OJSC “PhosAgro”

Consolidated Interim Condensed Financial Statements for the nine months ended 30 September 2014 (unaudited)

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors

OJSC "PhosAgro"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 30 September 2014, 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.

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 2014, 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*.

Romanenko A.M.

Director, (power of attorney dated 1 October 2013 No. 84/13)

ZAO KPMG

18 November 2014

Moscow, Russian Federation

Audited entity: OJSC "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: ZAO 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 Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

	Note	Nine months ended 30 September 2014 RUB Million	Nine months ended 30 September 2013* RUB Million	Three months ended 30 September 2014 RUB Million	Three months ended 30 September 2013* RUB Million
Continuing operations					
Revenues	6	86,758	81,276	30,056	27,561
Cost of sales	7	(50,651)	(51,748)	(17,118)	(17,605)
Gross profit		**36,107**	**29,528**	**12,938**	**9,956**
Administrative expenses	8	(6,039)	(5,768)	(2,084)	(1,929)
Selling expenses	9	(7,767)	(5,964)	(2,344)	(1,982)
Taxes, other than income tax		(1,540)	(1,657)	(544)	(575)
Other expenses, net	10	(1,025)	(1,157)	(435)	(534)
Operating profit		**19,736**	**14,982**	**7,531**	**4,936**
Finance income	11	647	831	342	332
Finance costs	11	(2,661)	(1,661)	(1,601)	(511)
Foreign exchange (loss)/gain		(9,471)	(2,517)	(8,381)	242
Share of profit/(loss) of associates	14	91	(87)	20	(269)
Restructuring costs		(59)	(861)	(13)	(419)
Profit/(loss) before tax		**8,283**	**10,687**	**(2,102)**	**4,311**
Income tax (expense)/benefit	12	(2,010)	(1,863)	278	26
Profit/(loss) from continuing operations		**6,273**	**8,824**	**(1,824)**	**4,337**
Discontinued operations					
Profit/(loss) from discontinued operations, net of tax	5	-	270	-	(13)
Profit/(loss) for the period		**6,273**	**9,094**	**(1,824)**	**4,324**
Attributable to:					
Non-controlling interests ^		257	915	(7)	364
Shareholders of the Parent		6,016	8,179	(1,817)	3,960
Other comprehensive income					
Actuarial gains and losses, net of tax		(84)	(132)	(8)	(64)
Foreign currency translation difference		1,546	186	1,373	44
Other comprehensive income for the period		**1,462**	**54**	**1,365**	**(20)**
Total comprehensive income for the period		**7,735**	**9,148**	**(459)**	**4,304**
Attributable to:					
Non-controlling interests ^		256	903	(7)	358
Shareholders of the Parent		7,479	8,245	(452)	3,946
Basic and diluted earnings/(loss) per share (in RUB)	20	46	64	(14)	31

^ non-controlling interests are the minority shareholders of the subsidiaries of OJSC "PhosAgro"
* comparative information has been re-presented, see note 3

The consolidated interim condensed financial statements were approved on 18 November 2014:

Chief executive officer
Guryev A. A.

Chief accountant
Valenkova E.V.

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 8 to 22.

	Note	30 September 2014 RUB million	31 December 2013 RUB million
Assets			
Property, plant and equipment	13	81,824	75,928
Intangible assets		494	623
Investments in associates	14	10,057	8,485
Deferred tax assets		2,259	1,806
Other non-current assets	15	4,832	4,383
Non-current assets		**99,466**	**91,225**
Other current investments	16	1,938	1,585
Derivative financial assets		-	79
Inventories	17	11,153	12,293
Current income tax receivable		1,471	668
Trade and other receivables	18	12,059	11,464
Cash and cash equivalents		20,585	8,938
Current assets		**47,206**	**35,027**
Total assets		**146,672**	**126,252**
Equity	19		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		45,557	48,556
Other reserves		1,347	(116)
Equity attributable to shareholders of the Parent		54,770	56,306
Equity attributable to non-controlling interests		541	3,020
Total equity		**55,311**	**59,326**
Liabilities			
Loans and borrowings	21	59,756	39,550
Defined benefit obligations		1,029	971
Deferred tax liabilities		3,453	3,304
Non-current liabilities		**64,238**	**43,825**
Trade and other payables	22	11,830	9,377
Current income tax payable		703	518
Loans and borrowings	21	13,556	13,206
Derivative financial liabilities		1,034	-
Current liabilities		**27,123**	**23,101**
Total equity and liabilities		**146,672**	**126,252**

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 8 to 22.

	Note	Nine months ended 30 September 2014 RUB million	2013 RUB million
Cash flows from operating activities			
Profit before tax from continuing operations		8,283	10,687
Adjustments for:			
Depreciation and amortisation	7, 8, 9	6,014	5,776
Loss on disposal of fixed assets	10	177	188
Finance income	11	(647)	(831)
Finance costs	11	2,661	1,661
Share of (profit)/loss of associates	14	(91)	87
Foreign exchange loss		9,078	3,039
Operating profit before changes in working capital and provisions		25,475	20,607
Decrease in inventories		1,275	640
(Increase)/decrease in trade and other receivables		(55)	1,111
Decrease in trade and other payables		(735)	(2,498)
Cash flows from operations before income taxes and interest paid		25,960	19,860
Income tax paid		(2,925)	(2,643)
Finance costs paid		(1,584)	(1,352)
Cash flows from operating activities		**21,451**	**15,865**
Cash flows from investing activities			
Loans (issued)/repaid, net		(480)	505
Acquisition of intangible assets		(55)	(77)
Acquisition of property, plant and equipment		(11,981)	(13,086)
Proceeds from disposal of property, plant and equipment		227	241
Disposal/(acquisition) of investments, net		254	(258)
Finance income received		524	775
Cash of Phosint Trading Ltd and PhosAgro Asia Pte Ltd acquired		-	1,143
Cash paid for CJSC "Nordic Rus Holding"		-	(1,680)
Proceeds from disposal of CJSC "Pikalevskaya soda" and part of manufacturing facilities within CJSC "Metachem"		-	599
Cash flows used in investing activities		**(11,511)**	**(11,838)**
Cash flows from financing activities			
Proceeds from issuance of additional shares		-	6,407
Proceeds from borrowings		31,370	31,582
Repayment of borrowings		(20,955)	(24,656)
Acquisition of non-controlling interests	19	(5,958)	(11,674)
Tax on intra-group dividends		(247)	-
Dividends paid to non-controlling interests		-	(5)
Dividends paid to shareholders of the Parent	19	(2,667)	(5,488)
Finance leases paid		(722)	(1,183)
Cash flows from/(used in) financing activities		**821**	**(5,017)**
Net increase/(decrease) in cash and cash equivalents		**10,761**	**(990)**
Cash and cash equivalents at 1 January		8,938	9,664
Effect of exchange rates fluctuations		886	130
Cash and cash equivalents at 30 September		**20,585**	**8,804**

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 8 to 22.

RUB Million	Attributable to shareholders of the Parent							
	Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Attributable to non-controlling interests	Total
Balance at 1 January 2013	**360**	**1,099**	**48,294**	**(23)**	**(347)**	**103**	**12,389**	**61,875**
Total comprehensive income for the period								
Profit for the period	-	-	8,179	-	-	-	915	9,094
Actuarial gains and losses, net of tax	-	-	-	-	(120)	-	(12)	(132)
Foreign currency translation difference	-	-	-	-	-	186	-	186
	-	-	8,179	-	(120)	186	903	9,148
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries	-	-	(2,966)	-	-	-	(10,114)	(13,080)
Issuance of new ordinary shares	12	6,395	-	-	-	-	-	6,407
Dividends to shareholders of the Parent	-	-	(2,577)	-	-	-	-	(2,577)
Dividends to non-controlling interests	-	-	-	-	-	-	(2)	(2)
	12	6,395	(5,543)	-	-	-	(10,116)	(9,252)
Balance at 30 September 2013	**372**	**7,494**	**50,930**	**(23)**	**(467)**	**289**	**3,176**	**61,771**
Balance at 1 January 2014	**372**	**7,494**	**48,556**	**(23)**	**(443)**	**350**	**3,020**	**59,326**
Total comprehensive income for the period								
Profit for the period	-	-	6,016	-	-	-	257	6,273
Reclassification of non-controlling interests reflected as liability	-	-	-	-	-	-	(72)	(72)
Actuarial gains and losses, net of tax	-	-	-	-	(83)	-	(1)	(84)
Foreign currency translation difference	-	-	-	-	-	1,546	-	1,546
	-	-	6,016	-	(83)	1,546	184	7,663
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries, note 19	-	-	(3,031)	-	-	-	(2,663)	(5,694)
Dividends to shareholders of the Parent, note 19	-	-	(5,737)	-	-	-	-	(5,737)
Tax on intra-group dividends	-	-	(247)	-	-	-	-	(247)
	-	-	(9,015)	-	-	-	(2,663)	(11,678)
Balance at 30 September 2014	**372**	**7,494**	**45,557**	**(23)**	**(526)**	**1,896**	**541**	**55,311**

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 8 to 22.

1 BACKGROUND

(a) Organisation and operations

OJSC "PhosAgro" (the "Company" or the "Parent") and its subsidiaries (together referred to as the "Group") comprise Russian legal entities. The Company was registered in October 2001. The Company's registered office is Leninsky prospekt 55/1 building 1, Moscow, Russian Federation.

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*.

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 2013.

Except as disclosed in note 2(c), 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 2013.

(b) Functional and presentation currencies

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. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

These consolidated interim condensed financial statements are presented in RUB.

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

- Assets and liabilities as at 30 September 2014 were translated at the closing exchange rate of RUB 39.3866 for USD 1 (31 December 2013: RUB 32.7292 for USD 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2014 of RUB 35.3878 for USD 1 (nine months ended 30 September 2013: RUB 31.6170 for USD 1).
- Equity items, which were recognised at the date of adoption of IFRS, 1 January 2005, were translated at the exchange rate of RUB 27.7487 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.

(c) Adoption of new and revised standards and interpretations

The following new standards and amendments became effective for the Group from 1 January 2014:

- Amended IAS 32 *Financial Instruments: Presentation* provides clarifications on the application of the offsetting rules of financial instruments. Amended IAS 32 did not have a significant effect on the Group's consolidated interim condensed financial statements.
- Amended IAS 36 *Impairment of assets* has been issued to reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the disclosure of information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal. The amendments to be applied retrospectively. Amended IAS 36 did not have a significant effect on the Group's consolidated interim condensed financial statements.
- Amended IFRS 10 *Consolidated Financial Statements* provides investment entities an exemption from the consolidation of particular subsidiaries and instead requires that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*. Amended IFRS 10 did not have a significant effect on the Group's consolidated interim condensed financial statements.
- Amended IFRS 12 *Disclosure of Interests in Other Entities* requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Amended IFRS 12 did not have a significant effect on the Group's consolidated interim condensed financial statements.
- IFRIC 21 *Levies* provides guidance on determining the obligation event that gives rise to a liability in connection with a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. IFRIC 21 did not have a significant effect on the Group's consolidated interim condensed financial statements.

The adoption of the amendments to existing standards did not have significant 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 2014, and have not been early adopted.

The Group does not expect the amendments to have significant impact on the consolidated interim condensed financial statements.

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 2013 on materials and services, depreciation, amortisation, salaries and social contributions between cost of sales, administrative expenses, and restructuring costs in order to align them with the current period's presentation:

	Nine months ended 30 September 2013		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(52,713)	965	(51,748)
Administrative expenses	(5,548)	(220)	(5,768)
Selling expenses	(6,080)	116	(5,964)
Restructuring costs	-	(861)	(861)

	Three months ended 30 September 2013		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(18,041)	436	(17,605)
Administrative expenses	(1,891)	(38)	(1,929)
Selling expenses	(2,003)	21	(1,982)
Restructuring costs	-	(419)	(419)

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 tripoly phosphate 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 2014 and for the nine months then ended is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
Segment revenue and profitability					
Segment external revenues, thereof:	74,233	12,018	507	-	86,758
Export	47,269	9,868	-	-	57,137
Domestic	26,964	2,150	507	-	29,621
Inter-segment transfers	-	8	-	(8)	-
Cost of goods sold	(44,222)	(7,297)	(456)	8	(51,967)
Gross segment profit	30,011	4,729	51	-	34,791
Certain items of profit and loss					
Amortisation and depreciation	(4,479)	(1,250)	(161)	-	(5,890)
Total non-current segment assets	55,491	15,393	2,309	-	73,193
Additions to non-current assets	8,628	2,647	466	-	11,741

Business segment information of the Group as at 31 December 2013 and for the nine months ended 30 September 2013 is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
Segment revenue and profitability					
Segment external revenues, thereof:	70,926	9,802	548	-	81,276
Export	46,110	7,847	-	-	53,957
Domestic	24,816	1,955	548	-	27,319
Inter-segment transfers	-	95	-	(95)	-
Cost of goods sold	(46,312)	(7,171)	(493)	95	(53,881)
Gross segment profit	24,614	2,726	55	-	27,395
Certain items of profit and loss					
Amortisation and depreciation	(4,184)	(1,340)	(143)	-	(5,667)
Total non-current segment assets	51,930	14,309	2,232	-	68,471
Additions to non-current assets	9,199	1,451	274	-	10,924

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2014	2013
	RUB million	RUB million
North and South America	28,831	16,686
Europe	16,998	16,931
CIS	5,248	6,082
Africa	2,742	5,734
Asia	2,256	7,685
India	826	829
Australia	236	10
	57,137	**53,957**

	Nine months ended 30 September	
	2014	2013
	RUB million	RUB million
Total segment revenues	86,758	81,276
Consolidated revenues	**86,758**	**81,276**

Reconciliation with internal management reports:

	Nine months ended 30 September	
	2014	2013
	RUB million	RUB million
Total segment gross profit	34,791	27,395
Difference in depreciation and amortisation	23	51
Difference in timing of expenses recognition	(44)	219
Reallocation of administrative expenses	2	220
Reallocation of selling expenses	(45)	(329)
Reallocation of other income	169	9
Reallocation of capitalised expenses	97	215
Reallocation of restructuring costs, see note 3	-	763
Elimination of unrealised profit	125	(126)
Recognition of finance lease	974	1,108
Other adjustments	15	3
Consolidated gross profit	**36,107**	**29,528**

	30 September 2014	31 December 2013
	RUB million	RUB million
Total non-current segment assets	73,193	68,471
Difference in the carrying value of the tangible assets	9,125	8,080
Consolidated non-current assets	**82,318**	**76,551**

5 DISPOSAL GROUP HELD FOR SALE

During 2013 the Group sold 100% stake in CJSC "Pikalevskaya soda" for the total consideration of RUB 376 million and part of manufacturing facilities within LLC "Metachem" for the total consideration of RUB 257 million.

Results of discontinued operations for the nine months ended 30 September 2013 were as follows.

	RUB million
Revenues	1,583
Reversal of impairment	240
Expenses	(1,506)
Results from operating activities	317
Income tax expense	(47)
Profit for the period	**270**

Cash flows from discontinued operations for the nine months ended 30 September 2013 were as follows.

	RUB million
Net cash from operating activities	388
Net cash from financing activities	55
Net cash flows for the period	**443**

6 REVENUES

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	68,263	61,251	24,021	20,329
Sales of apatite concentrate	10,828	13,567	3,199	4,961
Sales of sodium tripolyphosphate	3,275	2,594	1,136	943
Sales of nepheline concentrate	469	512	197	173
Sales of ammonium	425	68	322	18
Other sales	3,498	3,284	1,181	1,137
	86,758	**81,276**	**30,056**	**27,561**

7 COST OF SALES

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Materials and services	(16,986)	(15,190)	(6,206)	(5,668)
Salaries and social contributions	(7,264)	(9,271)	(2,288)	(3,163)
Natural gas	(5,545)	(4,353)	(1,851)	(1,348)
Depreciation	(5,482)	(5,322)	(1,853)	(1,804)
Potash	(3,036)	(3,416)	(1,079)	(1,120)
Sulphur and sulphuric acid	(3,035)	(2,812)	(1,316)	(933)
Electricity	(2,674)	(2,574)	(892)	(839)
Ammonia	(2,209)	(3,687)	(610)	(789)
Fuel	(2,126)	(3,284)	(581)	(834)
Heating energy	(919)	(292)	(115)	(55)
Ammonium sulphate	(491)	(892)	(137)	(186)
Other items	(14)	(47)	(1)	(15)
Change in stock of WIP and finished goods	(870)	(608)	(189)	(851)
	(50,651)	**(51,748)**	**(17,118)**	**(17,605)**

8 ADMINISTRATIVE EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(3,522)	(3,153)	(1,234)	(895)
Professional services	(498)	(436)	(171)	(187)
Depreciation and amortisation	(458)	(413)	(126)	(165)
Other	(1,561)	(1,766)	(553)	(682)
	(6,039)	**(5,768)**	**(2,084)**	**(1,929)**

9 SELLING EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(3,496)	(3,209)	(1,060)	(1,046)
Freight, port and stevedoring expenses	(3,191)	(1,742)	(1,002)	(547)
Materials and services	(742)	(734)	(179)	(337)
Salaries and social contributions	(264)	(238)	(82)	(48)
Depreciation	(74)	(41)	(21)	(4)
	(7,767)	**(5,964)**	**(2,344)**	**(1,982)**

10 OTHER EXPENSES, NET

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(856)	(1,034)	(314)	(396)
Loss on disposal of fixed assets	(177)	(188)	(115)	(147)
Decrease/(increase) in provision for inventory obsolescence	69	(27)	43	(16)
(Increase)/decrease in provision for bad debt	(52)	3	(37)	3
Other (expenses)/income, net	(9)	89	(12)	22
	(1,025)	**(1,157)**	**(435)**	**(534)**

11 FINANCE INCOME AND FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Interest income	638	684	266	175
Dividend income	9	25	-	1
Gain from operations with derivative financial instruments	-	107	-	141
Other finance income	-	15	76	15
Finance income	647	831	342	332
Interest expense	(1,651)	(1,452)	(589)	(491)
Loss from operations with derivative financial instruments	(879)	-	(1,012)	-
Other finance costs	(131)	(209)	-	(20)
Finance costs	(2,661)	(1,661)	(1,601)	(511)
Net finance costs	**(2,014)**	**(830)**	**(1,259)**	**(179)**

12 INCOME TAX (EXPENSE)/BENEFIT

The Company's applicable corporate income tax rate is 20% (nine months ended 30 September 2013: 20%).

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(2,293)	(2,960)	(485)	(1,102)
Origination and reversal of temporary differences, including change in unrecognised assets	283	1,097	763	1,128
	(2,010)	**(1,863)**	**278**	**26**

Reconciliation of effective tax rate:

	Nine months ended 30 September			
	2014		2013	
	RUB million	%	RUB million	%
Profit before tax from continuing operations	8,283	100	10,687	100
Income tax at applicable tax rate	(1,657)	(20)	(2,137)	(20)
Under provided in respect of prior years	(24)	-	-	-
Unrecognised tax liability/(asset) on profit/(loss) from associates	18	-	(19)	-
Correction of tax loss carry-forward	(330)	(4)	-	-
Non-deductible items	(144)	(2)	(483)	(5)
Change in unrecognised deferred tax assets	115	2	776	7
Effect of tax rates in foreign jurisdictions	12	-	-	-
	(2,010)	**(24)**	**(1,863)**	**(18)**

13 PROPERTY, PLANT AND EQUIPMENT

RUB million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Net book value at 1 January 2013	16,002	30,268	1,578	18,545	**66,393**
Additions	-	1,606	430	10,114	**12,150**
Transfers	2,553	4,628	-	(7,181)	**-**
Disposals	(180)	(210)	(15)	(24)	**(429)**
Depreciation	(772)	(4,350)	(484)	-	**(5,606)**
Net book value at 30 September 2013	17,603	31,942	1,509	21,454	**72,508**
Net book value at 1 January 2014	18,017	31,488	1,584	24,839	**75,928**
Additions	33	764	740	10,595	**12,132**
Transfers	1,863	5,867	-	(7,730)	**-**
Disposals	(124)	(173)	(62)	(45)	**(404)**
Depreciation	(876)	(4,401)	(555)	-	**(5,832)**
Net book value at 30 September 2014	18,913	33,545	1,707	27,659	**81,824**

Security

Properties with a carrying amount of RUB 321 million (31 December 2013: RUB 599 million) are pledged to secure loans and borrowings, see note 21.

14 INVESTMENTS IN ASSOCIATES

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

	2014 RUB million	2013 RUB million
Balance at 1 January	8,485	9,620
Share in profit/(loss) for the period	91	(87)
Share in CJSC "Nordic Rus Holding" at the date of acquisition of control	-	(1,406)
Foreign currency translation difference	1,481	186
Balance at 30 September	**10,057**	**8,313**

15 OTHER NON-CURRENT ASSETS

	30 September 2014 RUB million	31 December 2013 RUB million
Advances issued for property, plant and equipment, at cost	2,937	2,864
Financial assets available-for-sale, at cost	611	627
Loans issued to employees, at amortised cost	303	384
Loans issued to related parties, at amortised cost	286	48
Loans issued to third parties, at amortised cost	275	8
Financial assets available-for-sale, at fair value	62	81
Finance lease receivable	18	74
Other long-term receivables	340	297
	4,832	**4,383**

16 OTHER CURRENT INVESTMENTS

	30 September 2014 RUB million	31 December 2013 RUB million
Investments in debt securities, at amortised cost	1,773	1,473
Loans issued to third parties, at amortised cost	94	22
Loans issued to employees, at amortised cost	68	73
Loans issued to related parties, at amortised cost	3	17
	1,938	**1,585**

17 INVENTORIES

	30 September 2014 RUB million	31 December 2013 RUB million
Raw materials and spare parts	5,133	5,472
Finished goods:		
Chemical fertilisers	3,786	4,029
Apatite concentrate	194	239
Work-in-progress		
Apatite concentrate	621	608
Apatite-nepheline ore	1,107	1,260
Chemical fertilisers and other products	363	794
Other goods for resale	23	34
Provision for obsolescence	(74)	(143)
	11,153	**12,293**

18 TRADE AND OTHER RECEIVABLES

	30 September 2014 RUB million	31 December 2013 RUB million
Trade accounts receivable	4,669	4,175
Taxes receivable	4,459	5,063
Advances issued	2,833	2,172
Other receivables	310	250
Interest receivable	212	88
Deferred expenses	44	110
Receivables from employees	30	14
Finance lease receivable	11	49
Provision for doubtful accounts	(509)	(457)
	12,059	**11,464**

19 EQUITY

Dividends

In April 2014, the Board of Directors proposed paying a dividend of RUB 19.30 per ordinary share. The total amount of proposed dividends was RUB 2,499 million. In June 2014, the proposed dividend payout was approved by a meeting of shareholders.

In August 2014, the Board of Directors proposed paying an interim dividend of RUB 25 per ordinary share. The total amount of proposed dividends was RUB 3,238 million. In September 2014, the proposed dividend payout was approved by a meeting of shareholders.

Acquisition of non-controlling stakes in OJSC "PhosAgro-Cherepovets"

In February 2014, the Group launched a voluntary tender offer to acquire ordinary shares of OJSC "PhosAgro-Cherepovets". The offered price, which was determined in accordance with the Russian law, was RUB 44.0 per ordinary share with a nominal value of RUB 1.10. For the purposes of the voluntary buyout the Group obtained a bank guarantee in the amount of RUB 10,800 million for the benefit of non-controlling interests. The offer period expired on 6 May 2014. As at 30 September 2014 holders of 10.39% of all issued shares of OJSC "PhosAgro-Cherepovets" (129,764,139 ordinary shares), accepted the Company's voluntary tender offer and the legal title for these ordinary shares was transferred to the Group increasing its shareholding to 97.99%. The financial effect of this transaction is a decrease in non-controlling interests by RUB 2,599 million and a decrease in retained earnings by RUB 3,104 million.

In August 2014, the Group sent a compulsory share purchase notification (squeeze out) to OJSC "PhosAgro-Cherepovets" for the buyout of the ordinary shares belonging to OJSC "PhosAgro-Cherepovets" minority shareholders. The purchase price, which was determined in accordance with the Russian law, is RUB 44.0 per ordinary share with a nominal value of RUB 1.10. The Company plans to complete all procedures related to the squeeze out by the end of 2014.

Launching a new subsidiary LLC "Smart Bulk Terminal"

In February 2014, the Group jointly with "Ultramar" launched a new subsidiary LLC "Smart Bulk Terminal" with a share capital of RUB 10 thousand in which it owns 70%. The Company will organize the construction and subsequent operation of the new terminal at the port of Ust-Luga where it will handle fertilisers produced and sold by the Group.

Acquisition of non-controlling stakes in LLC "PhosAgro SeveroZapad" and "PhosAgro-Tambov"

In July 2014, the Group acquired 80.1% in LLC "PhosAgro SeveroZapad" and 80.1% in LLC "PhosAgro-Tambov" for RUB 235 million and RUB 14 million, respectively. The financial effect of this transaction is a decrease in other current liabilities by RUB 266 million and an increase in retained earnings by RUB 17 million.

Other events subsequent to the reporting date

See note 27 for other significant event which took place after 30 September 2014.

20 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) 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/(loss) per share are the same, as there is no effect of dilution.

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	RUB million	RUB million	RUB million	RUB million
Weighted average number of ordinary shares in issue	129,500,000	127,531,310	129,500,000	129,500,000
Profit/(loss) for the period attributable to shareholders of the Parent, RUB million	6,016	8,179	(1,817)	3,960
Basic and diluted earnings/(loss) per share, RUB	46	64	(14)	31

21 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. See note 13 on the assets pledged as a security for bank loans.

RUB Million	Contractual interest rate	30 September 2014	31 December 2013
Current loans and borrowings			
Secured bank loans:			
RUB- denominated	1.50%-3.25%	-	76
Unsecured bank loans:			
RUB-denominated	9.15%	647	-
USD-denominated	LIBOR(1M)+1.4%-2.9%	10,722	10,546
USD-denominated	1.35%	-	818
EUR-denominated	EURIBOR(12M)+1.15%	28	-
Secured letters of credit:			
USD-denominated	EURIBOR(3M)+2.30%	174	-
Unsecured letters of credit:			
EUR-denominated	EURIBOR(12M)+1.83%	480	-
Unsecured loans from related parties:			
RUB-denominated	9.00%	26	-
Unsecured loans from associates:			
EUR-denominated	4.50%	-	361
Unsecured loans from other companies:			
USD-denominated	LIBOR(12M)+1.25%	397	327
Finance lease liabilities:			
USD-denominated	7.1%-13.9% [1]	909	769
Interest payable:			
RUB-denominated		3	2
USD-denominated		170	307
		13,556	**13,206**
Non-current loans and borrowings			
Unsecured bank loans:			
RUB-denominated	8.25%-10.80%	-	207
USD-denominated	LIBOR(1M)+2.0%-2.52%	34,266	18,469
USD-denominated	LIBOR(3M)+2.9%	1,969	1,636
USD-denominated	LIBOR(6M)+1.05%	327	-
USD-denominated	4.17%	491	-
EUR-denominated	EURIBOR(12M)+1.15%	57	-
Secured letters of credit:			
USD-denominated	EURIBOR(6M)+2.3%	-	217
EUR-denominated	EURIBOR(6M)+3.25%	228	274
Loan participation notes:			
USD-denominated	4.204% [2]	19,625	16,281
Finance lease liabilities:			
USD-denominated	7.1%-13.9% [1]	2,793	2,466
		59,756	**39,550**
		73,312	**52,756**

[1] 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)

[2] 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 19,147 million (31 December 2013: RUB 16,286 million).

22 TRADE AND OTHER PAYABLES

	30 September 2014 RUB million	31 December 2013 RUB million
Dividends payable	3,133	63
Trade accounts payable	2,466	2,179
Advances received	2,050	1,793
Taxes payable	1,522	1,614
Accruals	1,134	1,633
Payable for property, plant and equipment	815	916
Payables to employees	604	1,092
Other payables	106	87
	11,830	**9,377**

23 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 25,407 million (31 December 2013: RUB 23,891 million).

24 CONTINGENCIES

In August 2014, the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor) in Murmansk region filed a court claim against a Group subsidiary for additional RUB 741 million of payments for the storage of the production waste in 2013. The Group management believes that all necessary ecological payments are accrued and paid timely and does not agree with the amount of additional claim. The management believes that it is probable that the Group's position will be sustained by the court. In September 2014, the Arbitration Court rejected the claim of Rosprirodnadzor. Rosprirodnadzor appealed against this decision in the appellation court.

25 RELATED PARTY TRANSACTIONS

(a) Transactions and balances with associates

(i) Transactions with associates

	Nine months ended 30 September	
	2014	2013
	RUB million	RUB million
Sales of goods and services	1,314	8,588
Interest income	21	110
Purchases of goods and services	(170)	(373)
Acquisition of CJSC "Nordic Rus Holding"	-	(4,676)
Acquisition of Phosint Trading Limited and Phosagro Asia Pte Ltd	-	(146)

(ii) Balances with associates

	30 September 2014	31 December 2013
	RUB million	RUB million
Advances issued for construction of property, plant and equipment	37	33
Trade and other receivables	82	447
Trade and other payables	(44)	(13)
Short-term loans received	-	(361)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,879 million (31 December 2013: RUB 2,151 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Nine months ended 30 September	
	2014	2013
	RUB million	RUB million
Sales of goods and services	279	626
Interest income	4	8
Purchases of goods and services	(49)	(442)

(ii) Balances with other related parties

	30 September 2014	31 December 2013
	RUB million	RUB million
Long-term loans issued, at amortised cost	286	48
Short-term loans issued, at amortised cost	3	17
Trade and other receivables	54	12
Trade and other payables	(116)	(47)
Dividends payable to shareholders of the Parent	(3,123)	-

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 196 million (31 December 2013: RUB 326 million).

26 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.

27 EVENTS SUBSEQUENT TO THE REPORTING DATE

In November 2014, the Board of Directors proposed paying an interim dividend of RUB 20 per ordinary share. The total amount of proposed dividends was RUB 2,590 million.