehensive income | 133 |
| Defined benefit obligations at 1 January 2020 | 857 |
| Benefits paid | (74) |
| Current service costs and interest | 98 |
| Past service costs | (1) |
| Effect of foreign currency translation reserve and foreign exchange differences | 37 |
| Actuarial losses in other comprehensive income | 28 |
| Defined benefit obligations at 31 December 2020 | **945** |

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Discount rate | 6.4% | 6.4% |
| Future pension increases | 3.5% | 3.9% |

## 29 TRADE AND OTHER PAYABLES

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Trade accounts payable | 12,230 | 12,121 |
| incl. accounts payable for property, plant and equipment and intangible assets | 4,777 | 4,728 |
| Advances received (contract liabilities) | 12,406 | 7,160 |
| Payables to employees | 4,029 | 2,970 |
| Taxes payable | 3,675 | 2,526 |
| Income tax payable | 1,000 | 207 |
| Accruals | 210 | 97 |
| Dividends payable | - | 2 |
| Other payables | 5,602 | 947 |
| | **39,152** | **26,030** |

## 30 FINANCIAL RISK MANAGEMENT

### (a) Overview

In the normal course of its operations, the Group has exposure to market, credit and liquidity risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### (b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD and EUR.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group implemented a natural hedge approach (policy) aiming at reducing its exposure to foreign currency risk by means of borrowing in the same currencies in which sales agreements are denominated.

The Group has the following foreign-currency-denominated financial assets and liabilities:

| Group companies in Russia | 31 December 2020 RUB Million | | 31 December 2019 RUB Million | |
|---|---|---|---|---|
| | USD denominated | EUR denominated | USD denominated | EUR denominated |
| *Current assets* | *439* | *28* | *2,593* | *250* |
| Receivables | 366 | 5 | 530 | 5 |
| Cash and cash equivalents | 73 | 23 | 2,063 | 222 |
| Other current investments | - | - | - | 23 |
| *Non-current liabilities* | *(97,319)* | *(6,716)* | *(84,277)* | *(12,580)* |
| Non-current loans and borrowings | (97,319) | (6,716) | (84,277) | (12,580) |
| *Current liabilities* | *(33,457)* | *(14,094)* | *(18,147)* | *(20,177)* |
| Current loans and borrowings | (32,475) | (13,302) | (17,576) | (19,270) |
| Payables | (982) | (792) | (571) | (907) |
| | **(130,337)** | **(20,782)** | **(99,831)** | **(32,507)** |

| Foreign Group companies | 31 December 2020 RUB Million | | 31 December 2019 RUB Million | |
|---|---|---|---|---|
| | USD denominated | EUR denominated | USD denominated | EUR denominated |
| *Non-current assets* | - | - | *534* | - |
| Other non-current assets | - | - | 534 | - |
| *Current assets* | *1,596* | *916* | *591* | *1,120* |
| Receivables | 970 | 560 | 326 | 866 |
| Cash and cash equivalents | 543 | 356 | 206 | 254 |
| Other current investments | 83 | - | 59 | - |
| *Current liabilities* | *(2)* | *(171)* | *(10)* | *(298)* |
| Payables | (2) | (171) | (10) | (298) |
| | **1,594** | **745** | **1,115** | **822** |

| Total | 31 December 2020 RUB Million | | 31 December 2019 RUB Million | |
|---|---|---|---|---|
| | USD denominated | EUR denominated | USD denominated | EUR denominated |
| *Non-current assets* | *-* | *-* | *534* | *-* |
| Other non-current assets | - | - | 534 | - |
| *Current assets* | *2,035* | *944* | *3,184* | *1,370* |
| Receivables | 1,336 | 565 | 856 | 871 |
| Cash and cash equivalents | 616 | 379 | 2,269 | 476 |
| Other current investments | 83 | - | 59 | 23 |
| *Non-current liabilities* | *(97,319)* | *(6,716)* | *(84,277)* | *(12,580)* |
| Non-current loans and borrowings | (97,319) | (6,716) | (84,277) | (12,580) |
| *Current liabilities* | *(33,459)* | *(14,265)* | *(18,157)* | *(20,475)* |
| Current loans and borrowings | (32,475) | (13,302) | (17,576) | (19,270) |
| Payables | (984) | (963) | (581) | (1,205) |
| | **(128,743)** | **(20,037)** | **(98,716)** | **(31,685)** |

Management estimate that a 10% strengthening/(weakening) of RUB against USD and EUR, based on the Group's exposure as at the reporting date would have increased/(decreased) the Group's profit for the year by RUB 14,878 million, before any tax effect (2019: would have increased/(decreased) the Group's profit for the year by RUB 13,040 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

The foreign exchange loss recognized in profit or loss of RUB 25,070 million (RUB 12,346 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.

### Foreign currency translation differences

In addition, the net assets of the Group's foreign subsidiaries denominated in USD, EUR and other currencies amount to RUB 16,760 million as at the reporting date (31 December 2019: RUB 15,235 million).

### Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

| | 31 December 2020 RUB Million | 31 December 2019 RUB Million |
|---|---|---|
| *Fixed rate instruments* | | |
| Other non-current assets | 259 | 363 |
| Other current investments | 4,605 | 2,693 |
| Long-term borrowings | (94,498) | (87,285) |
| Short-term borrowings | (53,027) | (33,610) |
| Lease liabilities | (7,122) | (7,214) |
| | **(149,783)** | **(125,053)** |
| *Variable rate instruments* | | |
| Long-term borrowings | (9,537) | (9,572) |
| Short-term borrowings | (2,293) | (3,236) |
| | **(11,830)** | **(12,808)** |

At 31 December 2020, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit and equity by RUB 118 million (31 December 2019: RUB 128 million).

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Group’s receivables from customers, loans issued to related parties, current and non-current financial assets and cash and cash equivalents.

As at 31 December 2020, the Group’s maximum exposure to credit risk is represented by the carrying amount of its financial assets and amounted to RUB 26,189 million (31 December 2019: RUB 24,720 million).

As at 31 December 2020, the Group’s financial assets measured at amortised cost amounted to RUB 25,597 million (31 December 2019: RUB 24,118 million).

As at 31 December 2020, the Group’s financial assets measured at fair value amounted to RUB 592 million (31 December 2019: RUB 602 million).

**Trade and other receivables**

The Group’s exposure to credit risk is influenced mainly by the individual specific characteristics of each customer. The general characteristics of the Group’s customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. The Group’s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum amount of outstanding receivables; these limits are reviewed quarterly. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on a prepayment basis. In response to the COVID-19 pandemic, the risk management committee has also been performing more frequent reviews of sales limits for customers in regions and industries that are severely impacted.

The Group is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure to customers that are severely impacted. The majority of the Group’s customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics. Trade and other receivables relate mainly to the Group’s wholesale customers.

The Group does not require collateral in respect of trade and other receivables, except for new customers who are required to work on a prepayment basis or present an acceptable bank guarantee or set up letter of credit with an acceptable bank.

In addition, the major part of trade receivables in the Group’s foreign subsidiaries is insured.

The Group establishes an allowance for impairment that represents its estimate of the expected credit losses in respect of trade and other receivables and other financial assets. The Group estimated the expected credit losses for the entire period, applying a simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance. In the terms of calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors, historical credit loss experience and economic environment in which they operate.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship.

The analysis of overdue trade and other receivables is as follows:

| *RUB Million* | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Gross carrying amount | Impairment loss Allowance | Gross carrying amount | Impairment loss allowance |
| Not past due | 14,860 | (4) | 13,234 | (1) |
| Past due 0-90 days | 951 | (4) | 884 | - |
| Past due 91-180 days | 391 | - | 139 | - |
| Past due 181-365 days | 32 | (8) | 318 | - |
| More than one year | 582 | (228) | 260 | (102) |
| | **16,816** | **(244)** | **14,835** | **(103)** |

Starting from 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 proceed received on transfer is recognised in cash and cash equivalents. The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank. The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

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

| | 31 December 2020 RUB Million | 31 December 2019 RUB Million |
|---|---|---|
| Trade receivables transferred to the bank | 14,897 | 11,696 |
| Associated cash inflow | 2,362 | 6,646 |
| Associated cash outflow | (3,894) | (1,314) |
| Net-off with other payables | 12,535 | 5,050 |
| Other non-cash operations | 63 | 474 |

Payables to the bank as at 31 December 2020 amounted to RUB 5,460 million (31 December 2019: RUB 748 million) are presented within other payables. Receivables from the bank as at 31 December 2020 amounted to RUB 537 million (31 December 2019: RUB 474 million) are presented within trade receivables.

**Current and non-current financial assets**

The Group lends money to related parties and to third parties, who have good credit standing. Based on the prior experience, management believes that there is no significant credit risk in respect of related party and third party loans.

Cash and cash equivalents are primarily held with banks with high credit rating.

**Guarantees**

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements in accordance with IFRS 4 *Insurance Contracts*, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee (note 33).

The Group's policy is to provide financial guarantees only to the subsidiaries or related parties.

### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains several lines of credit in various Russian and international banks.

At the end of 31 December 2020 the Group’s current liabilities excess over current assets by RUB 22,101 million. To ensure timely obligations fulfilment the Group plans to raise additional long-term borrowings in the upcoming year.

The table below illustrates the contractual maturities of financial liabilities, including interest payments, which are converted at the closing exchange rates, where applicable:

| *RUB Million* | 31 December 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying value | Contractual cash flows | 0-1 year | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4-5 yrs | > 5 yrs |
| Unsecured bank loans | 58,485 | 62,304 | 29,599 | 13,052 | 4,543 | 4,402 | 4,258 | 6,450 |
| Interest payable | 1,137 | 1,137 | 1,137 | - | - | - | - | - |
| Leases | 6,195 | 7,122 | 2,336 | 2,109 | 1,477 | 1,021 | 161 | 18 |
| Loan participation notes | 99,733 | 109,470 | 29,463 | 2,585 | 38,794 | 1,127 | 37,501 | - |
| Trade and other payables | 18,042 | 18,042 | 18,042 | - | - | - | - | - |
| Financial guarantees issued for associates and related parties | 340 | 360 | 283 | 77 | - | - | - | - |
| | **183,932** | **198,435** | **80,860** | **17,823** | **44,814** | **6,550** | **41,920** | **6,468** |

| *RUB Million* | 31 December 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying value | Contractual cash flows | 0-1 year | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4-5 yrs | > 5 yrs |
| Unsecured bank loans | 71,176 | 75,983 | 37,689 | 11,240 | 10,782 | 3,780 | 3,654 | 8,838 |
| Interest payable | 621 | 621 | 621 | - | - | - | - | - |
| Leases | 6,244 | 7,214 | 1,944 | 1,824 | 1,674 | 1,104 | 668 | - |
| Loan participation notes | 61,906 | 68,323 | 2,452 | 33,294 | 1,222 | 31,355 | - | - |
| Trade and other payables | 13,167 | 13,167 | 13,167 | - | - | - | - | - |
| Financial guarantees issued for associates and related parties | 726 | 804 | 366 | 438 | - | - | - | - |
| | **153,840** | **166,112** | **56,239** | **46,796** | **13,678** | **36,239** | **4,322** | **8,838** |

### (e) Capital management

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital invested and the level of dividends to shareholders.

There were no changes in the Board’s approach to capital management during the year.

The Company and its subsidiaries are subject to externally imposed capital requirements including the statutory requirements of the country of their domicile and the bank covenants.

## 31 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 29,421 million (31 December 2019: RUB 43,603 million).

## 32 CONTINGENCIES

### (a) Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

### (b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

The Group circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for the tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts including the interpretation of Group's planed transactions could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant.

### (c) Environmental contingencies

The environmental legislation, currently effective in the Russian Federation, is relatively new and characterised by frequent changes, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different authorities.

The Group is involved in chemical production, which is inherently exposed to significant environmental risks. The Group companies record environmental obligations as they become probable and reliably measurable. The Group companies are parties to different litigations with the Russian environmental authorities. The management believes that based on its interpretations of applicable Russian legislation, official pronouncements and court decisions no provision is required for environmental obligations. However, the interpretations of the relevant authorities could differ from management's position and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

### (d) Compliance with covenants.

The Group is subject to certain covenants related primarily to its loans and borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

The Group was in compliance with covenants at 31 December 2020 and 31 December 2019.

## 33 RELATED PARTY TRANSACTIONS

### (a) Transactions and balances with associates

#### *(i) Transactions with associates*

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Sales of goods and services | 26 | 32 |
| Other income, net | 1 | 2 |
| Interest income | - | 1 |
| Purchases of goods and services | (561) | (527) |

#### *(ii) Balances with associates*

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Trade and other receivables | 16 | 41 |
| Trade and other payables | (12) | (18) |

#### *(iii) Financial guarantees*

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 340 million (31 December 2019: RUB 726 million).

### (b) Transactions and balances with other related parties

#### *(i) Transactions with other related parties*

| | 2020 RUB million | 2019 RUB million |
|---|---|---|
| Sales of goods and services | 686 | 352 |
| Dividend income | 203 | - |
| Interest income | - | 3 |
| Interest expenses | - | (1) |
| Other expenses, net | (53) | (61) |
| Purchases of goods and services | (115) | (2,005) |

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

| | 31 December 2020 RUB million | 31 December 2019 RUB million |
|---|---|---|
| Short-term loans issued, at amortised cost | - | 2 |
| Trade and other receivables | 14 | 7 |
| Trade and other payables | (237) | (123) |

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

#### *(iii) Financial guarantees*

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

### (c) Key management remuneration

The remuneration of the Board of Directors and key management personnel amounted to RUB 3,351 million (2019: RUB 2,462 million).

## 34 SIGNIFICANT SUBSIDIARIES

| Subsidiary | Country of incorporation | 31 December 2020 Effective ownership (rounded) | 31 December 2019 Effective ownership (rounded) |
|---|---|---|---|
| Apatit, JSC (including Balakovo, Volkhov and Kirovsk branchs) | Russia | 100% | 100% |
| Mekhanik, LLC | Russia | 100% | 100% |
| NIUIF, JSC | Russia | 94% | 94% |
| PhosAgro-Region, LLC | Russia | 100% | 100% |
| PhosAgro-Belgorod, LLC | Russia | 100% | 100% |
| PhosAgro-Don, LLC | Russia | 100% | 100% |
| PhosAgro-Kuban, LLC | Russia | 100% | 100% |
| PhosAgro-Kursk, LLC | Russia | 100% | 100% |
| PhosAgro-Lipetsk, LLC | Russia | 100% | 100% |
| PhosAgro-Oryol, LLC | Russia | 100% | 100% |
| PhosAgro-Stavropol, LLC | Russia | 100% | 100% |
| PhosAgro-Volga, LLC | Russia | 100% | 100% |
| PhosAgro-SeveroZapad, LLC | Russia | 100% | 100% |
| PhosAgro-Tambov, LLC | Russia | 100% | 100% |
| Trading house PhosAgro, LLC | Russia | 100% | 100% |
| Phosint Trading Limited | Cyprus | 100% | 100% |
| PhosAgro Asia Pte Ltd | Singapore | 100% | 100% |
| PhosAgro Trading SA | Switzerland | 100% | 100% |
| Phosint Limited | Cyprus | 100% | 100% |
| PhosAgro Logistics SA | Switzerland | 100% | 100% |
| PhosAgro Polska Sp.z o.o. | Poland | 100% | 100% |
| PhosAgro Deutschland GmbH | Germany | 100% | 100% |
| PhosAgro France SAS | France | 100% | 100% |
| PhosAgro Balkans | Serbia | 100% | 100% |
| UAB PhosAgro Baltic | Lithuania | 100% | 100% |
| PhosAgro Balkans SRL | Romania | 100% | - |
| PhosAgro South Africa Proprietary Limited | South Africa | 100% | - |
| Logifert Oy | Finland | 100% | 100% |
| Bulk Terminal Kotka Oy | Finland | 100% | 100% |

## 35 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.

## 36 SUBSEQUENT EVENTS

Starting from 1 January 2021 the rate for mineral extraction tax (note 11) will change from 4% to 14%. Management estimates the amount of the tax due for 2021 at RUB 3,623 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%.