



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the six months ended
30 June 2018 (unaudited)**

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Independent 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 June 2018, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and six-month periods then ended, and the related consolidated interim condensed statements of changes in equity and cash flows for the six-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 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"
Registration No. in the Unified State Register of Legal Entities
1027700190572
Moscow, Russia

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

Registered No. in the Unified State Register of Legal Entities,
1027700125628.

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



PJSC "PhosAgro"

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

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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 June 2018, and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Yagnov A.

JSC "KPMG"

Moscow, Russia

22 August 2018

PJSC "PhosAgro"
*Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income
for the three and six months ended 30 June 2018 (unaudited)*

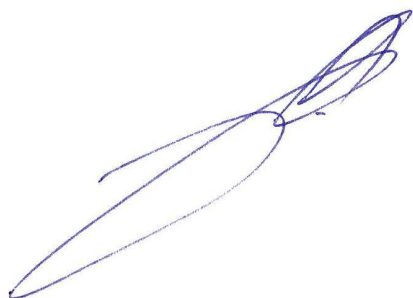
	Note	Six months ended 30 June		Three months ended 30 June	
		2018 RUB million	2017 RUB million	2018 RUB million	2017 RUB million
Revenues	5	111,248	89,121	56,626	44,723
Cost of sales	6	(61,898)	(49,561)	(29,844)	(25,144)
Gross profit		49,350	39,560	26,782	19,579
Administrative expenses	7	(7,011)	(7,005)	(3,368)	(3,218)
Selling expenses	8	(16,910)	(11,951)	(8,650)	(6,363)
Taxes, other than income tax		(1,805)	(1,230)	(918)	(603)
Other expenses, net	9	(1,254)	(1,058)	(562)	(637)
Operating profit		22,370	18,316	13,284	8,758
Finance income	10	123	274	51	84
Finance costs	10	(2,445)	(2,237)	(1,243)	(1,178)
Foreign exchange (loss)/gain		(8,137)	2,013	(8,672)	(4,612)
Share of profit/(loss) of associates	13	84	151	(3)	26
Profit before tax		11,995	18,517	3,417	3,078
Income tax expense	11	(2,162)	(4,785)	(462)	(1,609)
Profit for the period		9,833	13,732	2,955	1,469
Attributable to:					
Non-controlling interests ^		25	(2)	9	(5)
Shareholders of the Parent		9,808	13,734	2,946	1,474
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference		1,438	(429)	1,096	435
Other comprehensive income/(loss) for the period		1,438	(429)	1,096	435
Total comprehensive income for the period		11,271	13,303	4,051	1,904
Attributable to:					
Non-controlling interests ^		25	(2)	9	(5)
Shareholders of the Parent		11,246	13,305	4,042	1,909
Basic and diluted earnings per share (in RUB)	19	76	106	23	11

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

The consolidated interim condensed financial statements were approved on 22 August 2018:

Chief executive officer
A.A. Guryev

Chief financial officer
A.F. Sharabaiko




PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2018 (unaudited)

	Note	30 June 2018 RUB million	31 December 2017 RUB million
Assets			
Property, plant and equipment	12	178,354	175,113
Advances issued for property, plant and equipment		3,701	2,334
Intangible assets		1,865	1,773
Investments in associates	13	958	969
Deferred tax assets		7,244	5,371
Other non-current assets	14	1,878	1,955
Non-current assets		194,000	187,515
Other current investments	15	389	352
Inventories	16	27,397	27,345
Trade and other receivables	17	36,005	33,727
Cash and cash equivalents		3,460	2,691
Current assets		67,251	64,115
Total assets		261,251	251,630
Equity	18		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		90,626	85,480
Other reserves		6,205	4,767
Equity attributable to shareholders of the Parent		104,697	98,113
Equity attributable to non-controlling interests		154	129
Total equity		104,851	98,242
Liabilities			
Loans and borrowings	20	112,688	76,530
Finance lease liabilities		694	1,004
Defined benefit obligations		941	950
Deferred tax liabilities		8,496	7,914
Non-current liabilities		122,819	86,398
Loans and borrowings	20	12,078	44,025
Finance lease liabilities		910	1,117
Trade and other payables	21	20,593	21,848
Current liabilities		33,581	66,990
Total equity and liabilities		261,251	251,630

*Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2018 (unaudited)*

		Six months ended 30 June	
		2018	2017
	Note	RUB million	RUB million
Cash flows from operating activities			
Profit before tax		11,995	18,517
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	10,597	6,571
Loss on disposal of property, plant and equipment and intangible assets	9	281	754
Finance income	10	(123)	(261)
Finance costs	10	2,445	2,224
Share of profit of associates	13	(84)	(151)
Foreign exchange loss/(gain)		8,137	(1,784)
Operating profit before changes in working capital and provisions		33,248	25,870
Decrease/(increase) in inventories		290	(2,937)
(Increase)/decrease in trade and other receivables		(1,859)	1,891
Decrease in trade and other payables		(434)	(1,415)
Cash flows from operations before income taxes and interest paid		31,245	23,409
Income tax paid		(1,959)	(5,061)
Finance costs paid		(2,757)	(2,085)
Cash flows from operating activities		26,529	16,263
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(16,596)	(14,889)
Repayment of loans issued, net		90	107
Proceeds from disposal of property, plant and equipment		13	77
Finance income received		79	120
Other payments		(418)	-
Disposal of investments, net		-	422
Cash flows used in investing activities		(16,832)	(14,163)
Cash flows from financing activities			
Proceeds from borrowings	20	61,618	51,546
Repayment of borrowings	20	(67,163)	(42,017)
Dividends paid to shareholders of the Parent	18	(3,836)	(8,936)
Dividends paid to non-controlling interests		-	(5)
Finance leases paid		(496)	(730)
Cash flows used in financing activities		(9,877)	(142)
Net (decrease)/increase in cash and cash equivalents		(180)	1,958
Cash and cash equivalents at 1 January		2,691	7,261
Effect of exchange rates fluctuations		949	232
Cash and cash equivalents at 30 June		3,460	9,451

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Changes in Equity
for the six months ended 30 June 2018 (unaudited)

	Attributable to shareholders of the Parent						Total
	Share capital	Share premium	Retained earnings	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Attributable to non-controlling interests	
<i>RUB million</i>							
Balance at 1 January 2017	372	7,494	74,932	(384)	5,870	137	88,421
Total comprehensive income for the period							
Profit for the period	-	-	13,734	-	-	(2)	13,732
Foreign currency translation difference	-	-	-	-	(429)	-	(429)
	-	-	13,734	-	(429)	(2)	13,303
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(8,936)	-	-	(5)	(8,941)
	-	-	(8,936)	-	-	(5)	(8,941)
Balance at 30 June 2017	372	7,494	79,730	(384)	5,441	130	92,783
Balance at 1 January 2018	372	7,494	85,480	(726)	5,493	129	98,242
Total comprehensive income for the period							
Profit for the period	-	-	9,808	-	-	25	9,833
Foreign currency translation difference	-	-	-	-	1,438	-	1,438
	-	-	9,808	-	1,438	25	11,271
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(4,662)	-	-	-	(4,662)
	-	-	(4,662)	-	-	-	(4,662)
Balance at 30 June 2018	372	7,494	90,626	(726)	6,931	154	104,851

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.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated 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 2017.

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 2017.

(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, EUR.

(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 June 2018 were translated at the closing exchange rate of RUB 62.7565 for USD 1 (31 December 2017: RUB 57.6002 for USD 1);
- Profit and loss items were translated at the average exchange rate for the six months ended 30 June 2018 of RUB 59.3536 for USD 1 (six months ended 30 June 2017: RUB 57.9862 for USD 1);
- Equity items arising during the reporting period 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 June 2018 were translated at the closing exchange rate of RUB 72.9921 for EUR 1 (31 December 2017: RUB 68.8668 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the six months ended 30 June 2018 of RUB 71.8223 for EUR 1 (six months ended 30 June 2017: RUB 62.7187 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

The Group has adopted new standards that are mandatory for financial annual periods beginning on 1 January 2018.

IFRS 9 *Financial Instruments* has replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The standard provides amended guidance on the classification, recognition and measurement of financial assets and liabilities. The major impact from the transition relates to the classification of financial assets and introduction of an expected credit loss model which results in the earlier recognition of credit losses and is more forward looking than the previous incurred loss model. The Group analysed the classification of all material financial assets and liabilities and implemented an expected credit loss model under the new standard, which did not result in any significant effect on the Group's consolidated interim condensed financial statements.

IFRS 15 *Revenue from contracts with customers* outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. As the majority of the Group's revenue is derived from arrangements in which the transfer of control coincides with the fulfilment of the performance obligations, the changes in respect of the timing and amount of revenue recognised do not have a material impact on the Group's consolidated financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2018, and have not been applied in these consolidated interim condensed financial statements. The Group does not expect the amendments to have a significant impact on the consolidated financial statements in future periods except for those discussed below.

IFRS 16 *Leases* is intended to replace the current IAS 17 *Leases* (the mandatory effective date is 1 January 2019, with earlier application permitted) and provides a new approach to lease accounting that eliminates the classification of leases as either operating leases or finance leases for a lessee and requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The Group is currently assessing the impact of the new standard on the consolidated financial statements.

3 PRIOR YEAR RECLASSIFICATIONS

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

- cost of sales, administrative expenses, selling expenses and other expenses;
- revenue;
- elements making cost of sales;
- inventory and trade and other payables;
- segment information.

Six months ended 30 June 2017			
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(7,211)	206	(7,005)
Selling expenses	(11,542)	(409)	(11,951)
Other expenses, net	(1,237)	179	(1,058)
Cost of sales	(49,585)	24	(49,561)

Three months ended 30 June 2017			
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(3,416)	198	(3,218)
Selling expenses	(6,045)	(318)	(6,363)
Other expenses, net	(733)	96	(637)
Cost of sales	(25,168)	24	(25,144)

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 June 2018 and for the six 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:	88,055	18,637	4,556	111,248
Export	65,915	13,725	393	80,033
Domestic	22,140	4,912	4,163	31,215
Cost of goods sold	(48,778)	(8,964)	(4,156)	(61,898)
Gross segment profit	<u>39,277</u>	<u>9,673</u>	<u>400</u>	<u>49,350</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	<u>(7,040)</u>	<u>(3,150)</u>	<u>(407)</u>	<u>(10,597)</u>
Total non-current segment assets	<u>113,231</u>	<u>62,084</u>	<u>4,904</u>	<u>180,219</u>
Additions to non-current assets	<u>10,557</u>	<u>2,310</u>	<u>393</u>	<u>13,260</u>

Business segment information of the Group as at 31 December 2017 and for the six months ended 30 June 2017 is as follows:

RUB million

	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	73,720	11,476	3,925	89,121
Export	51,391	7,132	-	58,523
Domestic	22,329	4,344	3,925	30,598
Cost of goods sold	(39,029)	(7,010)	(3,522)	(49,561)
Gross segment profit	<u>34,691</u>	<u>4,466</u>	<u>403</u>	<u>39,560</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	<u>(5,107)</u>	<u>(1,271)</u>	<u>(193)</u>	<u>(6,571)</u>
Total non-current segment assets	<u>106,811</u>	<u>66,081</u>	<u>3,994</u>	<u>176,886</u>
Additions to non-current assets	<u>9,580</u>	<u>3,588</u>	<u>299</u>	<u>13,467</u>

The analysis of export revenue by regions is as follows:

	Six months ended 30 June	
	2018	2017
	RUB million	RUB million
Europe	28,956	18,750
South America	21,258	15,490
India	9,850	5,241
North America	9,044	5,629
CIS	5,546	8,240
Africa	2,982	2,528
Asia	2,391	2,642
Australia	6	3
	<u>80,033</u>	<u>58,523</u>

5 REVENUES

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Phosphate-based products	88,055	73,720	45,588	37,442
Sales of chemical fertilisers	73,417	59,652	37,811	30,991
Sales of apatite concentrate	10,354	10,795	5,492	5,045
Sales of other phosphate-based products and services	3,892	2,911	2,103	1,208
Sales of nepheline concentrate	392	362	182	198
Nitrogen-based products	18,637	11,476	9,082	5,342
Other	4,556	3,925	1,956	1,939
	111,248	89,121	56,626	44,723

6 COST OF SALES

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Materials and services	(17,915)	(14,736)	(9,110)	(7,739)
Depreciation	(9,636)	(5,873)	(4,882)	(3,072)
Natural gas	(6,718)	(3,904)	(3,221)	(1,967)
Salaries and social contributions	(6,375)	(5,576)	(3,174)	(2,703)
Sulphur and sulphuric acid	(5,174)	(2,772)	(2,296)	(1,594)
Potash	(4,556)	(3,739)	(2,284)	(2,295)
Chemical fertilisers and other products for resale	(3,031)	(2,678)	(1,169)	(1,031)
Electricity	(2,868)	(2,725)	(1,441)	(1,307)
Fuel	(1,888)	(1,756)	(889)	(805)
Ammonia	(1,806)	(4,364)	(715)	(2,196)
Ammonium sulphate	(1,599)	(1,020)	(500)	(285)
Heating energy	(332)	(418)	(163)	(150)
	(61,898)	(49,561)	(29,844)	(25,144)

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(4,021)	(4,294)	(1,995)	(1,821)
Professional services	(808)	(811)	(320)	(399)
Depreciation and amortisation	(578)	(387)	(302)	(201)
Other	(1,604)	(1,513)	(751)	(797)
	(7,011)	(7,005)	(3,368)	(3,218)

8 SELLING EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(8,504)	(4,857)	(4,376)	(2,482)
Russian Railways infrastructure tariff and operators' fees	(5,253)	(4,818)	(2,633)	(2,438)
Materials and services	(1,226)	(1,054)	(621)	(619)
Salaries and social contributions	(895)	(515)	(635)	(377)
Custom duties	(649)	(396)	(179)	(266)
Depreciation	(383)	(311)	(206)	(181)
	(16,910)	(11,951)	(8,650)	(6,363)

9 OTHER EXPENSES, NET

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(914)	(839)	(464)	(466)
Loss on disposal of property, plant and equipment and intangible assets	(281)	(754)	(154)	(179)
Accrual of contingent liabilities	(162)	(40)	(71)	(33)
Decrease/(increase) in provision for bad debt	3	(50)	8	(7)
Decrease/(increase) in provision for inventory obsolescence	10	32	70	(8)
Other income, net	90	593	49	56
	(1,254)	(1,058)	(562)	(637)

10 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Interest income	84	126	35	62
Unwind of discount of financial assets	34	51	16	13
Other finance income	5	97	-	9
Finance income	123	274	51	84
Interest expense	(2,315)	(2,058)	(1,153)	(1,095)
Bank fees	(79)	(105)	(42)	(58)
Discount of financial assets	(29)	(53)	(7)	(13)
Unwind of discount on financial liabilities	(6)	-	-	-
Other finance costs	(8)	-	(10)	-
Loss from revaluation of financial assets	(8)	(21)	(31)	(12)
Finance costs	(2,445)	(2,237)	(1,243)	(1,178)
Net finance costs	(2,322)	(1,963)	(1,192)	(1,094)

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (six months ended 30 June 2017: 20%).

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(3,453)	(3,694)	(2,219)	(1,290)
Origination and reversal of temporary differences, including change in unrecognised assets	1,291	(1,091)	1,757	(319)
	(2,162)	(4,785)	(462)	(1,609)

Reconciliation of effective tax rate:

	Six months ended 30 June			
	2018		2017	
	RUB million	%	RUB million	%
Profit before tax	11,995	100	18,517	100
Income tax at applicable tax rate	(2,399)	(20)	(3,703)	(20)
Effect of tax rates in foreign jurisdictions	85	1	22	-
Under provided in respect of prior years	(1)	-	(3)	-
Unrecognised tax liability on profit from associates	17	-	25	-
Non-deductible items	(322)	(3)	(413)	(2)
Change in unrecognised deferred tax assets	7	-	16	-
Reduction in tax rate	451	4	94	-
Recognition of previously unrecognised deferred tax liabilities	-	-	(823)	(4)
	(2,162)	(18)	(4,785)	(26)

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 2017	35,242	39,997	3,151	76,323	154,713
Additions	849	851	530	11,237	13,467
Transfers	1,853	8,615	-	(10,468)	-
Disposals	(42)	(544)	(7)	(230)	(823)
Depreciation	(1,430)	(4,494)	(599)	-	(6,523)
Net book value at 30 June 2017	36,472	44,425	3,075	76,862	160,834
Net book value at 1 January 2018	54,740	73,747	4,768	41,858	175,113
Additions	706	1,690	766	9,843	13,005
Transfers	2,011	6,756	-	(8,767)	-
Disposals	(40)	(87)	(25)	(149)	(301)
Depreciation	(2,139)	(7,237)	(903)	-	(10,279)
Other movements	48	768	-	-	816
Net book value at 30 June 2018	55,326	75,637	4,606	42,785	178,354

As at 30 June 2018, the balance of the construction in progress account includes the accumulated costs related to

in Cherepovets:

- The construction of ammonia sulphate plant in the amount of RUB 2,173 million;
- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 1,232 million;
- The construction of service infrastructure of ammonia plant in the amount of RUB 1,035 million;
- Modernization of production facilities for urea plant in the amount of RUB 1,004 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 840 million;

in Kirovsk:

- Kirovsk mine extension and modernization in the amount of RUB 15,090 million;
- The construction of apatit-nepheline beneficiation plants in the amount of RUB 6,820 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 2,634 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB 2,520 million.

in Balakovo:

- Modernization of sulphuric acid capacities in the amount of RUB 1,884 million;
- Construction of ammonia pipeline in the amount of RUB 480 million.

13 INVESTMENTS IN ASSOCIATES

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

	2018 RUB million	2017 RUB million
Balance at 1 January	969	816
Share in profit for the period	84	151
Foreign currency translation difference	(95)	(82)
Dividends accrued	-	(110)
Balance at 30 June	958	775

14 OTHER NON-CURRENT ASSETS

	30 June 2018 RUB million	31 December 2017 RUB million
Financial assets, at fair value	748	755
Loans issued to third parties, at amortised cost	241	232
Loans issued to employees, at amortised cost	95	77
Financial assets, at amortised cost	27	21
Loans issued to related parties, at amortised cost	-	97
Loans issued to associates, at amortised cost	-	20
Other long-term assets	767	753
	1,878	1,955

15 OTHER CURRENT INVESTMENTS

	30 June 2018 RUB million	31 December 2017 RUB million
Investments in debt securities, at amortised cost	4,671	4,421
Loans issued to related parties, at amortised cost	224	213
Interest receivable	62	42
Loans issued to employees, at amortised cost	45	35
Loans issued to third parties, at amortised cost	40	43
Loans issued to associates, at amortised cost	21	23
Provision for doubtful accounts	(4,674)	(4,425)
	389	352

16 INVENTORIES

	30 June 2018 RUB million	31 December 2017 RUB million
Raw materials and spare parts	13,178	11,712
<i>Finished goods:</i>		
Chemical fertilisers	8,893	9,363
Other products	835	1,260
Apatite concentrate	470	200
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	3,013	3,543
Other goods for resale	70	84
Chemical fertilisers and other products for resale, purchased from third parties	1,024	1,279
Provision for obsolescence	(86)	(96)
	27,397	27,345

17 TRADE AND OTHER RECEIVABLES

	30 June 2018 RUB million	31 December 2017 RUB million
Trade accounts receivable	18,943	15,507
VAT and other taxes receivable	10,291	10,306
Advances issued	4,463	4,662
Income tax receivable	1,278	2,734
Other receivables	985	818
Deferred expenses	178	210
Receivables from employees	39	26
Provision for doubtful accounts	(172)	(536)
	36,005	33,727

The movements in provision for doubtful accounts are as follows:

	2018 RUB million	2017 RUB million
Balance at 1 January	(536)	(499)
Foreign currency translation difference	-	9
Disposal of trade receivables through provision	361	100
Decrease/(increase) in provision for bad debt	3	(50)
Balance at 30 June	(172)	(440)

18 EQUITY**Dividends**

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
Total dividends approved during the reporting period			
November 2017	February 2018	21	2,720
March 2018	May 2018	15	1,942
			4,662
Total dividends approved subsequent to the reporting date			
May 2018	July 2018	24	3,108
August 2018	To be approved in October 2018	45	5,828
			8,936

19 EARNINGS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	2018	2017
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	9,808	13,734	2,946	1,474
Basic and diluted earnings per share, RUB	76	106	23	11

20 LOANS AND BORROWINGS

	30 June 2018 RUB million	31 December 2017 RUB million
Current loans and borrowings:		
Unsecured bank loans	11,389	14,266
Interest payable	682	946
Unsecured loans from other companies	10	13
Loan participation notes ¹	-	28,800
Bank commission (short-term)	(3)	-
	12,078	44,025
Non-current loans and borrowings:		
Loan participation notes ^{1,2,3}	62,757	28,800
Unsecured bank loans	48,780	46,577
Unsecured letters of credit issued by banks	1,330	1,254
Bank commission (long-term)	(179)	(101)
	112,688	76,530
	124,766	120,555

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

	30 June 2018 RUB million	31 December 2017 RUB million
USD-denominated	111,504	100,874
RUB-denominated	7,006	13,426
EUR-denominated	6,438	6,356
	124,948	120,656

The maturity of the loans and borrowings is as follows:

	30 June 2018 RUB million	31 December 2017 RUB million
Less than 1 year	12,081	44,025
1-2 years	10,280	9,483
2-3 years	17,735	16,291
3-4 years	35,695	31,844
4-5 years	35,684	5,064
More than 5 years	13,473	13,949
	124,948	120,656

Reconciliation of liabilities arising from financing activities:

RUB million	31 December 2017 RUB million	Cash inflows RUB million	Cash outflows RUB million	Foreign exchange loss/(gain) RUB million	30 June 2018 RUB million
Loans and borrowings (excluding interest payable)	119,609	61,618	(67,163)	10,020	124,084
Finance lease liabilities	2,121	-	(496)	(21)	1,604
	121,730	61,618	(67,659)	9,999	125,688

1 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 nil million (31 December 2017: RUB 29,342 million). The redemption was financed by the Eurobond placed in January 2018.

2 In May 2017, the Company's SPV issued a USD 500 million 4.5-year Eurobond with a coupon rate of 3.95%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 30,834 million (31 December 2017: RUB 29,258 million).

3 In January 2018 the Company's SPV issued a USD 500 million 5.25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 30,580 million.

Management believes that the fair value of the Group's loans and borrowings approximates their carrying amounts.

21 TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	RUB million	RUB million
Trade accounts payable	5,752	6,291
Advances received	4,849	4,414
Payables for property, plant and equipment and intangible assets	3,492	5,838
Payables to employees	3,074	2,933
Taxes payable	1,970	2,014
Dividends payable	826	-
Accruals	222	51
Income tax payable	182	109
Other payables	226	198
	20,593	21,848

22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 30,591 million (31 December 2017: RUB 26,637 million).

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

	Six months ended 30 June	
	2018	2017
	RUB million	RUB million
Sales of goods and services	2,141	4,701
Interest income	2	5
Purchases of goods and services	(242)	(204)
Other income, net	2	-
Dividend income	-	110

(ii) Balances with associates

	30 June 2018	31 December 2017
	RUB million	RUB million
Trade and other receivables	27	573
Long-term loans issued, at amortised cost	-	20
Short-term loans issued, at amortised cost	21	23
Trade and other payables	(7)	(13)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 1,147 million (31 December 2017: RUB 1,318 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Six months ended 30 June	
	2018	2017
	RUB million	RUB million
Sales of goods and services	136	266
Other income, net	48	-
Interest income	8	17
Purchases of goods and services	(1,019)	(922)
Interest expenses	(16)	-

(ii) Balances with other related parties

	30 June 2018	31 December 2017
	RUB million	RUB million
Short-term loans issued, at amortised cost	224	213
Long-term loans issued, at amortised cost	-	97
Trade and other receivables	103	1
Trade and other payables	(160)	(65)
Short-term loans received	(10)	(5)
Finance lease liabilities	(132)	(285)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 51 million (31 December 2017: RUB 56 million).

24 FOREIGN CURRENCY RISK

The Group's net monetary position on balances denominated in foreign currencies other than respective functional currencies is as follows:

	30 June 2018	31 December 2017
	RUB million	RUB million
USD-denominated net liabilities	(111,959)	(101,170)
EUR-denominated net liabilities	(7,454)	(6,626)
	(119,413)	(107,796)

The foreign exchange loss recognized in profit of loss of RUB 8,137 million (RUB 2,013 million of foreign exchange gain for the comparative period) resulted from the depreciation (appreciation) of the Russian Rouble against major currencies during the reporting and comparative periods.

In addition, the net assets of the Group's foreign subsidiaries denominated in USD and EUR amount to RUB 15,100 million as at the reporting date (31 December 2017: RUB 18,429 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.

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.