



PJSC “PhosAgro”

**IFRS® Accounting Standards
Consolidated Financial Statements and
Independent Auditor’s Report**

31 December 2023

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Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint Stock Company "PhosAgro":

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company "PhosAgro" (PJSC "PhosAgro") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of cash flows for 2023;
- the consolidated statement of changes in equity for 2023; and
- the notes to the consolidated financial statements, which include material accounting policy information and other explanatory information.

Basis for qualified opinion

The Group's management did not disclose segment information for the year ended 31 December 2023 and for the year ended 31 December 2022 in the notes to the consolidated financial statements as required by IFRS 8, Operating Segments. Disclosing the omitted segment information within this Basis for qualified opinion section is not practicable as it would be unduly voluminous in relation to this auditor's report.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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. In addition to the matter described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.



Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of deferred tax assets</p> <p><i>Refer to Note 15 to the consolidated financial statements of the Group</i></p> <p>In the consolidated statement of financial position as at 31 December 2023, the Group recognised deferred tax assets in the amount of RUB 9,751 million in respect of the Group companies' accumulated tax loss carried forward.</p> <p>Under IAS 12, <i>Income Taxes</i>, a deferred tax asset in respect of unused tax losses shall be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.</p> <p>The Group's management analysed probability of receiving future taxable profits by Group companies and concluded that the deferred tax assets are recoverable. This analysis was based on management's plans in respect of recoverability of the Group's deferred tax assets and projections of the future taxable profit.</p> <p>We focus our audit on the existence of sufficient evidence that the Group's deferred tax assets are recoverable because the Group's management applied significant judgements and estimates in respect of available mechanisms for recovery of deferred tax assets in the Group companies with accumulated loss, and in respect of the amount of the future taxable profit and timing when it would be available.</p>	<p>We performed the following audit procedures to address the key audit matter:</p> <ul style="list-style-type: none">• We analysed the management's plan in respect of utilisation of the deferred tax assets and the process of projecting the future taxable profit.• We assessed the current status of implementation of the management's plan to utilise the deferred tax assets.• We received the projection of the future taxable profit prepared by the Group's management and reviewed, on a sample basis, the assumptions related to future income and expenses reflected in the projection, including their comparison to the industry and market trends. We also assessed the quality of the Group's management projections by comparing the previous periods projections to actual results.• We assessed, on a sample basis, the mathematical accuracy of calculations applied by the Group's management.• We assessed whether the management used reasonable judgements related to applying the mechanisms available to the Group to recover the deferred tax assets, among other things, by engaging our taxation experts.• We obtained and analysed written representations of the Group's management in relation to their assessment of recoverability of deferred tax assets. <p>Acceptability of the management's current estimates in relation to the deferred tax assets recoverability for the purpose of the consolidated financial statements of the Group for 2023 does not guarantee that future events which are inherently uncertain will not lead to a significant change in these estimates.</p> <p>We also assessed a compliance of the information disclosed in Note 15 to the consolidated financial statements with the IFRS Accounting Standards disclosure requirements.</p>

Other matter – Materiality and Group audit scope

Overview

Materiality	Overall Group materiality: Russian Roubles ("RUB") 5,730 million, which represents 5% of profit before tax.
Group scoping	<ul style="list-style-type: none">• We conducted audit procedures on the entire financial information of the three components.• Our audit scope addressed 99.6% of the Group's revenues and 97.6% of the Group's absolute value of underlying profit before tax.



Materiality

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 5,730 million (2022: RUB 11,615 million)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We selected components based on the assessment of risk of material misstatement of the Group's consolidated financial statements associated with components, taking into account a relative significance of the components for the Group. The Group auditor performed further audit procedures for the selected components on their entire financial information not engaging the component auditors. We also included information systems and tax specialists in our engagement team.

By performing the above audit procedures at the components, combined with the centralized audit procedures and audit procedures with respect to the process of preparation of the consolidated financial statements, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial statements of the Group as a whole.

Other information

Management is responsible for the other information. The other information comprises the Integrated annual report of PJSC "PhosAgro" for 2023 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Securities issuer's report for the 12 months 2023, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Securities issuer's report for the 12 months 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Accounting Standards, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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;
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

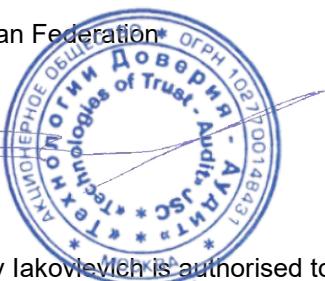
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 certified auditor responsible for the audit resulting in this independent auditor's report is Fegetsin Alexey Iakovlevich.

26 April 2024

Moscow, Russian Federation



Fegetsin Alexey Iakovlevich is authorised to sign on behalf of the General Director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906101957)

PJSC "PhosAgro"

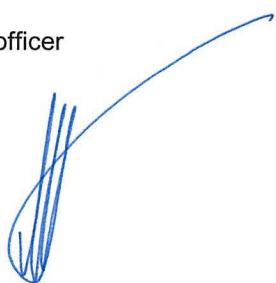
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2023

<i>RUB million</i>	<i>Note</i>	2023	2022
Revenues	5	440,304	569,527
Cost of Group products sold	6	(235,560)	(253,419)
Cost of products for resale		(16,056)	(15,599)
Gross profit		188,688	300,509
Administrative and selling expenses	7	(32,282)	(42,403)
Taxes, other than income tax	8	(12,779)	(11,327)
Other expenses, net	9	(7,557)	(9,371)
Foreign exchange gain/(loss) from operating activities, net	27 (c)	14,686	(9,068)
Operating profit		150,756	228,340
Finance income	10	3,353	4,439
Finance costs	10	(7,881)	(11,967)
Gain from revaluation of investments in equity instruments measured at fair value through profit or loss	16	1,025	-
Foreign exchange (loss)/gain from financing activities, net	27 (c)	(32,650)	11,485
Profit before tax		114,603	232,297
Income tax expense	11	(28,462)	(47,583)
Profit for the year		86,141	184,714
Attributable to:			
Shareholders of the Company		86,084	184,662
Non-controlling interests*		57	52
Basic and diluted earnings per share (in RUB)	22	665	1,426
Other comprehensive loss			
<i>Items that will never be reclassified to profit or loss</i>			
Actuarial losses	25	(35)	(276)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference		-	(2,929)
Foreign currency translation difference reclassified to profit or loss upon loss of control over foreign subsidiaries		-	(6,302)
Actuarial losses reclassified to profit or loss upon loss of control over foreign subsidiaries		-	61
Other comprehensive loss for the year		(35)	(9,446)
Total comprehensive income for the year		86,106	175,268
Attributable to:			
Shareholders of the Company		86,049	175,216
Non-controlling interests*		57	52

**Non-controlling interests are the minority shareholders of the subsidiaries of PJSC "PhosAgro"*

The consolidated financial statements were approved on 26 April 2024:

Chief executive officer
M. K. Rybnikov



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



<i>RUB million</i>	<i>Note</i>	31 December 2023	31 December 2022
Assets			
Property, plant and equipment	12	308,663	274,522
Advances issued for property, plant and equipment		10,337	9,270
Deferred tax assets	15	9,751	7,903
Other non-current assets	16	8,262	8,546
Non-current spare parts		8,059	5,125
Right-of-use assets	13	7,240	4,277
Intangible assets		2,773	2,099
Catalysts		2,667	1,965
Investments in associates and joint ventures	14	636	592
Non-current assets		358,388	314,299
Trade and other receivables	19	66,362	75,741
Inventories	18	48,468	39,349
Cash and cash equivalents	20	29,163	13,356
VAT and other taxes receivable		10,119	12,565
Security payment for windfall tax	1(b)	6,355	-
Other financial assets	17	5,083	210
Income tax receivable		1,703	93
Current assets		167,253	141,314
Total assets		525,641	455,613
Equity			
Share capital	21	372	372
Share premium		7,494	7,494
Retained earnings		144,658	190,664
Actuarial losses		(1,003)	(968)
Equity attributable to shareholders of the Company		151,521	197,562
Equity attributable to non-controlling interests		84	158
Total equity		151,605	197,720
Liabilities			
Loans and borrowings	23	161,710	109,784
Deferred tax liabilities	15	13,603	17,820
Lease liabilities	24	2,818	1,660
Defined benefit obligations	25	1,129	1,050
Non-current liabilities		179,260	130,314
Loans and borrowings	23	86,429	80,974
Dividends payable		54,919	82
Trade and other payables	26	42,653	39,412
Windfall tax payable	1(b)	6,355	-
VAT and other taxes payable		2,799	5,632
Lease liabilities	24	1,413	1,276
Income tax payable		208	203
Current liabilities		194,776	127,579
Total equity and liabilities		525,641	455,613

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 5 to 33.

<i>RUB million</i>	<i>Note</i>	2023	2022
Cash flows from operating activities			
Operating profit		150,756	228,340
Adjustments for:			
Depreciation and amortisation	6, 7	32,282	29,539
Loss on disposal of property, plant and equipment and intangible assets	9	365	429
Operating profit before changes in working capital		183,403	258,308
Decrease in trade and other receivables ¹		6,063	7,498
Increase in inventories, catalysts and non-current spare parts		(11,624)	(12,308)
Decrease in trade and other payables ¹		(46)	(3,131)
Cash flows from operations before income tax and interest paid		177,796	250,367
Income tax paid		(29,777)	(41,811)
Finance costs paid		(7,378)	(5,275)
Windfall tax security payment	1 (b)	(6,355)	-
Cash flows from operating activities		134,286	203,281
Cash flows from investing activities			
Finance income		2,000	3,783
Acquisition of property, plant and equipment and intangible assets		(64,232)	(63,021)
Borrowing cost capitalised paid	12	(1,896)	(976)
Advances issued for right-of-use assets		(94)	(850)
Cash and cash equivalents disposed as a result of loss of control over foreign subsidiaries		-	(36,729)
Loans issued	17	-	(3,130)
Proceeds from disposal of financial assets measured at fair value through profit or loss		-	1,778
Other		144	159
Cash flows used in investing activities		(64,078)	(98,986)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs	23	172,906	57,171
Repayment of borrowings	23	(155,306)	(23,926)
Refund of dividends paid ²		17,256	9
Dividends paid to shareholders of the Company	21	(94,509)	(142,120)
Lease payments	24	(1,416)	(1,429)
Dividends paid to non-controlling interests		(131)	-
Cash flows used in financing activities		(61,200)	(110,295)
Net increase/(decrease) in cash and cash equivalents		9,008	(6,000)
Cash and cash equivalents at 1 January		13,356	21,710
Effect of exchange rates fluctuations		6,799	(2,354)
Cash and cash equivalents at 31 December	20	29,163	13,356

¹ Changes in trade and other receivables and changes in trade and other payables include effect of foreign exchange differences from operating activities.

² The Group received cash refund from depositories paid as dividends to parties who were entitled to receive them, but didn't receive dividends due to reasons beyond the depositories' control.

RUB million	Attributable to shareholders of the Company					Attributable to non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Actuarial losses	Foreign currency translation reserve		
Balance at 1 January 2022	372	7,494	148,193	(753)	9,231	164,537	106
<i>Total comprehensive income/(loss)</i>							
Profit for the year	-	-	184,662	-	-	184,662	52
Actuarial losses, note 25	-	-	-	(276)	-	(276)	-
Foreign currency translation difference	-	-	-	-	(2,929)	(2,929)	(2,929)
Foreign currency translation difference reclassified to profit or loss upon loss of control over foreign subsidiaries	-	-	-	-	(6,302)	(6,302)	(6,302)
Actuarial losses reclassified to profit or loss upon loss of control over foreign subsidiaries	-	-	-	61	-	61	-
<i>Transactions with owners recognised directly in equity</i>							
Dividends, note 21	-	-	(142,191)	-	-	(142,191)	-
Balance at 31 December 2022	372	7,494	190,664	(968)	-	197,562	158
Balance at 1 January 2023	372	7,494	190,664	(968)	-	197,562	158
<i>Total comprehensive income/(loss)</i>							
Profit for the year	-	-	86,084	-	-	86,084	57
Actuarial losses, note 25	-	-	-	(35)	-	(35)	(35)
<i>Transactions with owners recognised directly in equity</i>							
Dividends, note 21	-	-	(132,090)	-	-	(132,090)	(131)
Balance at 31 December 2023	372	7,494	144,658	(1,003)	-	151,521	84
							151,605

1 BACKGROUND

(a) Organisation structure and operations

PJSC "PhosAgro" (the "Company" or the "Parent") is a public joint stock company registered in accordance with Russian legislation. PJSC "PhosAgro" and its subsidiaries (together referred to as the "Group") comprise Russian legal entities. The Company was registered in October 2001. The Company's address 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 Volkov (Leningrad region), and their distribution across the Russian Federation and abroad.

As at 31 December 2023 and at 31 December 2022, the Company's major shareholder is the entity registered in Russia – ILLC Adorabella holding approximately 23.3% of the ordinary shares. As of 31 December 2023, and 31 December 2022, the Parent does not have the ultimate controlling party in accordance with the definitions of control described in IFRS 10 *Consolidated financial statements*.

(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 certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue development, and are subject to varying interpretations and frequent changes (note 29). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

Geopolitical tension caused by the Ukrainian case in February 2022 continued in 2023. Geopolitical situation escalation resulted in significant exchange rates fluctuations and increased volatility in financial and commodity markets. Sanctions and restrictions have been and continue to be imposed towards a number of Russian entities such as access termination to European and USA financial markets, SWIFT international system and others. Price cap on Russian oil and gas and embargo on Russian petrochemicals were introduced. There is no way to determine how long the increased volatility will continue and when the above factors will stabilise. The future effects of current economic situation and the above measures are difficult to predict. Management's current expectations and estimates could differ from actual results.

The Russian Government Resolution that came into effect starting from 2023 introduced export duties on mineral fertilisers followed by the subsequent changes to the customs duty calculation method and rates:

- 1) From 1 January to 31 August 2023, the rate stood at 23.5% and was applied to a difference between the customs value of exported products and USD 450 per tonne.
- 2) From 1 September to 30 September 2023, the customs duty rate for nitrogen-based fertilisers was 7% of their customs value, but not less than RUB 1,100 per tonne; the rate for phosphate-based and compound fertilisers stood at 7% of their customs value, but not less than RUB 2,100 per tonne.
- 3) From 1 October 2023 to 31 December 2024, the following customs duty rates depending on the official exchange rate of US dollar to Russian Rouble set by the Central Bank of Russia are applied:
 - on nitrogen-based fertilisers – 7% of their customs value, but not less than RUB 1,100 per tonne, if the average US dollar exchange rate over the monitoring month is below RUB 80, or 10% of their customs value, but not less than RUB 1,100 per tonne, if the average US dollar exchange rate over the monitoring month is above RUB 80;
 - on phosphate-based and compound fertilisers – 7% of their customs value, but not less than RUB 2,100 per tonne, if the average US dollar exchange rate over the monitoring month is below RUB 80, or 10% of their customs value, but not less than RUB 2,100 per tonne, if the average US dollar exchange rate over the monitoring month is above RUB 80.

On 4 August 2023, the President of the Russian Federation signed Federal Law No. 414-FZ *On Excess Profits Tax* (the so-called "Windfall Tax") effective from 1 January 2024. The law introduces 10% tax rate applied to the excess of the arithmetic average profits for 2021-2022 over the arithmetic average profits for 2018-2019. The amount of tax can be reduced by half to the effective rate of 5% provided that the taxpayer pays a security payment to the federal budget from 1 October to 30 November 2023. The Group's windfall tax liability and expense calculated at 5% tax rate is RUB 6,355 million. In November 2023, the Group made a security payment for the windfall tax presented as a separate line item in the consolidated statement of cash flows.

Management of the Group has considered events and conditions that could give rise to material uncertainties and concluded that the range of possible outcomes does not cast significant doubt over the Group's ability to continue as a going concern.

2 BASIS OF PREPARATION**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for financial instruments initially recognised at fair value with subsequent revaluation through profit or loss.

(c) 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. In March 2022, the Group lost control over its 100% foreign subsidiary Phosint Limited (currently PUREFERT LIMITED) owning all the foreign companies of the Group. Until the loss of control, the Group included entities with US dollar, Euro and other currencies as a functional currency.

(d) 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.

In 2022, until the loss of control over Phosint Limited, profit and loss items of foreign subsidiaries were translated from USD and EUR into RUB at the following average exchange rates for the appropriate month:

Average exchange rate for the month	2022	
	RUB to USD 1	RUB to EUR 1
January	75.8837	85.9393
February	77.4048	87.7638
March	104.0810	114.7127

(e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. 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 (b) (iii) – estimated useful lives of property, plant and equipment;
- Note 15 - recognition of deferred tax assets: availability of future taxable income for offsetting with appropriate tax losses.

(f) Adoption of new and revised standards and interpretations

The following revised standards, issued by the International Accounting Standards Board (IASB) and approved for use on the territory of Russian Federation, became effective from January 1, 2023, but didn't have a material impact on the Group unless otherwise specified.

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

2 BASIS OF PREPARATION (CONTINUED)

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The Group revised its approach to significant accounting policies disclosure in accordance with amendments to the requirements as set out in note 3.
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

The following amendments, issued by the International Accounting Standards Board (IASB), were not approved for application in Russian Federation and didn't have a material impact on the Group:

International Tax Reform – Pillar Two Model Rules – Narrow-scope amendments to IAS 12 (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

(g) New standards and interpretations not yet adopted

A number of new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 and which the Group has not early adopted, but is in process of assessing the impact on the Group's consolidated financial statements.

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, the effective date subsequently modified to 1 January 2024).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, the effective date subsequently modified to 1 January 2024).
- Lease Liability in a Sale and Leaseback Amendments to IFRS 16 – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).
- Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7 (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).
- Lack of exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- Sale or Contribution of Assets between an Investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currencies

Foreign exchange gains and losses that relate to loans and borrowings as well as cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within the line item "Foreign exchange loss/gain from financing activities, net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within the line item "Foreign exchange gain/loss from operating activities, net".

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

(i) *Initial recognition*

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 Accounting Standards (January 1, 2005) 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 and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) *Subsequent expenditure*

Expenses related to current repairs and maintenance of property, plant and equipment are recognised within profit or loss and other comprehensive income as incurred.

The Group recognises expenses related to current repairs and maintenance of property, plant and equipment incurred less than once per 12 months with the cost of more than RUB 100 thousand as assets, and depreciates these assets on a straight-line basis until the next repair.

Expenses related to the replacement of major spare parts and renewal of property, plant and equipment are capitalised and depreciated in the ordinary course.

(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.

Tangible fixed assets 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.

(iv) *Capitalisation of borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs are capitalised.

Borrowing costs capitalised are presented as part of cash flows from investing activities in the consolidated statement of cash flows.

(v) *Advances issued for property, plant and equipment*

A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Financial instruments****Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, long-term accounts 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's financial assets measured at amortised cost include trade and other receivables (excluding receivables measured at fair value under provisionally priced sales agreements), long-term receivables, cash and cash equivalents, and loans issued.

The Group's financial assets measured at fair value through profit or loss include receivables under provisional pricing agreements and investments in equity instruments.

The Group's financial liabilities measured at amortised cost include loans and borrowings, lease liabilities, trade and other payables, dividends payable.

(d) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank deposits held for longer than three months that are repayable on demand within several working days without penalties or that can be redeemed/withdrawn, subject to the interest income forfeited, are classified as cash equivalents if the deposits are held to meet short-term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

(e) Inventories

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. 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 inventory (finished goods and goods for resale) for distribution companies is determined on the first-in, first-out (FIFO) basis. The cost of inventories for production companies is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Spare parts to be used for construction and in repairs capitalised are classified as non-current assets and are included in line item "Non-current spare parts".

Catalysts to be used in production during the period of more than 1 year are classified as part of non-current assets and written-off to the production cost based on the volume of goods produced. Catalysts to be used in production within 1 year are classified as part of inventories.

(f) Impairment**Financial assets**

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Group estimates loss allowances either based on ECLs that result from default events possible within 12 months after the reporting date or based on lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

The Group estimates loss allowance for trade receivables using the simplified approach in the amount equal to the lifetime ECL of the financial instrument. To calculate expected credit losses, the Group segments counterparties based on their geographic location and considers their credit rating, adjusted for current and future factors specific to the debtors, historical credit loss experience and economic environment in which they operate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group estimates loss allowances for other financial assets either based on ECLs that result from default events possible within 12 months after the reporting date or until contract maturity, if shorter, until there has been a significant increase in credit risk since the initial recognition of the asset. In assessing ECL and credit risk, the Group considers quantitative and qualitative information and performs an analysis that is based on the Group's actual credit loss experience and considers forward-looking information. A significant increase in credit risk is presumed if a debtor is more than 30 days past due.

If credit risk has increased significantly since the initial recognition or there is evidence that a financial asset is impaired, the expected credit losses for that asset are measured based on the lifetime ECLs. If the fair value of an impaired financial asset subsequently increases and such increase can be objectively attributed to an event occurring after the impairment loss was recognised in profit or loss for the period, the amount written off as a loss is reversed and the reversed amount is recognised in profit or loss for the period.

(g) Leases

As a lessee

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 fixed payments.

The Group separates lease cash flows into principal lease payments (financing activities) and interest lease payments (operating activities) in the consolidated statement of cash flows.

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.

(h) Employee benefits

(i) Defined benefit 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 consolidated statement of profit or loss and other comprehensive income. To the extent the benefits vest immediately, the expense is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Defined contribution plans

The Group makes mandatory contributions to the Social Fund of Russian Federation (until January 1, 2023 – Russia's State pension fund). These amounts are written off as expenses in the period when the Group's employees provided services related to these accruals.

(i) Income tax

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 measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws in force or put into force by the reporting date.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same tax authority on the same taxable entity.

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.

(j) Windfall tax

Windfall tax is within the scope of IAS 12 Income taxes, it is recognised as a current income tax and is subject to respective income tax accounting policy.

Windfall tax is a one-off tax. Windfall tax liability and expenses are recognised in the consolidated financial statements starting from the moment when the Federal Law has been substantively enacted.

Windfall tax liability and expenses are measured at the amount calculated using the tax rates considering security payment made.

In the consolidated statement of financial position, the security payment was reflected together with the with the windfall tax liability until the entity had a legally enforceable right of offset, which would arise from 1 January 2024.

(k) Revenues

Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer. The amount of revenue recognised reflects the consideration the Group expects to be entitled in exchange for goods or services, taking into account any trade, volume and other discounts.

The selling price for goods or services can be fixed or provisionally priced, with subsequent determination of the final price within the period established by the contract (provisionally priced contracts). Revenue under such contracts is initially recognised at a predetermined price. Accounts receivable under provisionally priced contracts are measured at fair value through profit or loss with appropriate adjustments recorded in revenue until the final price is determined.

Advances received before the control passes to a customer are recognised as the contract liabilities. The amount of consideration does not contain a significant financial component as payment terms for the majority of contracts are less than one year. No information is provided about remaining performance obligations as at the reporting date that have an original expected duration of one year or less, as allowed by IFRS 15.

Contracts with customers for the supply of goods use a variety of delivery terms. The Group determined that under the terms of the certain contracts for the supply of goods 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.

Group's revenue include the proceeds from transportation services. Costs related to rendering of transportation services are mainly represented by logistics costs and included in cost of Group products sold.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Export customs duties

Starting from January 1, 2023, customs duties were introduced on export revenue of mineral fertilisers (note 1), which are considered by the Group as an additional fee and are recognised as logistics expenses as part of the cost of products sold.

(m) Taxes, other than income tax

The Group presents taxes, other than income taxes in a separate line item in the consolidated statement of profit or loss and other comprehensive income "Taxes other than income taxes" (note 8). The Group does not classify these expenses according to their function in the line items of cost of sales, administrative and selling expenses. According to the Group's management opinion the presentation in a separate line item in the consolidated statement of profit or loss and other comprehensive income, transparently and fully presents information about taxes, other than income tax impact on the financial results of the Group.

(n) Finance income and finance costs

Finance income comprises interest income, dividend income, unwinding of discount on financial assets and share of profit of associates and foreign exchange gains on financing activities. Interest income is recognised as it accrues in profit or loss. 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, interest expense on lease liabilities, bank fees, interest expense on defined benefit obligations, securitisation fees, increase in credit loss for financial investments, share of loss of associates and foreign exchange losses on financing activities.

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

(o) 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.

According to the Group's approach to stripping, the ore, which becomes accessible after the overburden removal, is extracted within no more than four 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.

4 FAIR VALUE DETERMINATION

When measuring a 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 of 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, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- *Level 3:* inputs for the asset and liability that are not based on observable market data (unobservable inputs).

If inputs used to measure a fair value of an asset or a liability might be categorised into different levels of fair value hierarchy, then 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 below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4 FAIR VALUE DETERMINATION (CONTINUED)

(a) Financial assets and liabilities measured at amortised cost

The fair value of financial assets and liabilities represented by short-term loans issued, trade and other receivables (except for receivables measured at fair value under provisional pricing agreements), cash and cash equivalents, trade and other payables is categorised into level 3 of fair value hierarchy and approximate their carrying amounts at the reporting date.

Bonds' fair value is measured based on quoted market prices for disclosure purposes and categorised into level 1 of the fair value hierarchy. Loans and borrowings and non-current receivables fair value is categorised into level 3 of the fair value hierarchy.

(b) Financial instruments measured at fair value

The fair value of investments measured at fair value through profit or loss and receivables under provisionally priced sales agreements measured at fair value through profit or loss is determined using the valuation techniques and categorised into level 3 of the fair value hierarchy.

Investments value measured at fair value through profit or loss is estimated based on the model of discounted cash flows from the investee's operating activities.

Receivables fair value under provisionally priced sales agreements is calculated based on mineral fertiliser market prices expected at the date when the price is finalised. These assumptions are based on consensus prices forecasts prepared by independent analytical agencies, adjusted in accordance with price calculation formulas specified in existing delivery contracts.

5 REVENUES

<i>RUB million</i>	2023	2022
Phosphate-based and nitrogen-based products	421,690	551,037
Other	18,614	18,490
Revenues	440,304	569,527

6 COST OF GROUP PRODUCTS SOLD

<i>RUB million</i>	2023	2022
Production expense for Group goods sold	(197,783)	(222,360)
Depreciation	(29,374)	(26,979)
Salaries and social contributions	(26,265)	(19,667)
Potash	(22,444)	(27,418)
Materials and services	(22,158)	(19,997)
Repair and maintenance expenses	(15,865)	(12,002)
Natural gas	(15,033)	(14,226)
Transportation of phosphate rock	(13,468)	(11,610)
Ammonia	(11,533)	(19,550)
Sulphur and sulphuric acid	(11,507)	(40,798)
Electricity	(7,317)	(6,754)
Fuel	(5,754)	(6,459)
Feedstock processing services	(4,341)	-
Anti-clogging agent	(3,785)	(4,597)
Drilling and blasting operations expenses	(3,101)	(3,217)
Reagents	(3,020)	(2,755)
Ammonium sulphate	(2,818)	(6,331)
Logistics expenses for Group goods sold	(37,777)	(31,059)
Russian Railways infrastructure tariff and operators' fees	(14,047)	(12,647)
Customs duties	(13,207)	(1,420)
Freight, port and stevedoring expenses	(9,924)	(16,382)
Other services and materials	(599)	(610)
Cost of Group products sold	(235,560)	(253,419)

7 ADMINISTRATIVE AND SELLING EXPENSES

<i>RUB million</i>	2023	2022
Administrative expenses:	(27,185)	(37,328)
Salaries and social contributions	(18,684)	(29,015)
Professional services	(2,197)	(2,386)
Depreciation and amortisation	(1,561)	(1,387)
Security and fire safety services	(1,539)	(1,222)
Office equipment and stationery	(866)	(784)
Representative and travel expenses	(831)	(553)
Repair and maintenance services	(362)	(303)
Utilities	(281)	(240)
Advertising and brand promotion	(206)	(226)
Other services	(658)	(1,212)
Selling expenses:	(5,097)	(5,075)
Salaries and social contributions	(2,476)	(2,885)
Depreciation and amortisation	(1,347)	(1,173)
Advertising and brand promotion	(458)	(252)
Repair and maintenance services	(322)	(324)
Other services	(494)	(441)
Administrative and selling expenses	(32,282)	(42,403)

8 TAXES, OTHER THAN INCOME TAX

<i>RUB million</i>	2023	2022
Mineral extraction tax	(10,026)	(8,707)
Property tax	(2,030)	(1,890)
Environment pollution payment	(225)	(207)
VAT included in expenses	(206)	(162)
Land tax	(184)	(226)
Using water objects payment	(67)	(58)
Other taxes	(41)	(77)
Taxes, other than income tax	(12,779)	(11,327)

9 OTHER EXPENSES, NET

<i>RUB million</i>	2023	2022
Social expenditures	(7,720)	(9,314)
Loss on disposal of property, plant and equipment and intangible assets	(365)	(429)
Accrual of contingent liabilities	(108)	(32)
Increase in credit loss allowance	(76)	(539)
Gain on disposal of inventories	485	276
Fines, penalties and compensations received	173	288
Decrease in allowance for inventory write-down	6	120
Other income, net	48	259
Other expenses, net	(7,557)	(9,371)

10 FINANCE INCOME AND FINANCE COSTS

<i>RUB million</i>	2023	2022
Interest income	1,967	3,818
Unwinding of discount (note 16)	1,308	519
Other finance income	78	102
Finance income	3,353	4,439
Interest expense on borrowings (note 23)	(7,179)	(4,223)
Interest expense on lease liabilities (note 24)	(284)	(244)
Bank fees	(171)	(258)
Interest expense on defined benefit obligations	(103)	(56)
Credit loss allowance on loans issued (note 17)	-	(4,124)
Discount on extension of payment terms (note 16)	-	(2,777)
Loss from revaluation of financial instruments	-	(55)
Securitization fees	-	(47)
Increase in credit loss allowance on financial assets	-	(14)
Other finance costs	(144)	(169)
Finance costs	(7,881)	(11,967)

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2022: 20%).

<i>RUB million</i>	2023	2022
Current tax expense	(28,172)	(41,465)
Windfall tax expense	(6,355)	-
Deferred income tax - origination and reversal of temporary differences, including change in unrecognised tax assets	6,065	(6,118)
Income tax expense	(28,462)	(47,583)

In November 2023, the Group made windfall tax security payment in the amount of RUB 6,355 million. Accordingly, the windfall tax rate was amounted to 5%.

Reconciliation of income tax:

<i>RUB million</i>	2023	2022
Profit before tax	114,603	232,297
Income tax at applicable tax rate	(22,921)	(46,459)
Windfall tax	(6,355)	-
Tax effect of items which are not deductible or assessable for taxation purposes	(1,818)	(2,072)
Tax effect from concessionary tax rate	2,157	3,289
Tax effect on foreign exchange differences on receivables recognised from disposal of Phosint Group	475	(295)
Tax effect on receivables recognised from disposal of Phosint Group	-	(1,647)
Tax effect on provision for loans issued	-	(517)
Effect of tax rates in foreign jurisdictions	-	118
Income tax expense	(28,462)	(47,583)

12 PROPERTY, PLANT AND EQUIPMENT

<i>RUB million</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Gross book value at 1 January 2022	116,400	203,800	20,737	43,494	384,431
Additions	3,312	14,193	3,125	47,160	67,790
Transfers	20,246	26,198	-	(46,444)	-
Disposals	(1,071)	(6,602)	(358)	(209)	(8,240)
Disposal of foreign subsidiaries	(1,129)	(2,891)	(101)	-	(4,121)
Other transfers	62	138	11	-	211
Gross book value at 31 December 2022	137,820	234,836	23,414	44,001	440,071
Additions	4,693	11,657	3,235	47,392	66,977
Transfers	6,102	19,577	-	(25,679)	-
Disposals	(1,924)	(6,236)	(451)	(123)	(8,734)
Gross book value at 31 December 2023	146,691	259,834	26,198	65,591	498,314
Accumulated depreciation at 1 January 2022	(30,609)	(103,410)	(12,968)	-	(146,987)
Depreciation	(7,416)	(18,528)	(1,886)	-	(27,830)
Disposals	973	6,270	305	-	7,548
Disposal of foreign subsidiaries	357	1,241	85	-	1,683
Other transfers	(13)	59	(9)	-	37
Accumulated depreciation at 31 December 2022	(36,708)	(114,368)	(14,473)	-	(165,549)
Depreciation	(8,572)	(21,512)	(2,191)	-	(32,275)
Disposals	1,889	5,844	440	-	8,173
Accumulated depreciation at 31 December 2023	(43,391)	(130,036)	(16,224)	-	(189,651)
Net book value at 1 January 2022	85,791	100,390	7,769	43,494	237,444
Net book value at 31 December 2022	101,112	120,468	8,941	44,001	274,522
Net book value at 31 December 2023	103,300	129,798	9,974	65,591	308,663

During the year ended 31 December 2023, the Group capitalised borrowing costs in the amount of RUB 1,896 million (2022: RUB 976 million) in the value of property, plant and equipment using the weighted average interest rate of 4.43% per year (2022: 2.55% per year).

As at 31 December 2023, the most significant construction in progress balances were represented by the following investment projects:

- Kirovsk branch of Apatit, JSC: Kirovsk mine extension and modernization. As at 31 December 2023, the Group capitalised expenses of RUB 18,674 million (as at 31 December 2022: RUB 13,458 million);
- Kirovsk branch of Apatit, JSC: Rasvumchorrskiy mine extension and modernization. As at 31 December 2023, the Group capitalised expenses of RUB 6,903 million (as at 31 December 2022: RUB 4,821 million);
- Kirovsk branch of Apatit, JSC: apatit-nepheline beneficiation plants extension and modernization. As at 31 December 2023, the Group capitalised expenses of RUB 3,835 million (as at 31 December 2022: RUB 4,575 million);

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- Balakovo branch of Apatit, JSC: sulphuric acid facilities extension and modernization. As at 31 December 2023, the Group capitalised expenses of RUB 5,605 million (as at 31 December 2022: RUB 2,184 million);
- Balakovo branch of Apatit, JSC: granulated ammonium sulphate facilities construction. As at 31 December 2023, the Group capitalised expenses of RUB 2,315 million (as at 31 December 2022: RUB 2,616 million);
- Apatit, JSC, Cherepovets: ammonia production facilities support and modernization. As at 31 December 2023, the Group capitalised expenses of RUB 3,198 million (as at 31 December 2022: RUB 1,724 million);
- Volkov branch of Apatit, JSC: construction of auxiliary facilities for the production of monoammonium phosphate. As at 31 December 2023, the Group capitalised expenses of RUB 754 million (as at 31 December 2022: RUB 3,385 million).

13 RIGHT-OF-USE ASSETS

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

<i>RUB million</i>	Buildings	Plant and equipment	Fixtures and fittings	Total
Net book value at 1 January 2022	452	6,503	-	6,955
New lease contracts or modification on existing lease contracts	60	(1,118)	-	(1,058)
Depreciation	(78)	(1,108)	-	(1,186)
Disposals	(67)	(132)	-	(199)
Disposal of foreign subsidiaries	(246)	(18)	-	(264)
Effect of foreign currency translation reserve	27	2	-	29
Net book value at 31 December 2022	148	4,129	-	4,277
New lease contracts or modification on existing lease contracts	216	1,102	2,851	4,169
Depreciation	(63)	(978)	(88)	(1,129)
Disposals	(15)	(62)	-	(77)
Net book value at 31 December 2023	286	4,191	2,763	7,240

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

<i>RUB million</i>	2023	2022
Depreciation expense on right-of-use assets	1,129	1,186
Expenses relating to leases with variable payments	562	498
Expenses relating to short-term leases	387	349
Interest expense on lease liabilities	284	244

Amounts recognised in the consolidated statement of cash flows:

<i>RUB million</i>	2023	2022
Principal lease payments (note 24)	(1,416)	(1,429)
Expenses relating to leases with variable payments	(562)	(498)
Expenses relating to short-term leases	(387)	(349)
Interest payments (note 24)	(284)	(244)
Total payments	(2,649)	(2,520)

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

RUB million	31 December 2023		31 December 2022	
	Carrying value	Share of ownership	Carrying value	Share of ownership
JSC Khibinskaya Teplovaya Kompaniya (Russia)	534	50%	504	50%
JSC Giproruda (Russia)	62	25%	62	25%
JSC Soligalichskiy izvestkovyi kombinat (Russia)	39	26%	26	26%
LLC Avrora-Khibiny (Russia)	1	50%	-	-
Total	636		592	

15 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities by type of temporary difference

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

RUB Million	Assets	Liabilities	Net	Assets	Liabilities	Net
	31 December 2023			31 December 2022		
Property, plant and equipment, right-of-use assets and intangible assets	85	(18,314)	(18,229)	104	(15,986)	(15,882)
Other non-current assets	39	(1,615)	(1,576)	41	(1,199)	(1,158)
Current assets	721	(1,158)	(437)	765	(1,945)	(1,180)
Liabilities	5,514	-	5,514	1,345	(1,565)	(220)
Tax loss carry-forwards	10,876	-	10,876	8,523	-	8,523
Deferred tax assets/(liabilities)	17,235	(21,087)	(3,852)	10,778	(20,695)	(9,917)
Offset	(7,484)	7,484	-	(2,875)	2,875	-
Net deferred tax assets/(liabilities)	9,751	(13,603)	(3,852)	7,903	(17,820)	(9,917)

The deferred tax assets on tax loss carry-forwards relate to the Russian entities of the Group. Due to the Russian tax legislation, starting from 1 January 2017, tax losses accumulated as at 31 December 2023 can be carried forward without limitation on utilisation period.

Management has developed a tax strategy to utilise the above tax losses. In assessing the tax losses recoverability, management considers a future Group's taxable profits forecast and the Group's tax position to ensure whether it is probable that the relevant taxable profit will be available taking into account the Group's available restructuring arrangements to deferred tax utilization. In addition, management expects to utilise a part of tax losses in 2024 through the taxable income from the repayment of short-term part of receivable recognised as a result of Phosint Group disposal (note 17).

As at 31 December 2023, no deferred tax liability for taxable temporary differences of RUB 88,627 million associated with investments in subsidiaries has been recognised (31 December 2022: for taxable temporary differences of RUB 113,212¹ 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 income tax rate for intragroup dividends is expected to be 0%.

¹In 2023, the Group changed the approach to taxable temporary differences calculation. The Group adjusted the amount of taxable temporary differences as at 31 December 2022 to ensure information comparability in the consolidated financial statements for 2023.

15 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Movement in temporary differences during the year

<i>RUB million</i>	31 December 2023	Recognised in profit or loss	Recognised in other comprehensive income	Disposal of foreign subsidiaries	1 January 2023
Property, plant and equipment, right-of-use assets and intangible assets	(18,229)	(2,347)	-	-	(15,882)
Other non-current assets	(1,576)	(418)	-	-	(1,158)
Current assets	(437)	743	-	-	(1,180)
Liabilities	5,514	5,734	-	-	(220)
Tax loss carry-forwards	10,876	2,353	-	-	8,523
Net deferred tax (liabilities)/assets	(3,852)	6,065	-	-	(9,917)

<i>RUB million</i>	31 December 2022	Recognised in profit or loss	Recognised in other comprehensive income	Disposal of foreign subsidiaries	1 January 2022
Property, plant and equipment, right-of-use assets and intangible assets	(15,882)	(2,288)	25	(280)	(13,339)
Other non-current assets	(1,158)	(904)	10	(79)	(185)
Current assets	(1,180)	(2,788)	37	(69)	1,640
Liabilities	(220)	(1,835)	3	(8)	1,620
Tax loss carry-forwards	8,523	1,697	-	-	6,826
Net deferred tax (liabilities)/assets	(9,917)	(6,118)	75	(436)	(3,438)

16 OTHER NON-CURRENT ASSETS

<i>RUB million</i>	31 December 2023	31 December 2022
Receivable accrued as a result of Phosint Group disposal ¹	7,178	8,454
Allowance for expected credit losses	(71)	(85)
Receivable accrued as a result of Phosint Group disposal, net	7,107	8,369
Investments in equity instruments measured at fair value through profit or loss ¹	1,025	-
Loans issued to employees, at amortised cost	65	69
Long-term accounts receivable	45	58
Financial assets, at fair value through profit or loss	11	12
Loans issued to third parties, at amortised cost	9	38
Total other non-current assets	8,262	8,546

¹In March 2022, the Group's wholly owned foreign subsidiary Phosint Limited (currently PUREFERT LIMITED), owning the foreign companies of the Group, increased its share capital, resulting in dilution of the Group's stake in Phosint Limited to 5%. The Group performed the analysis of the key attributes and documents of the transaction, and made a conclusion that it lost a control over Phosint Limited as described in IFRS 10 *Consolidated Financial Statements*.

Upon the loss of control in 2022, the Group recognised a receivable of RUB 12,189 million with 3 years payment period.

As at 31 December 2023, part of the receivables of RUB 4,959 million was reclassified into current financial assets in accordance with the repayment schedule.

16 OTHER NON-CURRENT ASSETS (CONTINUED)

The following information shows the movements of the Group's receivables recognised as a result of Phosint Group disposal during the reporting period:

<i>RUB million</i>	2023	2022
Balance at 1 January	8,454	-
Foreign currency translation difference	2,375	(1,477)
Unwind of discount (note 10)	1,308	519
Reclassification of the current portion of long-term accounts receivables (note 17)	(4,959)	-
Receivable accrued	-	12,189
Discount on extension of payment terms (note 10)	-	(2,777)
Balance at 31 December	7,178	8,454

As the Group has no longer significant influence over Phosint Limited (currently PUREFERT LIMITED) following the loss of control, the remaining 5% investment was recognised as financial asset measured at fair value through profit or loss with insignificant fair value at the date of initial recognition. As at 31 December 2023, the fair value of the investment measured based on the model of discounted cash flows from the investee's operating activities amounted to RUB 1,025 million.

17 OTHER FINANCIAL ASSETS

<i>RUB million</i>	31 December 2023	31 December 2022
Short-term part of receivable accrued as a result of Phosint Group disposal (note 16)	4,959	-
Loans issued to employees, at amortised cost	91	101
Loans issued to third parties, at amortised cost	59	51
Interest receivable	42	76
Credit losses allowance	(68)	(18)
Total other financial assets	5,083	210

The movements in provision for expected credit losses allowance are as follows:

<i>RUB million</i>	2023	2022
Balance at 1 January	(18)	(113)
Disposal of foreign subsidiaries	-	4,235
Use of allowance	1	6
Increase in provision for expected credit losses allowance	(51)	(4,135)
Effect of foreign currency translation reserve	-	(11)
Balance at 31 December	(68)	(18)

In February 2022, the Group provided cash of RUB 3,130 million (USD 40 million) to the investment broker at 0.25% and received securities as a collateral for the funds deposited (reverse repo transaction). As a result of negative economic situation, significant market disruptions to broker cross-border operations led to his liquidity problems and inability to repurchase securities back from the Group. As a result, the Group loan issued under this transaction was fully impaired and loss of RUB 4,124 million was recognised as a part of finance costs.

18 INVENTORIES

<i>RUB million</i>	31 December 2023	31 December 2022
Raw materials and spare parts	23,767	15,109
<i>Finished goods:</i>		
Chemical fertilisers	12,641	10,388
Apatite concentrate	698	801
Other products	1,066	1,379
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	8,250	5,685
Chemical fertilisers and other products for resale, purchased from third parties	1,965	5,941
Other goods	177	148
Allowance for inventory write-down	(96)	(102)
Total inventories	48,468	39,349

19 TRADE AND OTHER RECEIVABLES

<i>RUB million</i>	31 December 2023	31 December 2022
Financial assets		
Trade accounts receivable	51,403	61,997
Other receivables	430	1,479
Credit losses allowance	(474)	(482)
Non-financial assets		
Advances issued	9,958	8,634
Advances issued on custom duties	4,816	3,901
Deferred expenses	204	202
Receivables from employees	40	20
Provision for doubtful accounts and expected credit losses allowance	(15)	(10)
Total trade and other receivables	66,362	75,741

As at 31 December 2023, the Group performed revaluation of receivables under provisionally priced sales agreements measured at fair value through profit or loss and recognised an adjustment within revenue.

The following information shows the movement of the Group's receivables under provisionally priced sales agreements:

<i>RUB million</i>	2023
Balance at 1 January	2,711
Receivables recognised	90,813
Receivables redeemed	(62,097)
Foreign exchange gain, net	2,233
Loss from revaluation at fair value (unrealised)	(74)
Balance at 31 December	33,586

As at 31 December 2023, a 5% increase/(decrease) in forecasted market prices, with all other variables held constant, will lead to increase/(decrease) fair value of the Group's receivables under provisionally priced sales agreements by RUB 1,493 million.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the amount of credit losses allowance are as follows:

<i>RUB million</i>	2023	2022
Balance at 1 January	(492)	(355)
Increase in credit losses allowance	(28)	(472)
Reversal of allowance	16	7
Use of allowance	15	223
Disposal of foreign subsidiaries	-	125
Effect of foreign currency translation reserve	-	(20)
Balance at 31 December	(489)	(492)

See note 27 (e) for the analysis of overdue trade and other accounts receivable.

20 CASH AND CASH EQUIVALENTS

<i>RUB million</i>	31 December 2023	31 December 2022
Call deposits	20,058	5,911
Cash in bank	9,095	7,438
Petty cash	10	7
Total cash and cash equivalents	29,163	13,356

As at 31 December 2023 and 31 December 2022 the most significant cash and cash equivalent balances (more than 95%) are kept with large Russian banks rated at AA+ and AAA by independent Russian rating agencies (ACRA, Expert RA).

21 EQUITY

(a) Share capital

As at 31 December 2023 and 31 December 2022, the Company's share capital consists of 129,500,000 ordinary shares with par value of RUB 2.5 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

As at 31 December 2023 and 31 December 2022, the number of ordinary shares authorised for additional issue is 994,977,080, with a par value of RUB 2.5 per share.

(b) Dividend policy

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

- striking an effective and reasonable balance between the payment of dividends and reinvestment of profit in further development;
- ensuring transparency and predictability of dividend payments as a way to boost the Company's investment case.

21 EQUITY (CONTINUED)

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 Accounting Standards. Free cash flow is defined as cash flows from operating activities less cash flows from investing activities based on the consolidated statement of cash flows. 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 payment period for dividends payable to a nominal holder or a trustee, which is a professional participant of the securities market, who are registered in the share register, shall be not more than 10 business days. The payment period for dividends payable to other parties registered in the shareholders register shall not exceed 25 business days after the date on which the parties entitled to receive dividends are determined. 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 the 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 Accounting Standards. At the same time, the amount of declared dividends shall not be lower than 50% of net profit for the relevant period under IFRS Accounting Standards adjusted by the amount of unrealised 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 financial statements prepared in accordance with Russian Accounting Standards. As at 31 December 2023, the Company had cumulative retained earnings of RUB 38,397 million (31 December 2022: RUB 69,540 million).

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
March 2023	March 2023	465	60,217.5
May 2023	June 2023	264	34,188.0
November 2023	December 2023	291	37,684.5
Total			132,090.0

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
August 2022	September 2022	780	101,010.0
November 2022	December 2022	318	41,181.0
Total			142,191.0

22 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.

	2023	2022
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit for the year attributable to shareholders of the Company, RUB million	86,084	184,662
Basic and diluted earnings per share, RUB	665	1,426

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

<i>RUB million</i>	31 December 2023	31 December 2022
<i>Current loans and borrowings</i>		
Unsecured bank loans	84,610	44,648
Interest payable	1,819	1,157
Eurobonds	-	35,169
Total current loans and borrowings	86,429	80,974
<i>Non-current loans and borrowings</i>		
Replacement bonds	66,404	-
Unsecured bank loans	27,231	39,666
Bonds CNY-denominated	25,152	-
Eurobonds	23,284	70,338
Bonds RUB-denominated	20,000	-
Bank commission (long-term)	(361)	(220)
Total non-current loans and borrowings	161,710	109,784
Total loans and borrowings	248,139	190,758

Information on the Group's bond loans is presented below:

<i>RUB million</i>		31 December 2023		31 December 2022
Currency	Expiry date	Rate, %	Carrying value	Fair value
<i>Eurobonds</i>				
USD	24.04.2023	3.95%	-	-
USD	23.01.2025	3.05%	12,833	10,877
USD	16.09.2028	2.60%	10,451	6,994
<i>Replacement bonds</i>				
USD	23.01.2025	3.05%	32,011	31,531
USD	16.09.2028	2.60%	34,393	31,261
<i>CNY-denominated bonds</i>				
CNY	09.04.2026	4.65%	25,152	25,190
<i>RUB-denominated bonds</i>				
RUB	17.04.2026	9.40%	20,000	19,589
Total bonds		134,840	125,442	105,507
				70,215

In April 2023, the Company repaid Eurobonds with a nominal value of USD 500 million issued in January 2018 with a coupon rate of 3.949%. The source of funds for making payments also included funds raised as part of the placement of exchange-traded bonds in April 2023.

In April 2023, the Company issued two series of 3-year bonds on the Moscow Stock Exchange:

- CNY 2,000 million, with a coupon period of 91 days and coupon income China Loan prime rate (LPR 1Y) + 1.2%;
- RUB 20,000 million, with a coupon period of 182 days and coupon income 9.4%.

In accordance with the Russian President Decree from 5 July 2022 № 430 *On repatriation of foreign currency and Russian Federation currency by the residents as a foreign economic activity participants*, in July 2023 the Company issued replacement bonds of Z025-D series for USD 356.9 million and Z028-D series for USD 383.5 million in exchange for Eurobonds with maturity in 2025 and 2028 respectively. Replacement bonds have the same terms as Eurobonds including rate, coupon payment terms, par value and maturity date. Bonds repayment during issue was made by the Eurobonds, rights on which are registered by Russian depositaries. Repayment of Z025-D and Z028-D series bonds and appropriate coupon will be made in Russian roubles applying Bank of Russia exchange rate at the repayment date.

23 LOANS AND BORROWINGS (CONTINUED)

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

<i>RUB million</i>	31 December 2023	31 December 2022
USD-denominated	117,677	135,825
CNY-denominated	80,280	-
RUB-denominated	47,254	42,805
EUR-denominated	2,928	12,128
Total	248,139	190,758

The maturity of the loans and borrowings is as follows:

<i>RUB million</i>	31 December 2023	31 December 2022
Less than 1 year	86,429	80,974
1-2 years	53,298	23,218
2-3 years	61,225	38,824
3-4 years	2,704	10,688
4-5 years	44,844	2,105
More than 5 years	-	35,169
Bank commission	(361)	(220)
Total	248,139	190,758

Analysis of Group's loans and borrowings changes related to cash and non-cash movements is presented below:

<i>RUB million</i>	2023	2022
Balance as at 1 January	190,758	169,791
Cash inflows	172,906	57,171
Cash outflows	(155,306)	(23,926)
Foreign exchange differences	39,316	(11,950)
Interest accrued	7,179	4,223
Interest paid	(6,840)	(4,628)
Amortisation of bank commission	126	78
Other turnovers	-	(1)
Balance as at 31 December	248,139	190,758

24 LEASE LIABILITIES

<i>RUB million</i>	Lease liability without subsequent asset buyout	Lease liability with subsequent asset buyout	Total
Balance as at 1 January 2022	3,148	2,489	5,637
New lease contracts or modification of existing lease contracts	(1,431)	460	(971)
Principal lease payments	(730)	(699)	(1,429)
Interest expense on lease liabilities	106	138	244
Interest lease payments	(106)	(138)	(244)
Disposal of foreign subsidiaries	(290)	-	(290)
Effect of foreign currency translation reserve	34	(45)	(11)
Balance as at 31 December 2022	731	2,205	2,936
New lease contracts or modification of existing lease contracts	518	2,060	2,578
Principal lease payments	(401)	(1,015)	(1,416)
Interest expense on lease liabilities	66	218	284
Interest lease payments	(66)	(218)	(284)
Foreign exchange differences	(2)	135	133
Balance as at 31 December 2023	846	3,385	4,231

25 DEFINED BENEFIT OBLIGATIONS

<i>RUB million</i>	31 December 2023	31 December 2022
Pension obligations, long-term	308	442
Post-retirement obligations other than pensions	821	608
Total defined benefit obligations	1,129	1,050

The Group has defined benefit plans at JSC "Apatit", including all the branches, which stipulate payment of a lump sum allowance to employees who have a specified period of service in this company upon their retirement. The movement in the present value of the defined benefit obligations is as follows:

<i>RUB million</i>	2023	2022
Defined benefit obligations at 1 January	1,050	952
Disposal of foreign subsidiaries	-	(194)
Benefits paid	(101)	(101)
Current service costs and interest	145	103
Past service costs	-	(1)
Actuarial loss in other comprehensive income	35	276
Effect of foreign currency translation reserve and foreign exchange differences	-	15
Defined benefit obligations at 31 December	1,129	1,050

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

	31 December 2023	31 December 2022
Discount rate	12.0%	10.1%
Future pension increases	5.7%	6.0%

26 TRADE AND OTHER PAYABLES

<i>RUB million</i>	31 December 2023	31 December 2022
Financial liabilities		
Trade accounts payable	22,130	15,700
including accounts payable for property, plant and equipment and intangible assets	7,661	4,294
Other payables	870	1,089
Non-financial liabilities		
Advances received (liabilities under the contracts with customers)	13,003	17,258
Accrued expenses and provisions	349	241
Payables to employees	5,990	4,620
Other payables	311	504
Total trade and other payables	42,653	39,412

Contract liabilities balance at the beginning of the year was fully recognised in revenue during the reporting period.

27 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 conditions, such as foreign exchange rates, interest rates and equity prices will affect the Group's profit 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.

(c) 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 currency of Group entities. The currencies giving rise to this risk are primarily USD, CNY 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 the Group's sales agreements are denominated.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has the following net monetary position on financial assets and liabilities denominated in foreign currencies:

RUB million	31 December 2023			31 December 2022		
	USD denominated	CNY denominated	EUR denominated	USD denominated	CNY denominated	EUR denominated
Non-current assets	7,178	-	-	8,454	-	-
Current assets	64,290	-	1,667	64,273	-	1,242
Non-current liabilities	(108,875)	(28,937)	(2,185)	(92,131)	-	(9,293)
Current liabilities	(12,822)	(51,959)	(1,910)	(46,001)	-	(3,333)
Net position of the Group companies	(50,229)	(80,896)	(2,428)	(65,405)	-	(11,384)

Management estimates that a 10% strengthening/(weakening) of RUB against USD, CNY and EUR, based on the Group's total net position in USD, CNY and EUR as at the reporting date would have increased/(decreased) the Group's profit for the year by RUB 13,355 million, before any tax effect (2022: would have increased/(decreased) the Group's profit for the year by RUB 7,679 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

The net foreign exchange loss recognised in profit or loss of RUB 17,964 million (net foreign exchange gain of RUB 2,417 million for the comparative period) resulted from Russian rouble depreciation against major currencies during the reporting period (Russian rouble appreciation against major currencies during the comparative period).

(d) 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 at their carrying values is as follows:

RUB million	31 December 2023	31 December 2022
<i>Fixed rate instruments</i>		
Call deposits and other financial assets	20,208	6,063
Other non-current assets	74	107
Long-term borrowings	(132,309)	(107,781)
Short-term borrowings	(75,107)	(74,749)
Lease liabilities	(4,231)	(2,936)
Total fixed rate instruments	(191,365)	(179,296)
<i>Variable rate instruments</i>		
Long-term borrowings	(29,762)	(2,223)
Short-term borrowings	(11,322)	(6,225)
Total variable rate instruments	(41,084)	(8,448)

Sensitivity analysis for financial instruments with variable interest rates

At 31 December 2023, 2 percentage points increase/(decrease) in interest rate, with all other variables held constant, would have decreased/(increased) the Group's profit for the year and equity by RUB 822 million (31 December 2022: RUB 169 million).

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

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

As at 31 December 2023, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets and amounted to RUB 92,842 million (31 December 2022: RUB 85,116 million). As at 31 December 2023, 95% of the Group's trade receivables balance are represented by one counterparty (31 December 2022: 98%).

As at 31 December 2023, the Group's financial assets measured at amortised cost amounted to RUB 59,245 million (31 December 2022: RUB 84,563 million).

As at 31 December 2023, the Group's financial assets measured at fair value through profit or loss amounted to RUB 33,597 million (31 December 2022: RUB 553 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, have 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 benchmarks of 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.

The Group establishes an allowance for expected credit losses that represents its estimate of the expected credit losses in respect of trade and other receivables and other financial assets. The Group estimates the allowance for expected credit losses for trade receivables in the amount equal to lifetime expected loss allowance of the financial instrument. In the terms of calculating the expected credit loss, the Group considers the credit rating of counterparties, adjusted with forward-looking factors specific to the debtors and economic environment in which they operate, and historical credit loss experience.

Exposures within each credit risk grade are segmented by geographic region classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past years.

The allowance for expected credit losses on accounts receivable has been accrued in accordance with the risk matrix presented in the table below:

RUB million		31 December 2023					
		Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	Total
Loss rate	0.1-6%	0.1-10%	8.62%	10.53%	100%		
Gross carrying amount	50,148	1,338	58	57	232	51,833	
Lifetime ECL	(165)	(66)	(5)	(6)	(232)	(474)	
Net carrying value	49,983	1,272	53	51	-	51,359	

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

RUB million	31 December 2022					
	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	Total
Loss rate	0.1%-2%	0.1%-5%	13.75%	21.25%	100%	
Gross carrying amount	61,684	1,681	29	34	48	63,476
Lifetime ECL	(406)	(18)	(4)	(6)	(48)	(482)
Net carrying value	61,278	1,663	25	28	-	62,994

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 large banks with high credit rating and minimal risk of default, which provides high-level credit risk limits. All bank account balances and term deposits are not overdue or impaired.

(f) 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. The amounts disclosed in the maturity table are the contractual undiscounted cash flows:

RUB million	31 December 2023							
	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Loans and borrowings	248,500	267,696	94,081	59,358	64,308	3,939	46,010	-
Lease liabilities	4,231	5,823	1,770	1,003	758	522	355	1,415
Dividends payable	54,919	54,919	54,919	-	-	-	-	-
Trade and other payables	23,000	23,000	23,000	-	-	-	-	-
Total	330,650	351,438	173,770	60,361	65,066	4,461	46,365	1,415

RUB million	31 December 2022							
	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Loans and borrowings	190,978	202,313	84,567	26,025	40,747	11,829	3,060	36,085
Lease liabilities	2,936	3,487	1,488	1,026	515	312	113	33
Dividends payable	82	82	82	-	-	-	-	-
Trade and other payables	16,789	16,789	16,789	-	-	-	-	-
Total	210,785	222,671	102,926	27,051	41,262	12,141	3,173	36,118

27 FINANCIAL RISK MANAGEMENT (CONTINUED)**(g) Capital management**

The Group's Board of Directors pursues a policy aimed at maintaining high capital levels to keep investor, lender and market confidence and to provide future sustainable business development. The Board of Directors keeps under control the return on invested capital and dividends paid to shareholders. To maintain and adjust the capital structure, the Group may adjust periods of dividend payment to shareholders, revise its investment programme and obtain new or repay existing loans and borrowings. There were no changes in the Board's approach to capital management during the year.

The Group defines capital under management as the amount in "Equity attributable to shareholders of the Company" line item in the consolidated statement of financial position. As at 31 December 2023, the Group's capital under management amounted to RUB 151,521 million (31 December 2022: RUB 197,562 million).

The Group's management regularly analyses Net Debt / EBITDA ratio calculated by dividing the Group's total short-term and long-term loans and borrowings less cash and cash equivalents by EBITDA (operating profit adjusted for depreciation and amortisation). Some loan agreements cap this ratio at no more than 3.

The Company and its subsidiaries comply with external regulatory requirements for capital including requirements established by law and loan agreements.

28 COMMITMENTS

As at 31 December 2023, the Group had contractual commitments for the purchase of property, plant and equipment for RUB 52,917 million (31 December 2022: RUB 35,181 million), including VAT where applicable.

29 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

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review were made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

29 CONTINGENCIES (CONTINUED)

(c) Environmental contingencies

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered.

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

(d) Compliance with covenants

The Group is subject to certain covenants related primarily to its loans and borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The payment obligations of the Group in respect of coupon payments for Eurobonds are fulfilled when the funds are transferred to the account of the paying agent.

The Group was in compliance with covenants during the years ended 31 December 2023 and 31 December 2022 and as of each reporting date.

30 RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties include entities controlled by the Company's key shareholders, having significant influence on the Group.

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

(a) Transactions with related parties

RUB million	Nature of relationship	2023	2022
Sales of goods and services	Associates	27	30
Purchases of goods and services	Associates	(879)	(734)
Sales of goods and services	Other related parties	1,082	1,089
Other expenses, net	Other related parties	(400)	(85)
Purchases of goods and services	Other related parties	(60)	(246)

In 2023, the Company declared dividends, including RUB 77,113 million (2022: RUB 91,366 million) to the shareholders holding more than 20% of the Company's shares.

In 2023, the Group received and repaid unsecured loan from the related party amounted to RUB 10,000 million. The loan was received at interest rate of 13.65 – 15.65% per annum.

(b) Balances with related parties

RUB million	Nature of relationship	31 December 2023	31 December 2022
Trade and other receivables	Associates	57	42
Trade and other payables	Associates	(60)	(39)
Trade and other receivables	Other related parties	-	8
Trade and other payables	Other related parties	(2)	(451)

(c) Remuneration of key management personnel and Board of Directors members

Remuneration of key management personnel consists of monthly compensation, annual performance bonus contingent on operating results, termination benefits and social security costs. The remuneration of the Board of Directors and key management personnel recognised as part of administrative and selling expenses amounted to RUB 3,553 million (2022: RUB 16,897 million).

31 SIGNIFICANT SUBSIDIARIES OF THE GROUP

Subsidiary	Country of incorporation	Effective ownership (rounded)	
		31 December 2023	31 December 2022
Apatit, JSC (including Balakovo, Volkhov and Kirovsk branches)	Russia	100%	100%
Mekhanik, LLC	Russia	100%	100%
NIUIF, JSC	Russia	94%	94%
PhosAgro-Region, LLC	Russia	100%	100%
PhosAgro-Belgorod, LLC	Russia	100%	100%
PhosAgro-Don, LLC	Russia	100%	100%
PhosAgro-Kuban, LLC	Russia	100%	100%
PhosAgro-Kursk, LLC	Russia	100%	100%
PhosAgro-Lipetsk, LLC	Russia	100%	100%
PhosAgro-Oryol, LLC	Russia	100%	100%
PhosAgro-Stavropol, LLC	Russia	100%	100%
PhosAgro-Volga, LLC	Russia	100%	100%
PhosAgro-SeveroZapad, LLC	Russia	100%	100%
PhosAgro-Tambov, LLC	Russia	100%	100%
PhosAgro-Sibir, LLC	Russia	100%	100%

32 SUBSEQUENT EVENTS

In 2024, the Group received loans and borrowings amounted to RUB 96,1 billion, including short-term loans received from a related party amounted to RUB 17,1 billion, and repaid loans and borrowings amounted to RUB 47 billion, including short-term loans to a related party amounted to RUB 17,1 billion.

In February 2024, the Company repaid dividends to the shareholders of RUB 37,7 billion.