



**PJSC “PhosAgro”**

**Consolidated Interim Condensed  
Financial Statements  
for the nine months ended  
30 September 2017 (unaudited)**

## **Contents**

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information	3
Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income	5
Consolidated Interim Condensed Statement of Financial Position	6
Consolidated Interim Condensed Statement of Cash Flows	7
Consolidated Interim Condensed Statement of Changes in Equity	8
Notes to the Consolidated Interim Condensed Financial Statements	9



JSC "KPMG"  
10 Presnenskaya Naberezhnaya  
Moscow, Russia 123112  
Telephone +7 (495) 937 4477  
Fax +7 (495) 937 4400/99  
Internet [www.kpmg.ru](http://www.kpmg.ru)

## **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 September 2017, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2017 and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2017, 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*

Page 2

**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 2017, and for the three- and nine-month periods ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Yagnov I.A.

Director

JSC "KPMG"

Moscow, Russia

21 November 2017

**PJSC "PhosAgro"**  
**Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income**  
**for the nine months ended 30 September 2017 (unaudited)**

	Note	Nine months ended 30 September		Three months ended 30 September	
		2017 RUB million	2016 RUB million	2017 RUB million	2016 RUB million
Revenues	4	135,573	147,607	46,452	45,558
Cost of sales	5	(76,730)	(69,587)	(27,145)	(22,967)
<b>Gross profit</b>		<b>58,843</b>	<b>78,020</b>	<b>19,307</b>	<b>22,591</b>
Administrative expenses	6	(10,917)	(9,403)	(3,706)	(2,803)
Selling expenses	7	(16,533)	(14,095)	(4,991)	(4,200)
Taxes, other than income tax		(1,869)	(1,574)	(639)	(502)
Other expenses, net	8	(1,660)	(1,680)	(423)	(326)
<b>Operating profit</b>		<b>27,864</b>	<b>51,268</b>	<b>9,548</b>	<b>14,760</b>
Finance income	9	415	732	154	298
Finance costs	9	(4,246)	(3,634)	(2,022)	(1,116)
Foreign exchange gain		3,585	13,022	1,572	1,743
Share of profit of associates	12	251	67	100	2
<b>Profit before tax</b>		<b>27,869</b>	<b>61,455</b>	<b>9,352</b>	<b>15,687</b>
Income tax expense	10	(6,794)	(12,940)	(2,009)	(3,286)
<b>Profit for the period</b>		<b>21,075</b>	<b>48,515</b>	<b>7,343</b>	<b>12,401</b>
Attributable to:					
Non-controlling interests ^		(3)	-	(1)	(5)
Shareholders of the Parent		21,078	48,515	7,344	12,406
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Actuarial gain and losses, net of tax		-	(21)	-	(3)
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation difference		(600)	(2,086)	(171)	(326)
<b>Other comprehensive loss for the period</b>		<b>(600)</b>	<b>(2,107)</b>	<b>(171)</b>	<b>(329)</b>
<b>Total comprehensive income for the period</b>		<b>20,475</b>	<b>46,408</b>	<b>7,172</b>	<b>12,072</b>
Attributable to:					
Non-controlling interests ^		(3)	-	(1)	(5)
Shareholders of the Parent		20,478	46,408	7,173	12,077
Basic and diluted earnings per share (in RUB)	18	163	375	57	96

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

The consolidated interim condensed financial statements were approved on 21 November 2017:

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 2017 (unaudited)*

	Note	30 September 2017 RUB million	31 December 2016 RUB million
<b>Assets</b>			
Property, plant and equipment	11	165,943	154,713
Advances issued for property, plant and equipment		3,581	4,684
Intangible assets		1,763	1,165
Investments in associates	12	859	816
Deferred tax assets		5,361	5,110
Other non-current assets	13	1,990	2,226
<b>Non-current assets</b>		<b>179,497</b>	<b>168,714</b>
Other current investments	14	2,018	3,282
Inventories	15	24,273	19,934
Trade and other receivables	16	25,247	30,013
Cash and cash equivalents		6,128	7,261
<b>Current assets</b>		<b>57,666</b>	<b>60,490</b>
<b>Total assets</b>		<b>237,163</b>	<b>229,204</b>
<b>Equity</b>	17		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		84,355	74,932
Other reserves		4,886	5,486
Equity attributable to shareholders of the Parent		97,107	88,284
Equity attributable to non-controlling interests		129	137
<b>Total equity</b>		<b>97,236</b>	<b>88,421</b>
<b>Liabilities</b>			
Loans and borrowings	19	79,240	96,409
Finance lease liabilities		1,132	1,830
Defined benefit obligations		844	767
Deferred tax liabilities		6,095	4,600
<b>Non-current liabilities</b>		<b>87,311</b>	<b>103,606</b>
Loans and borrowings	19	33,429	12,457
Finance lease liabilities		1,382	1,680
Trade and other payables	20	17,805	23,040
<b>Current liabilities</b>		<b>52,616</b>	<b>37,177</b>
<b>Total equity and liabilities</b>		<b>237,163</b>	<b>229,204</b>

		Nine months ended 30 September	
		2017	2016
	Note	RUB million	RUB million
<b>Cash flows from operating activities</b>			
Profit before tax		27,869	61,455
<i>Adjustments for:</i>			
Depreciation and amortisation	5, 6, 7	10,647	7,655
Loss on disposal of property, plant and equipment and intangible assets	8	764	259
Finance income	9	(415)	(732)
Finance costs	9	4,246	3,634
Share of profit of associates	12	(251)	(67)
Foreign exchange gain		(3,589)	(14,202)
Operating profit before changes in working capital and provisions		39,271	58,002
(Increase)/decrease in inventories		(4,339)	1,273
Decrease in trade and other receivables		5,621	7,472
Decrease in trade and other payables		(4,159)	(2,004)
Cash flows from operations before income taxes and interest paid		36,394	64,743
Income tax paid		(6,743)	(11,222)
Finance costs paid		(3,184)	(4,026)
<b>Cash flows from operating activities</b>		<b>26,467</b>	<b>49,495</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(23,294)	(29,536)
Repayment of loans issued, net		414	174
Proceeds from disposal of property, plant and equipment		193	285
Finance income received		228	349
Disposal of investments, net		381	446
<b>Cash flows used in investing activities</b>		<b>(22,078)</b>	<b>(28,282)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		76,254	27,668
Repayment of borrowings		(69,215)	(26,080)
Acquisition of non-controlling interests		-	(218)
Dividends paid to shareholders of the Parent	17	(11,655)	(23,699)
Dividends paid to non-controlling interests		(5)	(8)
Finance leases paid		(1,012)	(1,588)
Proceeds from settlement of derivatives		-	174
Other payments		-	(290)
<b>Cash flows used in financing activities</b>		<b>(5,633)</b>	<b>(24,041)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,244)</b>	<b>(2,828)</b>
Cash and cash equivalents at 1 January		7,261	29,347
Effect of exchange rates fluctuations		111	(3,325)
<b>Cash and cash equivalents at 30 September</b>		<b>6,128</b>	<b>23,194</b>

RUB million

	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	
<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 interest without a change in control	-	-	(149)	-	-	(69)	(218)
Dividends accrued	-	-	(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>
<b>Balance at 1 January 2017</b>	<b>372</b>	<b>7,494</b>	<b>74,932</b>	<b>(384)</b>	<b>5,870</b>	<b>137</b>	<b>88,421</b>
<b>Total comprehensive income for the period</b>							
Profit/(loss) for the period	-	-	21,078	-	-	(3)	21,075
Foreign currency translation difference	-	-	-	-	(600)	-	(600)
	-	-	21,078	-	(600)	(3)	20,475
<b>Transactions with owners recognised directly in equity</b>							
Dividends accrued	-	-	(11,655)	-	-	(5)	(11,660)
	-	-	(11,655)	-	-	(5)	(11,660)
<b>Balance at 30 September 2017</b>	<b>372</b>	<b>7,494</b>	<b>84,355</b>	<b>(384)</b>	<b>5,270</b>	<b>129</b>	<b>97,236</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* dated 27 July 2010.

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 2016.

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 2016.

### **(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 2017 were translated at the closing exchange rate of RUB 58.0169 for USD 1 (31 December 2016: RUB 60.6569 for USD 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2017 of RUB 58.3344 for USD 1 (nine months ended 30 September 2016: RUB 68.3667 for USD 1);
- Equity items arising during the 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 September 2017 were translated at the closing exchange rate of RUB 68.4483 for EUR 1 (31 December 2016: RUB 63.8111 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2017 of RUB 64.9319 for EUR 1 (nine months ended 30 September 2016: RUB 76.2560 for EUR 1);
- Equity items arising during the period 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 2017. The adoption of the amendments did not have a significant effect on these consolidated interim condensed financial statements. In accordance with the amendments to IAS 7 *Statement of Cash Flows*, changes in liabilities arising from financing activities for the reporting period were disclosed in note 19.

A number of new standards, amendments to standards and interpretations are not yet effective at 30 September 2017, and have not been early adopted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements in future periods.

### **3 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 2017 and for the nine months then ended is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
<i>Segment revenue and profitability</i>					
Segment external revenues, thereof:	119,371	15,649	553	-	135,573
Export	73,001	10,886	-	-	83,887
Domestic	46,370	4,763	553	-	51,686
Inter-segment revenues	-	262	-	(262)	-
Cost of goods sold	(66,948)	(9,548)	(496)	262	(76,730)
Gross segment profit	52,423	6,363	57	-	58,843
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(7,898)	(2,461)	(288)	-	(10,647)
Total non-current segment assets	97,536	66,019	4,151	-	167,706
Additions to non-current assets	15,806	6,221	716	-	22,743

Business segment information of the Group as at 31 December 2016 and for the nine months ended 30 September 2016 is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	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
Inter-segment revenues	-	16	-	(16)	-
Cost of goods sold	(61,262)	(7,902)	(439)	16	(69,587)
Gross segment profit	71,321	6,651	48	-	78,020
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(5,818)	(1,583)	(254)	-	(7,655)
Total non-current segment assets	91,880	60,240	3,758	-	155,878
Additions to non-current assets	15,840	15,054	385	-	31,279

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2017 RUB million	2016 RUB million
North and South America	29,248	24,924
Europe	28,203	34,591
CIS	13,848	11,830
India	5,564	9,853
Africa	4,046	5,397
Asia	2,967	8,289
Australia	11	-
	<b>83,887</b>	<b>94,884</b>

**4 REVENUES**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	108,278	115,075	37,190	36,134
Sales of apatite concentrate	15,801	20,277	5,006	6,131
Sales of sodium tripolyphosphate	2,209	4,024	801	978
Sales of nepheline concentrate	516	628	154	214
Sales of ammonium	244	59	188	19
Other sales	8,525	7,544	3,113	2,082
	<b>135,573</b>	<b>147,607</b>	<b>46,452</b>	<b>45,558</b>

**5 COST OF SALES**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Materials and services	(23,816)	(20,759)	(9,045)	(7,851)
Depreciation	(9,546)	(6,699)	(3,673)	(2,265)
Salaries and social contributions	(8,152)	(8,300)	(2,694)	(2,536)
Potash	(6,636)	(5,445)	(2,708)	(1,781)
Natural gas	(6,556)	(5,935)	(2,473)	(1,831)
Ammonia	(5,766)	(4,559)	(1,347)	(1,103)
Sulphur and sulphuric acid	(4,480)	(5,029)	(1,672)	(1,182)
Electricity	(4,046)	(3,250)	(1,387)	(1,091)
Chemical fertilisers and other products for resale	(3,920)	(3,633)	(1,241)	(833)
Fuel	(2,207)	(1,644)	(666)	(510)
Ammonium sulphate	(1,353)	(1,788)	(278)	(459)
Heating energy	(472)	(462)	(67)	(76)
Other items	(8)	(10)	(6)	(1)
Change in work-in-progress, finished goods and other goods for resale	228	(2,074)	112	(1,448)
	<b>(76,730)</b>	<b>(69,587)</b>	<b>(27,145)</b>	<b>(22,967)</b>

**6 ADMINISTRATIVE EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(6,590)	(5,276)	(2,145)	(1,235)
Professional services	(1,249)	(1,128)	(438)	(411)
Depreciation and amortisation	(650)	(544)	(263)	(193)
Other	(2,428)	(2,455)	(860)	(964)
	<b>(10,917)</b>	<b>(9,403)</b>	<b>(3,706)</b>	<b>(2,803)</b>

**7 SELLING EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(7,334)	(6,730)	(2,016)	(1,736)
Russian Railways infrastructure tariff and operators' fees	(6,840)	(5,598)	(2,022)	(1,943)
Materials and services	(1,583)	(1,155)	(693)	(320)
Depreciation	(451)	(412)	(140)	(150)
Salaries and social contributions	(325)	(200)	(120)	(51)
	<b>(16,533)</b>	<b>(14,095)</b>	<b>(4,991)</b>	<b>(4,200)</b>

**8 OTHER EXPENSES, NET**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(1,515)	(1,486)	(497)	(540)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(764)	(259)	(10)	26
Increase in provision for bad debt	(83)	(65)	(33)	-
Decrease/(increase) in provision for inventory obsolescence	47	(126)	15	(19)
Other income, net	655	256	102	207
	<b>(1,660)</b>	<b>(1,680)</b>	<b>(423)</b>	<b>(326)</b>

**9 FINANCE INCOME AND FINANCE COSTS**

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Interest income	185	352	59	121
Gain from operations with derivative financial instruments	-	261	-	150
Unwind of discount of financial assets	71	78	20	27
Other finance income	159	41	75	-
Finance income	<b>415</b>	<b>732</b>	<b>154</b>	<b>298</b>
Interest expense	(3,321)	(3,415)	(1,263)	(990)
Bank fees	(298)	(215)	(193)	(84)
Other finance costs	(627)	(4)	(566)	(42)
Finance costs	<b>(4,246)</b>	<b>(3,634)</b>	<b>(2,022)</b>	<b>(1,116)</b>
Net finance costs	<b>(3,831)</b>	<b>(2,902)</b>	<b>(1,868)</b>	<b>(818)</b>

**10 INCOME TAX EXPENSE**

The Company's applicable corporate income tax rate is 20% (nine months ended 30 September 2016: 20%).

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(5,550)	(11,562)	(1,856)	(2,751)
Origination and reversal of temporary differences, including change in unrecognised assets	(1,244)	(1,378)	(153)	(535)
	<b>(6,794)</b>	<b>(12,940)</b>	<b>(2,009)</b>	<b>(3,286)</b>

**Reconciliation of effective tax rate:**

	Nine months ended 30 September			
	2017		2016	
	RUB million	%	RUB million	%
Profit before tax	27,869	100	61,455	100
Income tax at applicable tax rate	(5,574)	(20)	(12,291)	(20)
Effect of tax rates in foreign jurisdictions	28	-	45	-
Under provided in respect of prior years	35	-	(17)	-
Unrecognised tax liability on profit from associates	50	-	13	-
Non-deductible items	(712)	(2)	(683)	(1)
Change in unrecognised deferred tax assets	15	-	(7)	-
Reduction in tax rate	187	1	-	-
Recognition of previously unrecognised deferred tax liabilities	(823)	(3)	-	-
	<b>(6,794)</b>	<b>(24)</b>	<b>(12,940)</b>	<b>(21)</b>

**11 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 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>
Net book value at 1 January 2017	35,242	39,997	3,151	76,323	<b>154,713</b>
Additions	752	379	1,651	19,961	<b>22,743</b>
Transfers	12,595	32,316	-	(44,911)	-
Disposals	(88)	(591)	(8)	(262)	<b>(949)</b>
Depreciation	(2,201)	(7,536)	(827)	-	<b>(10,564)</b>
Net book value at 30 September 2017	<b>46,300</b>	<b>64,565</b>	<b>3,967</b>	<b>51,111</b>	<b>165,943</b>

As at 30 September 2017, the balance of the construction in progress account includes the accumulated costs related to the construction of ammonia plant in the amount of RUB 2,373 million and urea plant in the amount of RUB 14,280 million in Cherepovets, as well as underground mine extension in the amount of RUB 9,214 million, the development of Rasvumchorrskiy mine in the amount of RUB 5,147 million and the construction of apatit-nepheline beneficiation plant in the amount of RUB 4,789 million in Kirovsk.

**12 INVESTMENTS IN ASSOCIATES**

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

	2017 RUB million	2016 RUB million
Balance at 1 January	816	810
Share in profit for the period	251	67
Dividends accrued	(110)	-
Foreign currency translation difference	(98)	(41)
Balance at 30 September	<b>859</b>	<b>836</b>

**13 OTHER NON-CURRENT ASSETS**

	30 September 2017 RUB million	31 December 2016 RUB million
Financial assets available-for-sale, at cost	595	595
Loans issued to third parties, at amortised cost	227	266
Financial assets available-for-sale, at fair value	155	138
Loans issued to related parties, at amortised cost	153	330
Loans issued to employees, at amortised cost	74	103
Loans issued to associates, at amortised cost	-	40
Other long-term assets	786	754
	<b>1,990</b>	<b>2,226</b>

**14 OTHER CURRENT INVESTMENTS**

	30 September 2017 RUB million	31 December 2016 RUB million
Investments in debt securities, at amortised cost	4,453	4,656
Loans issued to related parties, at amortised cost	211	218
Loans issued to third parties, at amortised cost	46	162
Loans issued to associates, at amortised cost	43	-
Loans issued to employees, at amortised cost	41	115
Interest receivable	33	35
Financial assets available-for-sale, at fair value	-	424
Provision for doubtful accounts	(2,809)	(2,328)
	<b>2,018</b>	<b>3,282</b>

As at 30 September 2017 and 31 December 2016 the Group held debt securities issued by entities affiliated to a Russian bank. In connection with the uncertainties associated with the mutual court claims filed by the Group and the bank, the provision recognized by Group as at 31 December 2016 amounted to RUB 2,328 million. Taking into account the current status of court claims in third quarter 2017 the Group increased provision for certain debt securities up to 100% of their nominal value. As at 30 September 2017 total provision, including additionally recognised, amounted RUB 2,809 million. Part of debt securities continue to be recorded as at 30 September 2017 with a 50% provision from their nominal value.

**15 INVENTORIES**

	30 September 2017 RUB million	31 December 2016 RUB million
Raw materials and spare parts	11,551	7,586
<i>Finished goods:</i>		
Chemical fertilisers	8,480	8,274
Apatite concentrate	132	219
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	1,610	1,296
Apatite-nepheline ore	1,226	1,329
Chemical fertilisers and other products for resale, purchased from the third parties	1,337	1,238
Other goods for resale	71	173
Provision for obsolescence	(134)	(181)
	<b>24,273</b>	<b>19,934</b>

**16 TRADE AND OTHER RECEIVABLES**

	30 September 2017	31 December 2016
	RUB million	RUB million
Trade accounts receivable	9,658	12,770
Other taxes receivable	9,239	11,932
Advances issued	4,179	4,693
Income tax receivable	1,419	339
Deferred expenses	196	229
Dividends receivable from associates	110	-
Receivables from employees	34	36
Other receivables	894	513
Provision for doubtful accounts	(482)	(499)
	<b>25,247</b>	<b>30,013</b>

The movements in provision for doubtful accounts are as follows:

	2017	2016
	RUB million	RUB million
Balance at 1 January	(499)	(527)
Foreign currency translation difference	15	53
Written off provision through trade receivables	85	-
Increase in provision for bad debt	(83)	(65)
Balance at 30 September	<b>(482)</b>	<b>(539)</b>

**17 EQUITY****Dividends**

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
<b>Total dividends approved during the reporting period</b>			
November 2016	January 2017	39	5,051
March 2017	May 2017	30	3,885
May 2017	July 2017	21	2,719
			<b>11,655</b>
<b>Total dividends approved subsequent to the reporting date</b>			
August 2017	October 2017	24	3,108
November 2017	February 2018	21	2,719
			<b>5,827</b>

**18 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.

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
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	21,078	48,515	7,344	12,406
Basic and diluted earnings per share, RUB	163	375	57	96



**19 LOANS AND BORROWINGS**

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

	30 September 2017 RUB million	31 December 2016 RUB million
<b>Current loans and borrowings:</b>		
Loan participation notes <sup>1</sup>	29,003	-
Unsecured bank loans	2,808	10,418
Unsecured letters of credit issued by banks	397	1,278
Unsecured loans from other companies	5	9
Interest payable	1,216	752
	<b>33,429</b>	<b>12,457</b>
<b>Non-current loans and borrowings:</b>		
Unsecured bank loans	49,076	65,002
Loan participation notes <sup>2</sup>	28,917	30,308
Unsecured letters of credit issued by banks	1,247	485
Unsecured loans from other companies	-	614
	<b>79,240</b>	<b>96,409</b>
	<b>112,669</b>	<b>108,866</b>

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

	30 September 2017 RUB million	31 December 2016 RUB million
USD-denominated	101,299	95,193
RUB-denominated	5,328	7,018
EUR-denominated	6,042	6,655
	<b>112,669</b>	<b>108,866</b>

The maturity of the loans and borrowings is as follows:

	30 September 2017 RUB million	31 December 2016 RUB million
Less than 1 year	33,429	12,457
1-2 years	13,504	47,336
2-3 years	16,379	20,339
3-4 years	2,332	12,654
4-5 years	33,185	2,305
More than 5 years	13,840	13,775
	<b>112,669</b>	<b>108,866</b>

Reconciliation of liabilities arising from financing activities:

	31 December 2016 RUB million	Cash inflows RUB million	Cash outflows RUB million	Foreign exchange (gain)/loss RUB million	Foreign currency translation RUB million	30 September 2017 RUB million
Loans and borrowings (excluding interest payable)	108,114	76,254	(69,215)	(3,490)	(210)	111,453
Finance lease liabilities	3,510	-	(1,012)	16	-	2,514
	<b>111,624</b>	<b>76,254</b>	<b>(70,227)</b>	<b>(3,474)</b>	<b>(210)</b>	<b>113,967</b>

<sup>1</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 29,422 million (31 December 2016: RUB 31,337 million).

<sup>2</sup> 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 29,930 million.

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

**20 TRADE AND OTHER PAYABLES**

	30 September 2017	31 December 2016
	RUB million	RUB million
Payables for property, plant and equipment and intangible assets	5,069	6,060
Trade accounts payable	4,725	5,574
Advances received	2,483	5,203
Other taxes payable	2,235	3,409
Payables to employees	1,733	1,167
Accruals	1,289	1,231
Income tax payable	124	237
Other payables	147	159
	<b>17,805</b>	<b>23,040</b>

**21 COMMITMENTS**

The Group has entered into contracts to purchase plant and equipment for RUB 22,802 million (31 December 2016: RUB 16,609 million).

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

	Nine months ended 30 September	
	2017	2016
	RUB million	RUB million
Sales of goods and services	7,605	5,793
Dividend income	110	-
Interest income	8	7
Purchases of goods and services	(312)	(343)

**(ii) Balances with associates**

	30 September 2017	31 December 2016
	RUB million	RUB million
Trade and other receivables	407	968
Dividends receivable	110	-
Short-term loans issued, at amortised cost	43	-
Long-term loans issued, at amortised cost	-	40
Trade and other payables	(4)	(30)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 1,418 million (31 December 2016: RUB 1,580 million).

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

**(i) Transactions with other related parties**

	Nine months ended 30 September	
	2017	2016
	RUB million	RUB million
Sales of goods and services	973	928
Interest income	23	35
Purchases of goods and services	(619)	(687)
Interest expenses (finance lease)	(47)	(18)

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

	30 September 2017	31 December 2016
	RUB million	RUB million
Short-term loans issued, at amortised cost	211	218
Long-term loans issued, at amortised cost	153	330
Trade and other receivables	41	2
Trade and other payables	(117)	(115)
Finance lease liabilities, current portion	(421)	(587)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 67 million (31 December 2016: RUB 87 million).

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

## 23 FOREIGN CURRENCY RISK

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

	30 September 2017	31 December 2016
	RUB million	RUB million
USD-denominated net liabilities	(101,843)	(95,181)
EUR-denominated net liabilities	(7,003)	(7,370)
RUB-denominated net liabilities	-	(3,007)
	<b>(108,846)</b>	<b>(105,558)</b>

The foreign exchange gain recognised in profit or loss of RUB 3,585 million (RUB 13,022 million for the comparative period) resulted from the appreciation of the Russian Rouble against major currencies during the reporting and the comparative periods.

In addition, the net assets of the Group's foreign subsidiaries denominated in USD amount to RUB 12,595 million as at the reporting date (31 December 2016: RUB 12,454 million).

## 24 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.