

# The consolidated financial statements



Joint-Stock Company  
"Technologies of Trust – Audit"  
("Technologies of Trust – Audit" JSC)

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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" (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of cash flows for 2022;
- the consolidated statement of changes in equity for 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for qualified opinion

The Group has not disclosed segment information as required by IFRS 8, *Operating Segments* for the year ended 31 December 2022 and for the comparative period.

Considering the significant volume of undisclosed segment information required by IFRS 8, *Operating Segments*, presenting this undisclosed information in our audit opinion is not practicable.

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 the 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><b>Effect of changes in current economic situation on the consolidated financial statements of the Group</b></p> <p><i>Refer to Notes 1 (b) and 29 to the consolidated financial statements of the Group</i></p> <p>In 2022, there were significant changes in the economic environment in which the Group operates, commodity and financial markets demonstrated increased volatility. The imposition of the restrictive measures against a number of Russian entities led to the restricted access to European and USA financial markets and a risk that USD-denominated coupon payments on the Group's Eurobonds will not reach the final debt securities holders through foreign paying agents.</p> <p>Among other changes, economic environment developments led to changes in the Group structure, as described in note 29 to the consolidated financial statements, and affected a number of elements of the consolidated financial statements.</p> <p>We focus on this matter due to significance of potential impact of changes in the economic environment in which the Group operates on its consolidated financial statements and significant management's judgement required in respect of certain transactions and balances.</p>	<p>We performed the following audit procedures in respect of this key audit matter:</p> <ul style="list-style-type: none"> <li>• We performed inquiries of management in respect of how the changes in current economic environment have affected the Group and its financial performance measures.</li> <li>• We tested compliance with debt covenants under the Group's loan obligations, received documents in respect of changes made in 2022 in debt securities repayment mechanism and terms of service of Eurobonds. We confirmed that loan obligations of the Group denominated in foreign currency were fulfilled timely and in full amount.</li> <li>• We have analysed terms of sales contracts to identify new non-standard sales terms, performed detailed testing of the supporting documents and received on a sample basis a third party confirmation to ensure sales revenue is recognised properly and in correct period in the consolidated financial statements.</li> <li>• We performed analytical procedures of revenues by main products, including comparison with market prices to ensure that changes in the Group revenue are in line with market trends.</li> <li>• We tested changes in the Group structure, in particular we: <ul style="list-style-type: none"> <li>- analysed the agreement and key terms of the transaction for disposal of foreign subsidiaries of the Group;</li> <li>- assessed and challenged management conclusions relating to loss of control by the Group;</li> <li>- assessed reasonableness of management assumptions applied for estimation of fair value of the Group's 5% investment in Phosint Limited;</li> <li>- examined accounting transactions for disposal of these companies in the consolidated financial statements of the Group;</li> <li>- analysed management's calculation of allowance for expected credit losses in respect of receivable accrued as a result of disposal.</li> </ul> </li> <li>• We assessed reasonableness of the following key assumptions used by management for calculation of allowance for expected credit losses in respect of trade and other receivables: credit rating of the debtor, probability of default and loss given default.</li> <li>• We analysed events after the reporting date for existence of circumstances which could have significant adverse effect on the consolidated financial position and consolidated financial performance of the Group.</li> </ul>

## Other matter – Materiality and Group audit scope

### Overview

<b>Materiality</b>	Overall Group materiality: Russian Roubles (“RUB”) 11,615 million, which represents 5% of profit before tax.
<b>Group scoping</b>	<ul style="list-style-type: none"> <li>We conducted audit work at all significant reporting units in the Russian Federation and abroad.</li> <li>Our audit scope addressed 94% of the Group’s revenues and 94% of the Group’s absolute value of underlying profit before tax.</li> </ul>

### 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.

<b>Overall Group materiality</b>	RUB 11,615 million (2021: RUB 8,003 million)
<b>How we determined it</b>	5% of profit before tax
<b>Rationale for the materiality benchmark applied</b>	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.

Our group audit was focused on the significant components in the Russian Federation and abroad. For components which are individually financially significant we performed an audit of their complete set of financial information. The audit work for the significant components in the Russian Federation and abroad was performed by the group auditor. We also included information systems and tax specialists in our group audit team.

By performing the above procedures at the components, combined with additional procedures at the Group level, 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 for 2022 and the Company’s Securities issuer’s report for the 12 months ended 31 December 2022 (but does not include the consolidated financial statements and our auditor’s report thereon), which are 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 will not express any form of assurance conclusion thereon.

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

When we read the Integrated annual report for 2022 and the Company’s Securities issuer’s report for the 12 months ended 31 December 2022, 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, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 A.Y. Fegetsyn.

2 March 2023

Moscow, Russian Federation



A.Y. Fegetsyn 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)

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2022

RUB million	Note	2022	2021
Revenues	6	569,527	420,488
Cost of Group products sold	7	(253,419)	(206,082)
Cost of products for resale		(15,599)	(12,725)
<b>Gross profit</b>		<b>300,509</b>	<b>201,681</b>
Administrative and selling overhead expenses	8	(42,403)	(27,845)
Taxes, other than income tax, net	9	(11,327)	(5,946)
Other expenses, net	10	(9,371)	(3,449)
Foreign exchange loss from operating activities, net		(9,068)	(307)
<b>Operating profit</b>		<b>228,340</b>	<b>164,134</b>
Gain from revaluation of financial assets measured at fair value	17	-	1,193
Finance income	11	4,439	778
Finance costs	11	(11,967)	(5,044)
Foreign exchange gain/(loss) from financing activities, net	28(b)	11,485	(531)
COVID19 related expenses		-	(475)
<b>Profit before tax</b>		<b>232,297</b>	<b>160,055</b>
Income tax expense	12	(47,583)	(30,381)
<b>Profit /(loss) for the year</b>		<b>184,714</b>	<b>129,674</b>
Attributable to:			
Non-controlling interests <sup>1</sup>		52	(23)
Shareholders of the Company		184,662	129,697
Basic and diluted earnings per share (in RUB)	23	1,426	1,002
<b>Other comprehensive loss</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Actuarial losses	26	(276)	(36)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation difference		(2,929)	(350)
Foreign currency translation difference reclassified to profit or loss upon loss of control over foreign subsidiaries	29	(6,302)	-
Actuarial losses reclassified to profit or loss upon loss of control over foreign subsidiaries		61	-
<b>Other comprehensive loss for the year</b>		<b>(9,446)</b>	<b>(386)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>175,268</b>	<b>129,288</b>
Attributable to:			
Non-controlling interests <sup>1</sup>		52	(23)
Shareholders of the Company		175,216	129,311

The consolidated financial statements were approved on 2 March 2023:

**M.K. Rybnikov**  
Chief executive officer

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

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 5 to 37.

<sup>1</sup> Non-controlling interests are the minority shareholders of the subsidiaries of PJSC "PhosAgro"