APPENDICES

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102-56

KPMG

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 2019, 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the International Code of Ethics. 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.

Audited entity: PJSC "PhosAgro"

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

Moscow, Russia

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.

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Independent Auditors' Report
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<table>
<tr><th colspan="2">Valuation of deferred tax assets</th></tr>
<tr><td colspan="2">Please refer to the Note 19 in the consolidated financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group has recognised significant deferred tax assets in respect of tax losses.

The recovery of the deferred tax assets depends on achieving sufficient taxable profits in the future.

Future taxable profits to be used for utilisation of tax losses accumulated by the Company mainly represent interest income to be received by the Company on the loans issued to the Group subsidiaries less expenses of the Company.

The assessment of the potential to utilise the tax losses is dependent on the forecast profitability of the Group subsidiaries, the amount of dividends to be distributed to the Company, expected foreign currency exchange and interest rates for loans.

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.</td><td>Our audit procedures included the following:

We tested the accuracy of the taxable profits forecast model used to estimate the likelihood of the recovery of deferred tax assets.

We evaluated the appropriateness of management's key assumptions and estimates used by management to allocate profit between the Group entities, the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, in reference to performance trends and dividend capacity of the Group subsidiaries.

Using KPMG tax specialist, we considered the appropriateness of the application of relevant tax legislation by the Group, in relation to the utilisation of tax losses.</td></tr>
</table>

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

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, related safeguards.

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:

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628 КПМГ KPMG МОСКВА

I.A. Yagnov

JSC "KPMG"

Moscow, Russia

20 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019

	Note	2019 RUB Million	2018 RUB Million[1]
Revenues	7	248,125	233,312
Cost of sales	9	(136,224)	(124,008)
Gross profit		**111,901**	**109,304**
Administrative expenses	10	(16,476)	(14,271)
Selling expenses	11	(38,121)	(34,888)
Taxes, other than income tax, net	12	(2,384)	(3,469)
Other expenses, net	13	(3,269)	(2,679)
Operating profit		**51,651**	**53,997**
Finance income	14	1,458	447
Finance costs	14	(4,271)	(6,721)
Foreign exchange gain/(loss), net	31(b)	12,346	(19,613)
Profit before tax		**61,184**	**28,110**
Income tax expense	15	(11,776)	(5,975)
Profit for the year		**49,408**	**22,135**
Attributable to:			
Non-controlling interests		59	66
Shareholders of the Parent		49,349	22,069
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss			
Actuarial losses and gains	29	(133)	170
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		(1,129)	2,872
Other comprehensive (loss)/income for the year		**(1,262)**	**3,042**
Total comprehensive income for the year		48,146	25,177
Attributable to:			
Non-controlling interests[2]		59	66
Shareholders of the Parent		48,087	25,111
Basic and diluted earnings per share (in RUB)	26	381	170

The consolidated financial statements were approved on 20 February 2020:

A.A. Guryev
Chief executive officer

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

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The comparative information is restated on account of correction of errors. See Notes 2 (g).
2. Non-controlling interests are the minority shareholders of the subsidiaries of PJSC "PhosAgro"

Consolidated Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 RUB million	31 December 2018 RUB million[1]
Assets			
Property, plant and equipment	16	199,459	186,231
Advances issued for property, plant and equipment		13,006	6,759
Right-of-use assets	17	6,891	-
Catalysts		2,376	2,574
Intangible assets		1,567	1,786
Investments in associates	18	519	506
Deferred tax assets	19	8,214	8,995
Other non-current assets	20	1,636	1,843
Non-current assets		**233,668**	**208,694**
Other current investments	21	251	313
Inventories	22	29,405	31,710
Trade and other receivables	23	31,061	36,186
Cash and cash equivalents	24	8,236	9,320
Current assets		**68,953**	**77,529**
Total assets		302,621	286,223
Equity	**25**		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		111,054	93,951
Actuarial losses		(689)	(556)
Foreign currency translation reserve		7,236	8,365
Equity attributable to shareholders of the Parent		125,467	109,626
Equity attributable to non-controlling interests		170	195
Total equity		125,637	109,821
Liabilities			
Loans and borrowings	27	96,736	122,877
Lease liabilities	28	4,701	376
Defined benefit obligations	29	857	630
Deferred tax liabilities	19	10,278	9,023
Non-current liabilities		**112,572**	**132,906**
Loans and borrowings	27	36,839	20,679
Lease liabilities	28	1,543	718
Trade and other payables	30	26,030	21,473
Derivative financial liabilities		-	626
Current liabilities		**64,412**	**43,496**
Total equity and liabilities		302,621	286,223

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The comparative information is restated on account of correction of errors. See Notes 2 (g).

Consolidated Statement of Cash Flows for 2019

	Note	2019 RUB million	2018 RUB million
Cash flows from operating activities			
Operating profit		51,651	53,997
Adjustments for:			
Depreciation and amortisation	9, 10, 11	23,931	20,911
Loss on disposal of property, plant and equipment and intangible assets	13	611	586
Operating profit before changes in working capital and provisions		76,193	75,494
Decrease/(increase) in inventories and catalysts		1,593	(5,438)
Decrease in trade and other receivables		2,764	324
Increase in trade and other payables		5,398	655
Cash flows from operations before income taxes and interest paid		85,948	71,035
Income tax paid		(10,550)	(6,146)
Finance costs paid		(3,842)	(5,210)
Cash flows from operating activities		71,556	59,679
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(42,656)	(38,416)
Loans issued, net		(84)	(257)
Proceeds from disposal of property, plant and equipment		86	19
Finance income received		637	307
Acquisition of investments, net		-	(8)
Other payments		(1,267)	(814)
Cash flows used in investing activities		(43,284)	(39,169)
Cash flows from financing activities			
Proceeds from borrowings	27	48,725	83,874
Repayment of borrowings	27	(42,698)	(83,572)
Dividends paid to shareholders of the Parent	25	(32,244)	(13,598)
Dividends paid to non-controlling interests		(84)	-
Leases paid	28	(1,937)	(1,285)
Proceeds/(payments) from settlement of derivatives, net		112	(22)
Cash flows used in financing activities		(28,126)	(14,603)
Net increase in cash and cash equivalents		**146**	**5,907**
Cash and cash equivalents at 1 January		9,320	2,691
Effect of exchange rates fluctuations		(1,230)	722
Cash and cash equivalents at 31 December	**24**	**8,236**	**9,320**

Consolidated Statement of Changes in Equity for 2019

RUB Million	Share capital	Share premium	Retained earnings	Actuarial gains and losses	Foreign currency translation reserve	Attributable to non-controlling interests	Total
Balance at 1 January 2018	**372**	**7,494**	**85,480**	**(726)**	**5,493**	**129**	**98,242**
Total comprehensive income for the year							
Profit for the year	-	-	22,069	-	-	66	22,135
Actuarial gains	-	-	-	170	-	-	170
Foreign currency translation difference	-	-	-	-	2,872	-	2,872
	-	-	22,069	170	2,872	66	25,177
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent	-	-	(13,598)	-	-	-	(13,598)
	-	**-**	**(13,598)**	**-**	**-**	**-**	**(13,598)**
Balance at 31 December 2018	372	7,494	93,951	(556)	8,365	195	109,821
Balance at 1 January 2019	**372**	**7,494**	**93,951**	**(556)**	**8,365**	**195**	**109,821**
Total comprehensive income for the year							
Profit for the year	-	-	49,349	-	-	59	49,408
Actuarial losses	-	-	-	(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, note 25	-	-	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

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.

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.

This is the first set of the Group's annual financial statements where IFRS 16 Leases has been applied. The related changes to significant accounting policies are disclosed in the note 2 (g).

(b) Going concern

Note 31 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. 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.

(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 2019 were translated at the closing exchange rate of RUB 61.9057 for USD 1 (31 December 2018: RUB 69.4706 for USD 1);
- Profit and loss items were translated at the average exchange rate for 2019 of RUB 64.7362 for USD 1 (for 2018: RUB 62.7078 for USD 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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

- Assets and liabilities as at 31 December 2019 were translated at the closing exchange rate of RUB 69.3406 for EUR 1 (31 December 2018: RUB 79.4605 for EUR 1);
- Profit and loss items were translated at the average exchange rate for 2019 of RUB 72.5021 for EUR 1 (for 2018: RUB 73.9546 for EUR 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

(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 fixed assets;
- note 19 – 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

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

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

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

Impact of the new definition of a lease

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

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

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

Impact on Lessee Accounting

Leases formerly recognised as operating leases under IAS 17

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

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

Financial impact of initial application of IFRS 16

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

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

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

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

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

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

	RUB million
Operating leases	2,469
Finance leases	1,158
	3,627
Impact of payments on land plots based on cadastral values and options to extend and cancel lease contracts	(383)
Impact of discounting	(412)
Lease liabilities recognised as at 1 January 2019 (note 28)	2,832
Residual value of fixed assets under finance lease as at 31 December 2018	3,271
Finance lease liability as at 31 December 2018	(1,094)
Right-of-use assets recognised as at 1 January 2019 (note 17)	5,009
Effect on retained earnings as at 1 January 2019	-

Had the Group not applied IFRS 16 for 2019, it would have the following effect on the Group‘s consolidated statement of profit or loss and other comprehensive income for 2019 and consolidated statement of financial position as at 31 December 2019:

	Note			2019
		as if IAS 17 still applied	IFRS 16 adjustments	as presented
		RUB million	RUB million	RUB million
Revenues	7	248,125	-	248,125
Cost of sales	9	(136,739)	515	(136,224)
Gross profit		**111,386**	**515**	**111,901**
Administrative expenses	10	(16,490)	14	(16,476)
Selling expenses	11	(38,121)	-	(38,121)
Taxes, other than income tax, net	12	(2,384)	-	(2,384)
Other expenses, net	13	(3,269)	-	(3,269)
Operating profit		**51,122**	**529**	**51,651**
Finance income	14	1,458	-	1,458
Finance costs	14	(4,059)	(212)	(4,271)
Foreign exchange gain, net	31(b)	12,346	-	12,346
Profit before tax		**60,867**	**317**	**61,184**
Income tax expense	15	(11,712)	(64)	(11,776)
Profit for the year		49,155	253	49,408

	Note.	31 December 2019 as if IAS 17 still applied	IFRS 16 adjustments	31 December 2019 as presented
		RUB million	RUB million	RUB million
Assets				
Property, plant and equipment	16	199,488	(29)	199,459
Advances issued for property, plant and equipment		13,006	-	13,006
Right-of-use assets	17	-	6,891	6,891
Catalysts		2,376	-	2,376
Intangible assets		1,567	-	1,567
Investments in associates	18	519	-	519
Deferred tax assets	19	8,214	-	8,214
Other non-current assets	20	1,636	-	1,636
Non-current assets		**226,806**	**6,862**	**233,668**
Other current investments	21	251	-	251
Inventories	22	29,405	-	29,405
Trade and other receivables	23	31,460	(399)	31,061
Cash and cash equivalents	24	8,236	-	8,236
Current assets		**69,352**	**(399)**	**68,953**
Total assets		296,158	6,463	302,621
Equity	**25**			
Share capital		372	-	372
Share premium		7,494	-	7,494
Retained earnings		110,801	253	111,054
Foreign currency translation reserve		7,236	-	7,236
Actuarial losses		(689)	-	(689)
Equity attributable to shareholders of the Parent		125,214	253	125,467
Equity attributable to non-controlling interests		170	-	170
Total equity		125,384	253	125,637
Liabilities				
Loans and borrowings	27	96,736	-	96,736
Lease liabilities	28	1	4,700	4,701
Defined benefit obligations	29	857	-	857
Deferred tax liabilities	19	10,214	64	10,278
Non-current liabilities		**107,808**	**4,764**	**112,572**
Loans and borrowings	27	36,839	-	36,839
Lease liabilities	28	1	1,542	1,543
Trade and other payables	30	26,126	(96)	26,030
Current liabilities		**62,966**	**1,446**	**64,412**
Total equity and liabilities		296,158	6,463	302,621

The Group has adopted amendments to IAS 23 Borrowing Costs issued by the International Accounting Standards Board as part of Annual Improvements to IFRS Standards 2015–2017 Cycle from 1 January 2019 and apply them to borrowing costs incurred on or after that date. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Therefore, the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Borrowings that were intended to specifically finance qualifying assets which are now ready for their intended use or sale – or any non-qualifying assets – the Group includes in its general pool. During 2019, the Group capitalised an additional amount of borrowing costs of RUB 260 million as a result of this revised approach.

(h) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

3.SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the adoption of IFRS 16 from 1 January 2019.

(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 statement of profit or loss 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 that materially extend the life 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 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

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").

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

Policy applicable from 1 January 2019

The Group has applied IFRS 16 Leases using a modified retrospective approach under which comparative information has not been restated in accordance with provisions of IFRS 16 and continues to be reported under IAS 17.

The Group has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

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.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Plant and equipment acquired by way of finance lease were stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in the profit or loss as an integral part of the total lease payments made.

(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 receive 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. There are no other 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 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. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

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

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

Comparatives were changed accordingly to align them with current year presentation.

			2018
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Revenue	233,430	(118)	233,312
Cost of sales	(123,964)	(44)	(124,008)
Administrative expenses	(14,864)	593	(14,271)
Selling expenses	(34,410)	(478)	(34,888)
Other expenses, net	(2,726)	47	(2,679)
Finance costs	(6,098)	(623)	(6,721)
Share of loss of associates, net of provision	(623)	623	-

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

6. 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 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,	201,248	37,882	8,995	248,125
thereof:				
Export	135,220	31,100	1,098	167,418
Domestic	66,028	6,782	7,897	80,707
Cost of goods sold	(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

Segment information of the Group as at 31 December 2018 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,	186,971	37,011	9,330	233,312
thereof:				
Export	132,098	30,178	903	163,179
Domestic	54,873	6,833	8,427	70,133
Cost of goods sold	(98,962)	(16,431)	(8,615)	(124,008)
Gross segment profit	**88,009**	**20,580**	**715**	**109,304**
Certain items of profit or loss				
Amortisation and depreciation	(14,304)	(5,883)	(724)	(20,911)
Total non-current segment assets[2]	122,164	63,162	5,265	190,591
Additions to non-current assets[2]	25,618	5,890	843	32,351

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

The analysis of export revenue by regions is as follows:

	2019 RUB million	2018 RUB million
Europe	72,372	57,308
South America	34,836	43,684
North America	19,397	27,589
India	14,153	11,890
CIS	13,634	11,557
Africa	9,509	7,895
Asia	3,477	3,250
Australia	40	6
	167,418	163,179

7. REVENUES

	2019 RUB million	2018 RUB million
Phosphate-based products	201,248	186,971
Sales of chemical fertilisers	165,110	155,733
Sales of apatite concentrate	25,799	22,098
Sales of other phosphate-based products and services	9,203	8,326
Sales of nepheline concentrate	1,136	814
Nitrogen-based products	37,882	37,011
Other	8,995	9,330
	248,125	233,312

8. PERSONNEL COSTS

	2019 RUB Million	2018 RUB Million
Cost of sales	(12,744)	(11,760)
Administrative expenses	(9,300)	(7,907)
Selling expenses	(2,662)	(2,257)
	(24,706)	(21,924)

9. COST OF SALES

	2019 RUB Million.	2018 RUB Million.
Depreciation	(21,368)	(18,936)
Materials and services	(20,138)	(18,488)
Potash	(13,691)	(10,238)
Salaries and social contributions	(12,744)	(11,760)
Natural gas	(12,627)	(12,096)
Repair expenses	(10,119)	(9,485)
Sulphur and sulphuric acid	(9,165)	(10,682)
Transportation of phosphate rock	(8,641)	(7,671)
Chemical fertilisers and other products for resale	(6,683)	(6,287)
Electricity	(6,204)	(5,474)
Fuel	(4,849)	(4,019)
Ammonia	(4,095)	(4,195)
Ammonium sulphate	(3,577)	(3,015)
Drilling and blasting operations expenses	(2,323)	(1,662)
	(136,224)	(124,008)

10. ADMINISTRATIVE EXPENSES

	2019 RUB million	2018 RUB million
Salaries and social contributions	(9,300)	(7,907)
Professional services	(1,963)	(1,677)
Depreciation and amortisation	(1,378)	(1,242)
Other	(3,835)	(3,445)
	(16,476)	(14,271)

11. SELLING EXPENSES

	2019 RUB million.	2018 RUB million.
Expenses linked to basis of delivery, inc.	**(32,628)**	**(30,578)**
Freight, port and stevedoring expenses	(18,340)	(17,829)
Russian Railways infrastructure tariff and operators' fees	(11,441)	(10,363)
Custom duties	(1,898)	(1,391)
Materials and services	(949)	(995)
Other fixed expenses, inc.	**(5,493)**	**(4,310)**
Salaries and social contributions	(2,662)	(2,257)
Depreciation and amortisation	(1,185)	(733)
Materials and services	(1,646)	(1,320)
	(38,121)	(34,888)

12. TAXES, OTHER THAN INCOME TAX, NET

	2019 RUB million.	2018 RUB million
Mineral extraction tax	(954)	(885)
Property tax	(558)	(1,966)
Land tax	(301)	(291)
VAT included in expenses	(294)	(123)
Environment pollution payment	(171)	(130)
Using water objects payment	(38)	(38)
Other taxes	(68)	(36)
	(2,384)	(3,469)

13. OTHER EXPENSES, NET

	2019 RUB million.	2018 RUB million.
Social expenditures	(2,661)	(1,856)
Loss on disposal of property, plant and equipment and intangible assets	(611)	(586)
Increase in provision for bad debt	(106)	(452)
Increase in provision for inventory obsolescence	(19)	(88)
(Accrual)/reversal of accrual of contingent liabilities	(62)	35
Other income, net	190	268
	(3,269)	(2,679)

14. FINANCE INCOME AND FINANCE COSTS

	2019 RUB million..	2018 RUB million..
Gain from operations with derivatives	700	-
Interest income	484	230
Unwind of discount on financial assets	68	67
Share of profit of associates (note 18)	13	-
Dividend income	4	-
Other finance income	189	150
Finance income	1,458	447
Interest expense	(3,457)	(4,666)
Bank fees	(209)	(156)
Securitisation fees	(175)	-
Write off of equity securities	(150)	-
Provision for bad debt on financial investments	(45)	(566)
Share of loss of associates, net of provision (note 18)	-	(623)
Other finance costs	(235)	(710)
Finance costs	(4,271)	(6,721)
Net finance costs	(2,813)	(6,274)

15. INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2018: 20%).

	2019 RUB million	2019 RUB million
Current tax expense	(9,724)	(8,487)
Origination and reversal of temporary differences, including change in unrecognised assets	(2,052)	2,512
	(11,776)	(5,975)

Reconciliation of effective tax rate:

	2019 RUB million.	%	2018 RUB million	%
Profit before tax	61,184	100	28,110	100
Income tax at applicable tax rate	(12,237)	(20)	(5,622)	(20)
Over/(under) provided in respect of prior years	4	-	(3)	-
Unrecognised tax liability/(asset) on profit/(loss) from associates	3	-	(125)	-
Non-deductible items	(1,174)	(2)	(1,434)	(5)
Change in unrecognised deferred tax assets	15	-	17	-
Effect of tax rates in foreign jurisdictions	337	1	39	-
Reduction in tax rate	1,276	2	1,153	4
	(11,776)	(19)	(5,975)	(21)

16. PROPERTY, PLANT AND EQUIPMENT

RUB Million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2018	67,175	127,023	11,078	41,858	247,134
Additions	2,286	3,903	2,363	23,309	31,861
Transfers	6,835	13,425	-	(20,260)	-
Disposals	(138)	(1,335)	(129)	(305)	(1,907)
Other movements	94	1,632	12	-	1,738
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 17)	-	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 31 December 2019	94,482	164,929	15,649	36,995	312,055
Accumulated depreciation					
At 1 January 2018	(12,435)	(53,276)	(6,310)	-	(72,021)
Depreciation charge	(4,582)	(14,813)	(1,863)	-	(21,258)
Disposals	74	1,234	96	-	1,404
Other movements	(6)	(707)	(7)	-	(720)
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 17)	-	(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 31 December 2019	(21,774)	(81,164)	(9,658)	-	(112,596)
Net book value at 1 January 2018	54,740	73,747	4,768	41,858	175,113
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 31 December 2019	72,708	83,765	5,991	36,995	199,459

During 2019, the Group capitalised borrowing costs in the amount of RUB 1,283 million (2018: RUB 836 million) in the value of property, plant and equipment using the weighted average interest rate of 3.24% per annum.

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

in Cherepovets:

- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 3,893 million;
- Development programme of ammonia production facilities in the amount of RUB 2,581 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 2,137 million;
- The construction of ammonium sulphate plant in the amount of RUB 941 million.

in Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 8,140 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 4,893 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 2,277 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 1,347 million.

17. RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets as at 31 December 2019: 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 16)	-	(4,245)	(4,245)
At 31 December 2019	189	7,389	7,578
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 16)	-	1,033	1,033
At 31 December 2019	(80)	(607)	(687)
Net book value at 1 January 2019	137	4,872	5,009
Net book value at 31 December 2019	109	6,782	6,891

Amounts recognised in profit and loss

	2019 RUB million
Leases under IFRS 16	
Depreciation expense on right-of-use assets	759
Interest expense on lease liabilities	236
Expenses relating to short-term leases	587
Expenses relating to leases with variable payments	375

Amounts recognised in profit and loss

	2018 RUB million.
Operating leases under IAS 17	
Lease expense	887
Contingent rent expense	345

18. INVESTMENTS IN ASSOCIATES

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

	2019 RUB million.	2018 RUB million
Balance at 1 January	506	969
Share in profit for the period	13	99
Provision for investments in associates	-	(722)
Foreign currency translation difference	-	160
Balance at 31 December	519	506

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

	31 December 2019 RUB Million	31 December 2018 RUB Million
JSC Khibinskaya Teplovaya Kompaniya	435	421
JSC Giproruda	63	61
JSC Soligalichskiy izvestkovyi kombinat	21	24
	519	506

Summary financial information for associates is as follows:

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
2018	**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	1,876	(1,075)	801	705	48
LLC PhosAgro-Ukraine	-	-	-	3,549	181
JSC Giproruda	146	(24)	122	54	9
JSC Soligalichskiy izvestkovyi kombinat	526	(294)	232	497	11
	2,548	(1,393)	1,155	4,805	249

19. 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	Liabilities	Net	Assets	Liabilities	Net
	2019	2019	2019	2018	2018	2018
Property, plant and equipment	129	(12,056)	(11,927)	102	(9,869)	(9,767)
Other long-term assets	43	(51)	(8)	17	(44)	(27)
Current assets	1,067	(390)	677	1,067	(488)	579
Liabilities	1,826	(4)	1,822	748	(3)	745
Tax loss carry-forwards	7,427	-	7,427	8,482	-	8,482
Unrecognised deferred tax assets	(55)	-	(55)	(40)	-	(40)
Tax assets/(liabilities)	10,437	(12,501)	(2,064)	10,376	(10,404)	(28)
Set off of tax	(2,223)	2,223	-	(1,381)	1,381	-
Net tax assets/(liabilities)	8,214	(10,278)	(2,064)	8,995	(9,023)	(28)

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 2019 do not expire.

Management has developed a tax strategy to utilise the tax losses above. In assessing the recoverability of the tax losses, major part of which relates to the Company, management considers a forecast of future taxable profits of the Company (the “forecast”) and the Group’s tax position. The forecast is reviewed at each reporting date to ensure that the related tax benefit will be realised. Future taxable profits are expected to be generated from an excess of interest income on loans, to be issued by the Company to the Group subsidiaries, over expenses of the Company. When developing the forecast, management has evaluated profitability and dividend capacity of the Group subsidiaries, and considered expected rates of interest for loans and expected foreign currency rates.

As at 31 December 2019, no deferred tax liability for taxable temporary differences of RUB 57,156 million has been recognised (31 December 2018: RUB 52,016 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 2019	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification	1 January 2019
Property, plant and equipment	(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)**

RUB million	31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification	1 January 2018
Property, plant and equipment	(9,767)	(951)	(1)	-	(8,815)
Other long-term assets	(27)	(5)	-	-	(22)
Current assets	579	655	4	-	(80)
Liabilities	745	(166)	-	-	911
Tax loss carry-forwards	8,482	2,996	-	-	5,486
Unrecognised deferred tax assets	(40)	(17)	-	-	(23)
Net tax (liabilities)/ assets	(28)	2,512	3	-	(2,543)

20. OTHER NON-CURRENT ASSETS

	31 December 2019 RUB million	31 December 2018 RUB million
Loans issued to third parties, at amortised cost	653	779
Financial assets, at fair value	602	752
Loans issued to employees, at amortised cost	218	88
Other long-term assets	673	795
Provision for loans issued to third parties	(510)	(571)
	1,636	1,843

21. OTHER CURRENT INVESTMENTS

	31 December 2019 RUB million	31 December 2018 RUB million
Interest receivable	118	88
Loans issued to third parties, at amortised cost	105	35
Loans issued to employees, at amortised cost	80	52
Loans issued to related parties, at amortised cost	2	117
Investments in debt securities, at amortised cost	-	32
Loans issued to associates, at amortised cost	-	13
Provision for doubtful accounts	(54)	(24)
	251	313

22. INVENTORIES

	31 December 2019 RUB million	31 December 2018 RUB million
Raw materials and spare parts	11,723	12,340
Finished goods:		
Chemical fertilisers	10,837	12,982
Apatite concentrate	443	327
Other products	273	651
Work-in-progress:		
Chemical fertilisers and other products	4,491	3,782
Chemical fertilisers and other products for resale, purchased from third parties	1,778	1,729
Other goods for resale	63	83
Provision for obsolescence	(203)	(184)
	29,405	31,710

23. TRADE AND OTHER RECEIVABLES

	31 December 2019 RUB million	31 December 2018 RUB million
Trade accounts receivable	14,375	20,379
VAT and other taxes receivable	10,214	8,973
Advances issued	4,865	5,716
Income tax receivable	1,286	533
Deferred expenses	99	159
Receivables from employees	20	11
Other receivables	460	1,033
Provision for doubtful accounts	(258)	(618)
	31,061	36,186

The movements in provision for doubtful accounts are as follows:

	2019 RUB Million	2018 RUB Million
Balance at 1 January	(618)	(536)
Written off provision through trade receivables	305	380
Reclassification to non-current assets	73	-
Foreign currency translation difference	42	(16)
Reversal of provision	15	-
Disposal of trade receivables through provision	5	-
Increase in provision for bad debt	(80)	(446)
Balance at 31 December	(258)	(618)

See note 31 (c) for the analysis of overdue trade accounts receivable.

24. CASH AND CASH EQUIVALENTS

	31 December 2019 RUB Million	31 December 2018 RUB Million
Cash in bank	5,724	5,126
Call deposits	2,506	4,188
Petty cash	6	6
	8,236	9,320

25. EQUITY

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares
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
Shares on issue at 31 December 2018, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2018, RUB 2.5 par value	994,977,080

(b) Dividend policy

The Croup'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 Principles. As at 31 December 2019, the Company had cumulative retained earnings of RUB 8,689 million (31 December 2018: RUB 12,252 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 2018	January 2019	72	9,324
March 2019	May 2019	51	6,605
May 2019	June 2019	72	9,324
August 2019	October 2019	54	6,993
			32,246
Total dividends approved subsequent to the reporting date			
November 2019	January 2020	48	6,216
February 2020	February 2020	18	2,331
			8, 547

26. 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.

	2019 RUB million	2018 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	49,349	22,069
Basic and diluted earnings per share, RUB	381	170

27. 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 28. For more information about the Group's exposure to foreign currency risk, interest rate risk and liquidity risk, see note 31.

	31 December 2019 RUB million	31 December 2018 RUB million
Current loans and borrowings		
Unsecured bank loans	36,225	19,934
Interest payable	621	733
Unsecured loans from related parties	-	20
Bank commission (short-term)	(7)	(8)
	36,839	20,679
Non-current loans and borrowings		
Loan participation notes[1,2]	61,906	69,471
Unsecured bank loans	34,951	53,570
Bank commission (long-term)	(121)	(164)
	96,736	122,877
	133,575	143,556

1. In May 2017, the Company's SPV issued a USD 500 million 4,5-year Eurobond with a coupon rate of 3.95%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 33,211 million (31 December 2018: RUB 34,102 million).
2. In January 2018 the Company's SPV issued a USD 500 million 5,25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 33,843 million (31 December 2018: RUB 33,745 million). Management believes that the fair value of the Group's other loans and borrowings approximates their carrying amounts.

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

	31 December 2019 RUB million	31 December 2018 RUB million
USD-denominated	**101,853**	**123,152**
EUR-denominated	**31,850**	**18,531**
RUB-denominated	**-**	**2,045**
	133,703	143,728

The maturity of the loans and borrowings is as follows:

	31 December 2019 RUB million	31 December 2018 RUB million
Less than 1 year	36,846	20,687
1-2 years	41,124	19,623
2-3 years	9,960	46,326
3-4 years	34,190	5,665
4-5 years	3,237	38,380
More than 5 years	8,346	13,047
	133,703	143,728

Reconciliation of liabilities arising from financing activities:

	31 December 2018 RUB million	Impact of IFRS 16 RUB million	Cash inflows RUB million	Cash outflows RUB million	Accrual of liabilities RUB million	Amortis tion of bank commission RUB million	Foreign exchange gain RUB million	31 December 2019 RUB million
Loans and borrowings (excluding interest payable)	142,823	-	48,725	(42,698)	-	51	(15,947)	132,954
Lease liabilities	1,094	1,738	-	(1,937)	5,412	-	(63)	6,244
	143,917	1,738	48,725	(44,635)	5,412	51	(16,010)	139,198

28. LEASES

	Lease liability without subsequent asset buyout RUB million	Lease liability with subsequent asset buyout RUB million	Total RUB million
Balance as at 1 January 2019	**1,738**	**1,094**	**2,832**
New lease contracts and modification of existing lease contracts	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 31 December 2019	4,757	1,487	6,244

	2018 RUB million
Leases under IAS 17	
Less than one year	1,673
Between one and five years	1,954
	3,627

29. DEFINED BENEFIT OBLIGATIONS

	31 December 2019 RUB Million	31 December 2018 RUB Million
Pension obligations, long-term	332	302
Post-retirement obligations other than pensions	525	328
	857	630

The Group has defined benefit plans at JSC "Apatit", Kirovsk Branch of JSC "Apatit", Balakovo Branch of JSC "Apatit", Volkhov Branch of JSC "Apatit" 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 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 2018	950
Benefits paid	(102)
Current service costs and interest	87
Past service costs	(135)
Actuarial gain in other comprehensive income	(170)
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 31 December 2019	**857**

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

	31 December 2019	31 December 2018
Discount rate	6.4%	8.8%
Future pension increases	3.9%	4.1%

30. TRADE AND OTHER PAYABLES

	31 December 2019 RUB million	31 December 2018 RUB million
Trade accounts payable	12,121	11,922
incl. accounts payable for property, plant and equipment and intangible assets	4,728	4,248
Advances received (contract liabilities)	7,160	3,644
Payables to employees	2,970	3,068
Taxes payable	2,526	2,229
Income tax payable	207	298
Accruals	97	36
Dividends payable	2	-
Other payables	947	276
	26,030	**21,473**

31. 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:

RUB Million	31 December 2019		31 December 2018	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Current assets	2,593	227	3,759	11
Non-current assets	-	23	-	-
Non-current liabilities				
Loans and borrowings	(84,277)	(12,580)	(108,405)	(12,615)
Lease liability	-	-	(375)	-
Current liabilities				
Loans and borrowings	(17,576)	(19,270)	(14,747)	(5,916)
Lease liability	-	-	(674)	(38)
Payables	(571)	(907)	(495)	(679)
	(99,831)	(32,507)	(120,937)	(19,237)

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 13,234 million, before any tax effect (2018: would have increased/(decreased) the Group's profit for the year by RUB 14,017 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

The foreign exchange gain recognised in profit or loss of RUB 12,346 million (RUB 19,613 million of foreign exchange loss for the comparative period) resulted from the appreciation of the Russian Rouble against major currencies during the reporting period (its depreciation during the comparative period).

Foreign currency translation differences

In addition, the net assets of the Group's foreign subsidiaries denominated in USD and EUR amount to RUB 15,235 million as at the reporting date (31 December 2018: RUB 15,319 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 2019 RUB Million	31 December 2018 RUB Million
Fixed rate instruments		
Other non-current assets	870	868
Other current investments	2,692	4,405
Long-term borrowings	(87,285)	(113,781)
Short-term borrowings	(33,610)	(14,655)
Lease liabilities	(7,214)	(1,094)
	(124,547)	(124,257)
Variable rate instruments		
Long-term borrowings	(9,572)	(9,260)
Short-term borrowings	(3,236)	(5,299)
	(12,808)	(14,559)

At 31 December 2019, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit and equity by RUB 128 million (31 December 2018: RUB 146 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 2019, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets and amounted to RUB 24,721 million (31 December 2018: RUB 32,281 million).

As at 31 December 2019, the Group's financial assets measured at amortised cost amounted to RUB 24,118 million (31 December 2018: RUB 31,529 million).

As at 31 December 2019, the Group's financial assets measured at fair value amounted to RUB 602 million (31 December 2018: RUB 752 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.

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 main component of this allowance is a specific loss component that relates to individually significant exposures.

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

	31 December 2019 RUB Million	31 December 2018 RUB Million
Not past due	13,234	17,956
Past due 0-90 days	884	3,143
Past due 91-180 days	139	75
Past due 181-365 days	318	137
More than one year	260	101
	14,835	21,412

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 2019 RUB Million	31 December 2018 RUB Million
Trade receivables transferred to the bank	11,696	-
Associated cash proceeds/(outflow), net	5,332	-
Net-off with other payables and effect of forex	6,364	-

Payables to the bank as at 31 December 2019 amounted to RUB 748 million are presented within other payables. Receivables from the bank as at 31 December 2019 amounted to 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 34).

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.

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

31 December 2019

RUB Million	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

31 December 2018

RUB Million	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	73,504	80,901	22,009	21,258	12,795	6,515	4,255	14,069
Unsecured loans from other companies	20	20	20	-	-	-	-	-
Interest payable	733	733	733	-	-	-	-	-
Secured finance leases	1,094	1,158	766	262	130	-	-	-
Loan participation notes	69,471	79,303	2,744	2,751	37,250	1,372	35,186	-
Trade and other payables	12,221	12,221	12,221	-	-	-	-	-
Financial guarantees issued for associates and related parties	1,057	1,233	300	455	478	-	-	-
Derivative financial liabilities	626	626	626	-	-	-	-	-
	158,726	176,195	39,419	24,726	50,653	7,887	39,441	14,069

(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.

32. COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 43,603 million

(31 December 2018: RUB 30,826 million).

33. 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.

(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.

34. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with associates

(i) Transactions with associates

	2019 RUB million	2018 RUB million
Sales of goods and services	32	2,150
Other income, net	2	4
Interest income	1	3
Purchases of goods and services	(527)	(472)

(ii) Balances with associates

	31 December 2019 RUB million.	31 December 2018 RUB million.
Trade and other receivables	41	15
Short-term loans issued, at amortised cost	-	13
Trade and other payables	(18)	(10)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 726 million (31 December 2018: RUB 1,007 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	2019 RUB million	2018 RUB million
Sales of goods and services	352	557
Other expenses, net	(61)	22
Interest income	3	14
Interest expenses	(1)	(54)
Purchases of goods and services	(2,005)	(2,030)

(ii) Balances with other related parties

	31 December 2019 RUB million	31 December 2018 RUB million
Short-term loans issued, at amortised cost	2	117
Trade and other receivables	7	53
Short-term loans received	-	(20)
Trade and other payables	(123)	(131)