



**PJSC “PhosAgro”**

**Consolidated Interim Condensed  
Financial Statements  
for the nine months ended  
30 September 2016 (unaudited)**

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## Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors

PJSC "PhosAgro"

### Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 30 September 2016, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods then ended, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

### Scope of Review

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

Audited entity: PJSC "PhosAgro"

Registered by the State Registration Chamber with the Russian Ministry of Justice on 10 October 2001. Registration No. P-18009.16.

Entered in the Unified State Register of Legal Entities on 5 September 2002 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation. Registration No. 1027700190572. Certificate series 77 No. 005082819.

55/1 building 1, Leninsky prospekt, Moscow, Russian Federation, 119333

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

Registered by the Moscow Registration Chamber on 25 May 1992. Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation. Registration No. 1027700125628. Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.11603053203.



**PJSC "PhosAgro"**

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### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2016, and for the three- and nine-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



I.A. Yagnov

Director, power of attorney dated 24 March 2015

JSC "KPMG"

16 November 2016

Moscow, Russian Federation

**PJSC "PhosAgro"**  
**Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income**  
**for the nine months ended 30 September 2016 (unaudited)**

	Note	Nine months ended 30 September		Three months ended 30 September	
		2016 RUB million	2015* RUB million	2016 RUB million	2015* RUB million
Revenues	5	147,607	142,300	45,558	49,068
Cost of sales	6	(68,524)	(63,189)	(22,629)	(21,739)
<b>Gross profit</b>		<b>79,083</b>	<b>79,111</b>	<b>22,929</b>	<b>27,329</b>
Administrative expenses	7	(9,403)	(8,341)	(2,803)	(3,144)
Selling expenses	8	(15,158)	(12,787)	(4,538)	(4,101)
Taxes, other than income tax		(1,574)	(1,546)	(502)	(502)
Other expenses, net	9	(1,680)	(244)	(326)	(521)
<b>Operating profit</b>		<b>51,268</b>	<b>56,193</b>	<b>14,760</b>	<b>19,061</b>
Finance income	10	732	982	298	241
Finance costs	10	(3,634)	(4,572)	(1,116)	(1,543)
Foreign exchange gain/(loss)		13,022	(12,533)	1,743	(12,544)
Share of profit/(loss) of associates	13	67	(129)	2	(21)
<b>Profit before tax</b>		<b>61,455</b>	<b>39,941</b>	<b>15,687</b>	<b>5,194</b>
Income tax expense	11	(12,940)	(8,390)	(3,286)	(1,329)
<b>Profit for the period</b>		<b>48,515</b>	<b>31,551</b>	<b>12,401</b>	<b>3,865</b>
Attributable to:					
Non-controlling interests ^		-	(4)	(5)	1
Shareholders of the Parent		48,515	31,555	12,406	3,864
<b>Other comprehensive income</b>					
Actuarial gains and losses, net of tax		(21)	(312)	(3)	(79)
Foreign currency translation difference		(2,086)	2,136	(326)	2,475
<b>Other comprehensive (loss)/income for the period</b>		<b>(2,107)</b>	<b>1,824</b>	<b>(329)</b>	<b>2,396</b>
<b>Total comprehensive income for the period</b>		<b>46,408</b>	<b>33,375</b>	<b>12,072</b>	<b>6,261</b>
Attributable to:					
Non-controlling interests ^		-	(4)	(5)	1
Shareholders of the Parent		46,408	33,379	12,077	6,260
Basic and diluted earnings per share (in RUB)	19	375	244	96	30

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

\* comparative information has been represented, see note 3

The consolidated interim condensed financial statements were approved on 16 November 2016:

Chief executive officer  
A.A. Guryev



Chief financial officer  
A.F. Sharabaiko



**PJSC “PhosAgro”**  
*Consolidated Interim Condensed Statement of Financial Position*  
*as at 30 September 2016 (unaudited)*

	Note	30 September 2016 RUB million	31 December 2015 RUB million
<b>Assets</b>			
Property, plant and equipment	12	144,126	120,952
Advances issued for property, plant and equipment		6,162	7,424
Intangible assets		986	566
Investments in associates	13	836	810
Deferred tax assets		5,131	5,901
Other non-current assets	14	2,457	2,822
<b>Non-current assets</b>		<b>159,698</b>	<b>138,475</b>
Other current investments	15	3,800	4,902
Inventories	16	16,541	17,814
Current income tax receivable		582	453
Trade and other receivables	17	18,156	25,511
Cash and cash equivalents		23,194	29,347
<b>Current assets</b>		<b>62,273</b>	<b>78,027</b>
<b>Total assets</b>		<b>221,971</b>	<b>216,502</b>
<b>Equity</b>	18		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		67,837	43,460
Other reserves		6,552	8,659
Equity attributable to shareholders of the Parent		82,255	59,985
Equity attributable to non-controlling interests		136	213
<b>Total equity</b>		<b>82,391</b>	<b>60,198</b>
<b>Liabilities</b>			
Loans and borrowings	20	101,673	105,565
Defined benefit obligations		455	424
Deferred tax liabilities		4,279	3,677
<b>Non-current liabilities</b>		<b>106,407</b>	<b>109,666</b>
Trade and other payables	21	15,590	17,011
Current income tax payable		959	491
Loans and borrowings	20	16,606	28,947
Derivative financial liabilities		18	189
<b>Current liabilities</b>		<b>33,173</b>	<b>46,638</b>
<b>Total equity and liabilities</b>		<b>221,971</b>	<b>216,502</b>

		Nine months ended 30 September	
		2016	2015
	Note	RUB million	RUB million
<b>Cash flows from operating activities</b>			
Profit before tax		61,455	39,941
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	7,655	6,612
Loss on disposal of property, plant and equipment and intangible assets	9	259	246
Finance income	10	(732)	(982)
Finance costs	10	3,634	4,572
Share of (profit)/loss of associates	13	(67)	129
Foreign exchange (gain)/loss		(14,202)	12,866
Operating profit before changes in working capital and provisions		58,002	63,384
Decrease/(increase) in inventories		1,273	(1,620)
Decrease/(increase) in trade and other receivables		7,472	(1,485)
(Decrease)/increase in trade and other payables		(2,004)	380
Cash flows from operations before income taxes and interest paid		64,743	60,659
Income tax paid		(11,222)	(5,080)
Finance costs paid		(4,026)	(4,690)
<b>Cash flows from operating activities</b>		<b>49,495</b>	<b>50,889</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(29,536)	(30,580)
Repayment of loans issued, net		174	255
Proceeds from disposal of property, plant and equipment		285	84
Finance income received		349	752
Disposal of investments, net		446	19
<b>Cash flows used in investing activities</b>		<b>(28,282)</b>	<b>(29,470)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		27,668	30,956
Repayment of borrowings		(26,080)	(46,379)
Acquisition of non-controlling interests		(218)	-
Dividends paid to shareholders of the Parent	18	(23,699)	(10,749)
Dividends paid to non-controlling interests		(8)	(1)
Finance leases paid		(1,588)	(1,430)
Proceeds from/(payments for) settlement of derivatives		174	(1,643)
Other payments		(290)	(107)
<b>Cash flows used in financing activities</b>		<b>(24,041)</b>	<b>(29,353)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,828)</b>	<b>(7,934)</b>
Cash and cash equivalents at 1 January		29,347	30,687
Effect of exchange rates fluctuations		(3,325)	2,725
<b>Cash and cash equivalents at 30 September</b>		<b>23,194</b>	<b>25,478</b>

RUB million

	Attributable to shareholders of the Parent						
	Share capital	Share premium	Retained earnings	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Attributable to non-controlling interests	Total
<b>Balance at 1 January 2015</b>	<b>372</b>	<b>7,494</b>	<b>22,708</b>	<b>(312)</b>	<b>5,570</b>	<b>149</b>	<b>35,981</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	31,555	-	-	(4)	31,551
Actuarial gains and losses, net of tax	-	-	-	(312)	-	-	(312)
Foreign currency translation difference	-	-	-	-	2,136	-	2,136
	-	-	31,555	(312)	2,136	(4)	33,375
<b>Transactions with owners recognised directly in equity</b>							
Dividends to shareholders	-	-	(8,159)	-	-	(1)	(8,160)
Other	-	-	(107)	-	-	-	(107)
	-	-	(8,266)	-	-	(1)	(8,267)
<b>Balance at 30 September 2015</b>	<b>372</b>	<b>7,494</b>	<b>45,997</b>	<b>(624)</b>	<b>7,706</b>	<b>144</b>	<b>61,089</b>
<b>Balance at 1 January 2016</b>	<b>372</b>	<b>7,494</b>	<b>43,460</b>	<b>(316)</b>	<b>8,975</b>	<b>213</b>	<b>60,198</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	48,515	-	-	-	48,515
Actuarial gains and losses, net of tax	-	-	-	(21)	-	-	(21)
Foreign currency translation difference	-	-	-	-	(2,086)	-	(2,086)
	-	-	48,515	(21)	(2,086)	-	46,408
<b>Transactions with owners recognised directly in equity</b>							
Acquisition of non-controlling interests without a change in control	-	-	(149)	-	-	(69)	(218)
Dividends to shareholders	-	-	(23,699)	-	-	(8)	(23,707)
Other	-	-	(290)	-	-	-	(290)
	-	-	(24,138)	-	-	(77)	(24,215)
<b>Balance at 30 September 2016</b>	<b>372</b>	<b>7,494</b>	<b>67,837</b>	<b>(337)</b>	<b>6,889</b>	<b>136</b>	<b>82,391</b>



## **1 BACKGROUND**

### **(a) Organisation and operations**

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

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

### **(b) Russian business environment**

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated interim condensed financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

## **2 BASIS OF PREPARATION**

### **(a) Statement of compliance**

The International Financial Reporting Standards (“IFRS”) consolidated interim condensed financial statements (“consolidated interim condensed financial statements”) of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

These consolidated interim condensed financial statements do not contain all the information required for presentation in a complete set of IFRS financial statements and therefore should be read in conjunction with PhosAgro’s consolidated annual financial statements for the year ended 31 December 2015.

Except as disclosed in note 2(d), the accounting policies and judgements applied by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2015.

### **(b) Functional currency**

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

### **(c) Presentation currency**

These consolidated interim condensed financial statements are presented in RUB. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

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

- Assets and liabilities as at 30 September 2016 were translated at the closing exchange rate of RUB 63.1581 for USD 1 (31 December 2015: RUB 72.8827 for USD 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2016 of RUB 68.3667 for USD 1 (nine months ended 30 September 2015: RUB 59.2777 for USD 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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

- Assets and liabilities as at 30 September 2016 were translated at the closing exchange rate of RUB 70.8823 for EUR 1 (31 December 2015: RUB 79.6972 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2016 of RUB 76.2560 for EUR 1 (nine months ended 30 September 2015: RUB 66.2618 for EUR 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

**(d) Adoption of new and revised standards and interpretations**

A number of amendments to standards became effective for the Group from 1 January 2016. The adoption of the amendments did not have an impact on these consolidated interim condensed financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective at 30 September 2016, and have not been early adopted. The Group doesn't expect the amendments to have an impact on the consolidated financial statements in future periods.

### 3 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to make certain reclassifications of expenses for the three and nine months ended 30 September 2015 between the cost of sales and selling expenses in order to align them with the current period's presentation:

Nine months ended 30 September 2015			
	As previously presented RUB million	Reclassifications RUB million	As adjusted RUB million
Cost of sales	(62,437)	(752)	(63,189)
Selling expenses	(13,539)	752	(12,787)

  

Three months ended 30 September 2015			
	As previously presented RUB million	Reclassifications RUB million	As adjusted RUB million
Cost of sales	(21,457)	(282)	(21,739)
Selling expenses	(4,383)	282	(4,101)

### 4 SEGMENT INFORMATION

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Phosphate-based products segment* includes mainly production and distribution of ammophos, diammoniumphosphate, sodium tripolyphosphate and other phosphate based and complex (NPK) fertilisers on the factories located in Cherepovets, Balakovo and Volkhov, and production and distribution of apatite concentrate extracted from the apatite-nepheline ore, which is mined and processed in Kirovsk;
- *Nitrogen-based products segment* includes mainly production and distribution of ammonia, ammonium nitrate and urea on the factory located in Cherepovets.

Certain assets, revenue and expenses are not allocated to any particular segment and are, therefore, included in the “other operations” column. None of these operations meet any of the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit, as included in internal management reports that are reviewed by the Group's CEO.

Business segment information as at 30 September 2016 and for the nine months then ended is as follows:

RUB million

	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	132,583	14,537	487	147,607
Export	84,088	10,796	-	94,884
Domestic	48,495	3,741	487	52,723
Cost of goods sold	(60,183)	(7,902)	(439)	(68,524)
Gross segment profit	72,400	6,635	48	79,083
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(5,818)	(1,583)	(254)	(7,655)
Total non-current segment assets	88,102	53,453	3,557	145,112
Additions to non-current assets	15,840	15,054	385	31,279

Business segment information of the Group as at 31 December 2015 and for the nine months ended 30 September 2015 is as follows:

	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	125,800	15,953	547	142,300
Export	89,029	13,187	-	102,216
Domestic	36,771	2,766	547	40,084
Cost of goods sold	(54,104)	(8,595)	(490)	(63,189)
Gross segment profit	71,696	7,358	57	79,111
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(5,063)	(1,416)	(133)	(6,612)
Total non-current segment assets	76,090	41,992	3,436	121,518
Additions to non-current assets	9,968	17,671	1,064	28,703

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2016	2015
	RUB million	RUB million
Europe	34,591	32,186
North and South America	24,924	33,267
CIS	11,830	8,640
India	9,853	17,751
Asia	8,289	3,469
Africa	5,397	5,558
Australia	-	1,345
	<b>94,884</b>	<b>102,216</b>

**5 REVENUES**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	115,075	117,136	36,134	41,063
Sales of apatite concentrate	20,277	12,906	6,131	3,821
Sales of sodium tripolyphosphate	4,024	4,314	978	1,403
Sales of nepheline concentrate	628	526	214	173
Sales of ammonium	59	88	19	24
Other sales	7,544	7,330	2,082	2,584
	<b>147,607</b>	<b>142,300</b>	<b>45,558</b>	<b>49,068</b>

**6 COST OF SALES**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Materials and services	(19,837)	(15,752)	(7,555)	(5,692)
Salaries and social contributions	(8,192)	(7,131)	(2,505)	(2,319)
Depreciation	(6,666)	(5,797)	(2,254)	(1,903)
Natural gas	(5,935)	(5,358)	(1,831)	(1,791)
Potash	(5,445)	(5,953)	(1,781)	(2,510)
Sulphur and sulphuric acid	(5,029)	(6,482)	(1,182)	(2,044)
Ammonia	(4,559)	(6,305)	(1,103)	(1,897)
Chemical fertilisers and other products for resale	(3,633)	(3,337)	(833)	(1,109)
Electricity	(3,250)	(2,829)	(1,091)	(926)
Ammonium sulphate	(1,788)	(1,515)	(459)	(201)
Fuel	(1,644)	(2,061)	(510)	(758)
Heating energy	(462)	(497)	(76)	(117)
Other items	(10)	(23)	(1)	(18)
Change in stock of WIP and finished goods	(2,074)	(149)	(1,448)	(454)
	<b>(68,524)</b>	<b>(63,189)</b>	<b>(22,629)</b>	<b>(21,739)</b>

**7 ADMINISTRATIVE EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(5,276)	(4,608)	(1,235)	(1,807)
Professional services	(1,128)	(1,361)	(411)	(497)
Depreciation and amortisation	(544)	(451)	(193)	(144)
Other	(2,455)	(1,921)	(964)	(696)
	<b>(9,403)</b>	<b>(8,341)</b>	<b>(2,803)</b>	<b>(3,144)</b>

**8 SELLING EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(6,172)	(6,009)	(1,673)	(1,654)
Russian Railways infrastructure tariff and operators' fees	(6,010)	(4,544)	(2,061)	(1,622)
Materials and services	(2,223)	(1,625)	(561)	(534)
Depreciation	(445)	(364)	(161)	(201)
Salaries and social contributions	(308)	(245)	(82)	(90)
	<b>(15,158)</b>	<b>(12,787)</b>	<b>(4,538)</b>	<b>(4,101)</b>

**9 OTHER EXPENSES, NET**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(1,486)	(1,212)	(540)	(573)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(259)	(246)	26	(149)
(Increase)/decrease in provision for inventory obsolescence	(126)	(2)	(19)	34
Increase in provision for bad debt	(65)	(35)	-	(18)
Fines and penalties received	100	909	24	11
Other income, net	156	342	183	174
	<b>(1,680)</b>	<b>(244)</b>	<b>(326)</b>	<b>(521)</b>

**10 FINANCE INCOME AND FINANCE COSTS**

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Interest income	352	815	121	156
Gain from operations with derivative financial instruments	261	-	150	-
Unwind of discount of financial assets	78	102	27	34
Other finance income	41	65	-	51
Finance income	<b>732</b>	<b>982</b>	<b>298</b>	<b>241</b>
Interest expense	(3,415)	(3,993)	(990)	(1,270)
Bank fees	(215)	(179)	(84)	(39)
Loss from operations with derivative financial instruments	-	(305)	-	(211)
Other finance costs	(4)	(95)	(42)	(23)
Finance costs	<b>(3,634)</b>	<b>(4,572)</b>	<b>(1,116)</b>	<b>(1,543)</b>
Net finance costs	<b>(2,902)</b>	<b>(3,590)</b>	<b>(818)</b>	<b>(1,302)</b>

**11 INCOME TAX EXPENSE**

The Company's applicable corporate income tax rate is 20% (nine months ended 30 September 2015: 20%).

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(11,562)	(7,326)	(2,751)	(2,011)
Origination and reversal of temporary differences, including change in unrecognised assets	(1,378)	(1,064)	(535)	682
	<b>(12,940)</b>	<b>(8,390)</b>	<b>(3,286)</b>	<b>(1,329)</b>

**Reconciliation of effective tax rate:**

	Nine months ended 30 September			
	2016		2015	
	RUB million	%	RUB million	%
Profit before tax	61,455	100	39,941	100
Income tax at applicable tax rate	(12,291)	(20)	(7,988)	(20)
Effect of tax rates in foreign jurisdictions	45	-	(15)	-
Under provided in respect of prior years	(17)	-	(265)	(1)
Unrecognised tax liability/(asset) on profit/(loss) from associates	13	-	(26)	-
Reversal of income tax on intra-group dividends			399	1
Non-deductible items	(683)	(1)	(501)	(1)
Change in unrecognised deferred tax assets	(7)	-	6	-
	<b>(12,940)</b>	<b>(21)</b>	<b>(8,390)</b>	<b>(21)</b>

**12 PROPERTY, PLANT AND EQUIPMENT**

<i>RUB million</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Net book value at 1 January 2015	19,099	34,017	1,758	31,212	<b>86,086</b>
Additions	14	777	664	27,248	<b>28,703</b>
Transfers	4,576	6,440	-	(11,016)	-
Disposals	(80)	(186)	(14)	(50)	<b>(330)</b>
Depreciation	(1,039)	(4,891)	(560)	-	<b>(6,490)</b>
Net book value at 30 September 2015	<b>22,570</b>	<b>36,157</b>	<b>1,848</b>	<b>47,394</b>	<b>107,969</b>
Net book value at 1 January 2016	22,898	37,052	2,502	58,500	<b>120,952</b>
Additions	-	382	708	30,189	<b>31,279</b>
Transfers	4,308	5,375	-	(9,683)	-
Disposals	(188)	(191)	(13)	(118)	<b>(510)</b>
Depreciation	(1,263)	(5,590)	(742)	-	<b>(7,595)</b>
Net book value at 30 September 2016	<b>25,755</b>	<b>37,028</b>	<b>2,455</b>	<b>78,888</b>	<b>144,126</b>

As at 30 September 2016, the balance of the construction in progress account includes the accumulated costs related to the construction of ammonia plant in the amount of RUB 32,290 million and the construction of urea plant in the amount of RUB 7,182 million in Cherepovets as well as the construction of apatit-nepheline beneficiation plant in the amount of RUB 4,408 million in Kirovsk.

**13 INVESTMENTS IN ASSOCIATES**

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

	2016 RUB million	2015 RUB million
Balance at 1 January	810	12,975
Foreign currency translation difference	(41)	1,898
Share in profit/(loss) for the period	67	(129)
Balance at 30 September	<b>836</b>	<b>14,744</b>

**14 OTHER NON-CURRENT ASSETS**

	30 September 2016 RUB million	31 December 2015 RUB million
Loans issued to related parties, at amortised cost	630	862
Financial assets available-for-sale, at cost	561	596
Loans issued to third parties, at amortised cost	221	248
Financial assets available-for-sale, at fair value	117	81
Loans issued to employees, at amortised cost	101	133
Loans issued to associate, at amortised cost	40	-
Finance lease receivable	-	13
Other long-term receivables	787	889
	<b>2,457</b>	<b>2,822</b>

**15 OTHER CURRENT INVESTMENTS**

	30 September 2016 RUB million	31 December 2015 RUB million
Investments in debt securities, at amortised cost	4,847	5,671
Financial assets available-for-sale, at fair value	1,052	1,636
Loans issued to third parties, at amortised cost	174	183
Loans issued to employees, at amortised cost	121	114
Interest receivable	30	27
Loans issued to associate, at amortised cost	-	68
Provision for doubtful accounts	(2,424)	(2,797)
	<b>3,800</b>	<b>4,902</b>

**16 INVENTORIES**

	30 September 2016 RUB million	31 December 2015 RUB million
Raw materials and spare parts	7,664	6,561
<i>Finished goods:</i>		
Chemical fertilisers	5,382	7,664
Apatite concentrate	-	299
<i>Work-in-progress</i>		
Apatite-nepheline ore	1,055	790
Chemical fertilisers and other products	1,456	1,643
Other goods for resale	474	45
Chemical fertilisers for resale, purchased from the third parties	666	842
Provision for obsolescence	(156)	(30)
	<b>16,541</b>	<b>17,814</b>

**17 TRADE AND OTHER RECEIVABLES**

	30 September 2016 RUB million	31 December 2015 RUB million
Taxes receivable	7,482	9,429
Trade accounts receivable	7,282	11,368
Advances issued	3,122	4,462
Other receivables	650	582
Deferred expenses	122	164
Receivables from employees	37	21
Finance lease receivable	-	12
Provision for doubtful accounts	(539)	(527)
	<b>18,156</b>	<b>25,511</b>

The movements in provision for doubtful accounts are as follows:

	2016 RUB million	2015 RUB million
Balance at 1 January	(527)	(534)
Foreign currency translation difference	53	(55)
Disposal of provision through trade receivables	-	1
Increase in provision for bad debt	(65)	(35)
Balance at 30 September	<b>(539)</b>	<b>(623)</b>

## 18 EQUITY

### Dividends

In November 2015, the Board of Directors proposed paying a dividend of RUB 63 per ordinary share. The total amount of proposed dividends was RUB 8,159 million. In January 2016, the proposed dividend payout was approved by a meeting of shareholders.

In March 2016, the Board of Directors proposed paying a dividend of RUB 57 per ordinary share. The total amount of proposed dividends was RUB 7,382 million. In May 2016, the proposed dividend payout was approved by a meeting of shareholders.

In May 2016, the Board of Directors proposed paying a dividend of RUB 63 per ordinary share. The total amount of proposed dividends was RUB 8,159 million. In July 2016, the proposed dividend payout was approved by a meeting of shareholders.

In August 2016, the Board of Directors proposed paying a dividend of RUB 33 per ordinary share. The total amount of proposed dividends was RUB 4,274 million. In October 2016, the proposed dividend payout was approved by a meeting of shareholders.

In November 2016, the Board of Directors proposed paying a dividend of RUB 39 per ordinary share. The total amount of proposed dividends was RUB 5,051 million. As of the date of the preparation of these financial statements the proposed dividends were not approved by a meeting of shareholders.

## 19 EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period after adjustment for the share split and issuance of new shares. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Weighted average number of ordinary shares in issue	129,500,000	129,500,000	129,500,000	129,500,000
Profit for the period attributable to shareholders of the Parent, RUB million	48,515	31,555	12,406	3,864
Basic and diluted earnings per share, RUB	375	244	96	30



**20 LOANS AND BORROWINGS**

This note provides information about the contractual terms of the Group's loans and borrowings.

<i>RUB million</i>	Contractual interest rate	Year of maturity	30 September 2016	31 December 2015
<b>Current loans and borrowings</b>				
<i>Unsecured bank loans:</i>				
RUB-denominated	5.75%-12.95%		3,000	6,500
USD-denominated	LIBOR(1M)+1.18%-3.35%		8,737	11,783
USD-denominated	LIBOR(3M)+2.9%-3%		-	3,644
<i>Unsecured letters of credit issued by banks:</i>				
EUR-denominated	EURIBOR(3M)+1.1%-1.15%		2,223	317
EUR-denominated	EURIBOR(12M)+1.1%-1.15%		362	2,982
<i>Unsecured loans from related parties:</i>				
RUB-denominated	9%-17%		-	29
<i>Unsecured loans from other companies:</i>				
USD-denominated	LIBOR(1M)+1.5%		-	438
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% <sup>1</sup>		1,732	2,351
<i>Interest payable:</i>				
RUB-denominated			8	3
USD-denominated			544	900
			<b>16,606</b>	<b>28,947</b>
<b>Non-current loans and borrowings</b>				
<i>Unsecured bank loans:</i>				
RUB-denominated	12.00%-12.65%	2020-2021	4,000	3,000
EUR-denominated	EURIBOR(6M)+2.15%	2027	2,052	-
USD-denominated	LIBOR(1M)+2.1%-3.35%	2018-2019	21,934	38,506
USD-denominated	LIBOR(3M)+2.85%	2020	15,636	-
USD-denominated	LIBOR(6M)+1.05%	2021	9,255	8,700
USD-denominated	4.17%	2027	13,883	13,051
<i>Unsecured letters of credit issued by banks:</i>				
EUR-denominated	EURIBOR(6M)+1.1%-1.15%		-	185
EUR-denominated	EURIBOR(12M)+1.1%-1.15%		-	1,329
EUR-denominated	1.62%-1.79%	2019	369	104
<i>Unsecured loans from other companies:</i>				
USD-denominated	LIBOR(12M)+1.25%	2018	644	742
<i>Loan participation notes:</i>				
USD-denominated	4.204% <sup>2</sup>	2018	31,553	36,400
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% <sup>1</sup>	2017-2021	2,347	3,548
			<b>101,673</b>	<b>105,565</b>
			<b>118,279</b>	<b>134,512</b>

<sup>1</sup> Contractual interest rate on financial lease agreements consists of:

- interest rate and fees to a lessor
- insurance of property
- property tax (for lease agreements concluded since 2013 property tax is excluded from the interest rate)

<sup>2</sup> In February 2013, the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 4.204%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 32,155 million (31 December 2015: RUB 36,405 million). Management believes that except for the Eurobond the fair value of the Group's loans and borrowings approximates their carrying amounts.

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

	30 September 2016	31 December 2015
	RUB million	RUB million
USD-denominated	106,265	120,063
RUB-denominated	7,008	9,532
EUR-denominated	5,006	4,917
	<b>118,279</b>	<b>134,512</b>

**21 TRADE AND OTHER PAYABLES**

	30 September 2016	31 December 2015
	RUB million	RUB million
Trade accounts payable	3,759	4,763
Payables for property, plant and equipment and intangible assets	3,866	3,282
Advances received	2,876	3,901
Taxes payable	2,939	2,617
Accruals	1,425	1,394
Payables to employees	568	873
Other payables	157	181
	<b>15,590</b>	<b>17,011</b>

**22 COMMITMENTS**

The Group has entered into contracts to purchase plant and equipment for RUB 20,269 million (31 December 2015: RUB 35,854 million).

**23 RELATED PARTY TRANSACTIONS****(a) Transactions and balances with associates****(i) Transactions with associates**

	Nine months ended 30 September	
	2016	2015
	RUB million	RUB million
Sales of goods and services	5,793	4,828
Interest income	7	76
Purchases of goods and services	(343)	(424)

**(ii) Balances with associates**

	30 September 2016	31 December 2015
	RUB million	RUB million
Trade and other receivables	209	595
Long-term loans issued, at amortised cost	40	-
Short-term loans issued, at amortised cost	-	68
Trade and other payables	(21)	(22)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 1,619 million (31 December 2015: RUB 1,661 million).

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

	Nine months ended 30 September	
	2016	2015
	RUB million	RUB million
Sales of goods and services	833	694
Interest income	35	21
Purchases of goods and services	(531)	(555)

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

	30 September 2016	31 December 2015
	RUB million	RUB million
Long-term loans issued, at amortised cost	630	862
Trade and other receivables	10	5
Trade and other payables	(272)	(358)
Short-term loans received	-	(29)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 110 million (31 December 2015: RUB 134 million).

**24 FOREIGN CURRENCY RISK**

The net monetary position of the Group on balances denominated in foreign currencies other than respective functional currencies as at the reporting date was as follows:

	30 September 2016	31 December 2015
	RUB million	RUB million
USD-denominated net liabilities	(92,367)	(110,936)
EUR-denominated net liabilities	(5,544)	(4,976)
	<b>(97,911)</b>	<b>(115,912)</b>

The foreign exchange gain recognised in profit or loss of RUB 13,022 million and the foreign exchange loss of RUB 12,533 million for the comparative period resulted from the appreciation of the Russian Rouble against major currencies during the reporting period and its devaluation during the comparative period.

In addition, the net assets of the Group's foreign subsidiaries denominated in USD amount to RUB 13,675 million as at the reporting date (31 December 2015: RUB 14,655 million).

**25 SEASONALITY**

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group's revenue is partially offset by the fact that the Group sells its fertilisers globally and fertiliser application and purchases vary by region. In particular, purchases of fertilisers by farmers in Russia generally peak in the third quarter. This normally results in the Group having somewhat higher revenue in the third quarter as compared to the other quarters. However, fertiliser demand from other regions tends to peak in other periods of the year (for example, fertiliser demand from Europe and North America generally peaks in the first and third quarters, demand in South America generally peaks in the second and third quarters).

The Group's costs are generally stable throughout the year with the exception of a slight increase during May-June as a result of maintenance activities undertaken at the Group's production facilities.