



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the three months ended
31 March 2018 (unaudited)**

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JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet 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 31 March 2018, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-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"

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



Yagnov I.A.

Director

JSC "KPMG"

Moscow, Russia

29 May 2018

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2018 (unaudited)

		Three months ended 31 March	
		2018	2017
		RUB million	RUB million
Revenues	5	54,622	44,398
Cost of sales	6	(32,054)	(24,417)
Gross profit		22,568	19,981
Administrative expenses	7	(3,643)	(3,787)
Selling expenses	8	(8,260)	(5,588)
Taxes, other than income tax		(887)	(627)
Other expenses, net	9	(692)	(421)
Operating profit		9,086	9,558
Finance income	10	99	192
Finance costs	10	(1,229)	(1,061)
Foreign exchange gain, net		535	6,625
Share of profit of associates	13	87	125
Profit before tax		8,578	15,439
Income tax expense	11	(1,700)	(3,176)
Profit for the period		6,878	12,263
Attributable to:			
Non-controlling interests ^		16	3
Shareholders of the Parent		6,862	12,260
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Actuarial gains and losses, net of tax		-	-
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		342	(864)
Other comprehensive income/(loss) for the period		342	(864)
Total comprehensive income for the period		7,220	11,399
Attributable to:			
Non-controlling interests ^		16	3
Shareholders of the Parent		7,204	11,396
Basic and diluted earnings per share (in RUB)	19	53	95

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

The consolidated interim condensed financial statements were approved on 29 May 2018:

Chief executive officer
A.A. GuryevChief financial officer
A.F. Sharabaiko



	Note	31 March 2018 RUB million	31 December 2017 RUB million
Assets			
Property, plant and equipment	12	176,635	175,113
Advances issued for property, plant and equipment		3,180	2,334
Intangible assets		1,810	1,773
Investments in associates	13	960	969
Deferred tax assets		5,543	5,371
Other non-current assets	14	1,910	1,955
Non-current assets		190,038	187,515
Other current investments	15	385	352
Inventories	16	26,132	27,345
Trade and other receivables	17	35,215	33,727
Cash and cash equivalents		3,879	2,691
Current assets		65,611	64,115
Total assets		255,649	251,630
Equity	18		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		89,622	85,480
Other reserves		5,109	4,767
Equity attributable to shareholders of the Parent		102,597	98,113
Equity attributable to non-controlling interests		145	129
Total equity		102,742	98,242
Liabilities			
Loans and borrowings	20	104,810	76,530
Finance lease liabilities		848	1,004
Defined benefit obligations		942	950
Deferred tax liabilities		8,552	7,914
Non-current liabilities		115,152	86,398
Loans and borrowings	20	17,392	44,025
Finance lease liabilities		934	1,117
Trade and other payables	21	19,429	21,848
Current liabilities		37,755	66,990
Total equity and liabilities		255,649	251,630

Consolidated Interim Condensed Statement of Cash Flows
for the three months ended 31 March 2018 (unaudited)

		Three months ended 31 March	
		2018	2017
	Note	RUB million	RUB million
Cash flows from operating activities			
Profit before tax		8,578	15,439
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	5,207	3,117
Loss on disposal of property, plant and equipment and intangible assets	9	127	575
Finance income	10	(99)	(192)
Finance costs	10	1,229	1,061
Share of profit of associates	13	(87)	(125)
Foreign exchange gain, net		(575)	(6,673)
Operating profit before changes in working capital and provisions		14,380	13,202
Decrease in inventories		1,161	153
(Increase)/Decrease in trade and other receivables		(1,990)	2,523
Decrease in trade and other payables		(1,516)	(4,900)
Cash flows from operations before income taxes and interest paid		12,035	10,978
Income tax paid		(616)	(2,864)
Finance costs paid		(988)	(1,107)
Cash flows from operating activities		10,431	7,007
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(8,954)	(8,949)
Repayment of loans issued, net		15	115
Proceeds from disposal of property, plant and equipment		3	26
Finance income received		46	70
Other payments		(213)	-
Disposal of investments, net		-	245
Cash flows used in investing activities		(9,103)	(8,493)
Cash flows from financing activities			
Proceeds from borrowings	20	43,164	18,470
Repayment of borrowings	20	(41,961)	(8,056)
Dividends paid to shareholders of the Parent	18	(1,563)	(5,051)
Finance leases paid		(371)	(483)
Other proceeds		-	63
Cash flows (used in)/from financing activities		(731)	4,943
Net increase in cash and cash equivalents		597	3,457
Cash and cash equivalents at 1 January		2,691	7,261
Effect of exchange rates fluctuations		591	(514)
Cash and cash equivalents at 31 March		3,879	10,204

PJSC “PhosAgro”
Consolidated Interim Condensed Statement of Changes in Equity
for the three months ended 31 March 2018 (unaudited)

<i>RUB million</i>	Attributable to shareholders of the Parent					Attributable to non-controlling interests	Total
	Share capital	Share premium	Retained earnings	Actuarial gains and losses	Foreign currency translation reserve		
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	-	-	12,260	-	-	3	12,263
Foreign currency translation difference	-	-	-	-	(864)	-	(864)
	-	-	12,260	-	(864)	3	11,399
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(5,051)	-	-	-	(5,051)
	-	-	(5,051)	-	-	-	(5,051)
Balance at 31 March 2017	372	7,494	82,141	(384)	5,006	140	94,769
 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	-	-	6,862	-	-	16	6,878
Foreign currency translation difference	-	-	-	-	342	-	342
	-	-	6,862	-	342	16	7,220
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(2,720)	-	-	-	(2,720)
	-	-	(2,720)	-	-	-	(2,720)
Balance at 31 March 2018	372	7,494	89,622	(726)	5,835	145	102,742

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 31 March 2018 were translated at the closing exchange rate of RUB 57.2649 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 three months ended 31 March 2018 of RUB 56.8803 for USD 1 (three months ended 31 March 2017: RUB 58.8366 for USD 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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

- Assets and liabilities as at 31 March 2018 were translated at the closing exchange rate of RUB 70.5618 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 three months ended 31 March 2018 of RUB 69.8727 for EUR 1 (three months ended 31 March 2017: RUB 62.6474 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 31 March 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 ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to make the following changes to increase transparency of information:

- performed certain reclassifications of expenses between cost of sales, administrative expenses, selling expenses and other expenses,
- introduced new presentation for revenue to align products sales disclosed in revenue note with segment note,
- changed the presentation of elements making cost of sales from cost of productions adjusted for change in work-in-progress and finished goods to presentation of costs of sales directly by elements,
- performed certain reclassifications on inventory and trade and other payables,
- changed approach to disclosure of segment information.

Comparatives were changed accordingly to align them with current year presentation

	Three months ended 31 March 2017		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(3,795)	8	(3,787)
Selling expenses	(5,497)	(91)	(5,588)
Other expenses, net	(504)	83	(421)

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 31 March 2018 and for the three months then ended is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	42,467	9,555	2,600	54,622
Export	32,570	6,311	103	38,984
Domestic	9,897	3,244	2,497	15,638
Cost of goods sold	(25,211)	(4,585)	(2,258)	(32,054)
Gross segment profit	17,256	4,970	342	22,568
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(3,373)	(1,602)	(232)	(5,207)
Total non-current segment assets	110,191	63,013	5,241	178,445
Additions to non-current assets	5,177	753	253	6,183

Business segment information of the Group as at 31 December 2017 and for the three months ended 31 March 2017 is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	36,278	6,134	1,986	44,398
Export	25,447	3,257	-	28,704
Domestic	10,831	2,877	1,986	15,694
Cost of goods sold	(19,344)	(3,283)	(1,790)	(24,417)
Gross segment profit	16,934	2,851	196	19,981
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(2,286)	(729)	(102)	(3,117)
Total non-current segment assets	106,811	66,081	3,994	176,886
Additions to non-current assets	4,200	2,304	67	6,571

The analysis of export revenue by regions is as follows:

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Europe	15,991	10,569
North and South America	14,971	10,282
CIS	3,336	4,379
India	2,059	954
Asia	1,715	1,048
Africa	912	1,472
	38,984	28,704

5 REVENUES

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Phosphate-based products	42,467	36,278
Sales of chemical fertilisers	35,606	28,661
Sales of apatite concentrate	4,862	5,750
Sales of other phosphate-based products and services	1,789	1,703
Sales of nepheline concentrate	210	164
Nitrogen-based products	9,555	6,134
Other	2,600	1,986
	54,622	44,398

6 COST OF SALES

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Materials and services	(8,805)	(7,008)
Depreciation	(4,754)	(2,801)
Natural gas	(3,497)	(1,937)
Salaries and social contributions	(3,201)	(2,873)
Sulphur and sulphuric acid	(2,878)	(1,178)
Potash	(2,272)	(1,444)
Chemical fertilisers and other products for resale	(1,862)	(1,647)
Electricity	(1,427)	(1,418)
Ammonium sulphate	(1,099)	(735)
Ammonia	(1,091)	(2,168)
Fuel	(999)	(940)
Heating energy	(169)	(268)
	(32,054)	(24,417)

7 ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Salaries and social contributions	(2,026)	(2,473)
Professional services	(488)	(412)
Depreciation and amortisation	(276)	(186)
Other	(853)	(716)
	(3,643)	(3,787)

8 SELLING EXPENSES

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Freight, port and stevedoring expenses	(4,128)	(2,463)
Russian Railways infrastructure tariff and operators' fees	(2,840)	(2,380)
Custom duties	(470)	(130)
Materials and services	(385)	(347)
Depreciation	(177)	(130)
Salaries and social contributions	(260)	(138)
	(8,260)	(5,588)

9 OTHER EXPENSES, NET

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Social expenditures	(450)	(373)
Loss on disposal of property, plant and equipment and intangible assets	(127)	(575)
Accrual of contingent liabilities	(91)	(7)
(Increase) / Decrease in provision for inventory obsolescence	(60)	40
Increase in provision for bad debt	(5)	(43)
Other income, net	41	537
	(692)	(421)

10 FINANCE INCOME AND FINANCE COSTS

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Interest income	49	64
Gain from revaluation of financial assets	23	-
Unwind of discount of financial assets	18	38
Other finance income	9	90
Finance income	99	192
Interest expense	(1,162)	(963)
Bank fees	(37)	(47)
Discount of financial assets	(22)	(40)
Unwind of discount on financial liabilities	(6)	-
Other finance costs	(2)	(2)
Loss from revaluation of financial assets	-	(9)
Finance costs	(1,229)	(1,061)
Net finance costs	(1,130)	(869)

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (three months ended 31 March 2017: 20%).

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Current tax expense	(1,234)	(2,404)
Origination and reversal of temporary differences, including change in unrecognised assets	(466)	(772)
	(1,700)	(3,176)

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2018		2017	
	RUB million	%	RUB million	%
Profit before tax	8,578	100	15,439	100
Income tax at applicable tax rate	(1,716)	(20)	(3,088)	(20)
Effect of tax rates in foreign jurisdictions	37	-	(24)	-
Unrecognised tax liability on profit from associates	17	-	25	-
Non-deductible items	(186)	(2)	(188)	(1)
Change in unrecognised deferred tax assets	3	-	12	-
Reduction in tax rate	145	2	87	1
	(1,700)	(20)	(3,176)	(20)

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	-	-	409	5,908	6,317
Transfers	805	5,677	-	(6,482)	-
Disposals	(17)	(377)	(2)	(197)	(593)
Depreciation	(703)	(2,103)	(292)	-	(3,098)
Net book value at 31 March 2017	35,327	43,194	3,266	75,552	157,339
Net book value at 1 January 2018	54,740	73,747	4,768	41,858	175,113
Additions	260	730	448	4,635	6,073
Transfers	1,015	5,477	-	(6,492)	-
Disposals	(29)	(40)	(24)	(61)	(154)
Depreciation	(979)	(3,655)	(443)	-	(5,077)
Other movements	33	647	-	-	680
Net book value at 31 March 2018	55,040	76,906	4,749	39,940	176,635

As at 31 March 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 1,908 million;
- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 960 million;
- The construction of service infrastructure of ammonia plant in the amount of RUB 911 million;
- The technical re-equipment of production facilities for urea in the amount of RUB 672 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 502 million;
- The construction of service infrastructure of urea plant in the amount of RUB 314 million.

in Kirovsk:

- Underground mine extension in the amount of RUB 10,578 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 5,687 million;
- The development of Rasvumchorskiy mine in the amount of RUB 3,664 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB 2,324 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	87	125
Foreign currency translation difference	(96)	(108)
Dividends accrued	-	(110)
Balance at 31 March	960	723

14 OTHER NON-CURRENT ASSETS

	31 March 2018 RUB million	31 December 2017 RUB million
Financial assets, at fair value	778	755
Loans issued to third parties, at amortised cost	234	232
Loans issued to employees, at amortised cost	90	77
Loans issued to related parties, at amortised cost	41	97
Financial assets, at amortised cost	29	21
Loans issued to associates, at amortised cost	10	20
Other long-term assets	728	753
	1,910	1,955

15 OTHER CURRENT INVESTMENTS

	31 March 2018 RUB million	31 December 2017 RUB million
Investments in debt securities, at amortised cost	4,480	4,421
Loans issued to related parties, at amortised cost	216	213
Interest receivable	58	42
Loans issued to employees, at amortised cost	43	35
Loans issued to third parties, at amortised cost	40	43
Loans issued to associates, at amortised cost	33	23
Provision for doubtful accounts	(4,485)	(4,425)
	385	352

16 INVENTORIES

	31 March 2018 RUB million	31 December 2017 RUB million
Raw materials and spare parts	12,225	11,712
<i>Finished goods:</i>		
Chemical fertilisers	9,475	9,363
Other products	303	1,260
Apatite concentrate	120	200
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	3,458	3,543
Other goods for resale	61	84
Chemical fertilisers and other products for resale, purchased from third parties	646	1,279
Provision for obsolescence	(156)	(96)
	26,132	27,345

17 TRADE AND OTHER RECEIVABLES

	31 March 2018 RUB million	31 December 2017 RUB million
Trade accounts receivable	17,010	15,507
VAT and other taxes receivable	11,275	10,306
Advances issued	3,857	4,662
Income tax receivable	2,230	2,734
Other receivables	833	818
Deferred expenses	210	210
Receivables from employees	17	26
Provision for doubtful accounts	(217)	(536)
	35,215	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	-	23
Disposal of trade receivables through provision	324	-
Increase in provision for bad debt	(5)	(43)
Balance at 31 March	(217)	(519)

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
			2,720
Total dividends approved subsequent to the reporting date			
March 2018	To be approved in May 2018	15	1,943
May 2018	To be approved in July 2018	24	3,108
			5,051

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.

	Three months ended 31 March	
	2018	2017
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit for the period attributable to shareholders of the Parent, RUB million	6,862	12,260
Basic and diluted earnings per share, RUB	53	95

20 LOANS AND BORROWINGS

	31 March 2018 RUB million	31 December 2017 RUB million
Current loans and borrowings:		
Unsecured bank loans	16,201	14,266
Interest payable	1,179	946
Unsecured loans from other companies	11	13
Bank overdrafts	1	-
Loan participation notes ¹	-	28,800
	17,392	44,025
Non-current loans and borrowings:		
Loan participation notes ^{1, 2, 3}	57,265	28,800
Unsecured bank loans	46,456	46,577
Unsecured letters of credit issued by banks	1,286	1,254
Bank commission (long-term)	(197)	(101)
	104,810	76,530
	122,202	120,555

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

	31 March 2018 RUB million	31 December 2017 RUB million
USD-denominated	100,733	100,874
RUB-denominated	15,175	13,426
EUR-denominated	6,491	6,356
	122,399	120,656

The maturity of the loans and borrowings is as follows:

	31 March 2018 RUB million	31 December 2017 RUB million
Less than 1 year	17,392	44,025
1-2 years	9,481	9,483
2-3 years	16,212	16,291
3-4 years	31,674	31,844
4-5 years	5,062	5,064
More than 5 years	42,578	13,949
	122,399	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 gain RUB million	31 March 2018 RUB million
Loans and borrowings (excluding interest payable)	119,609	43,164	(41,961)	211	121,023
Finance lease liabilities	2,121	-	(371)	32	1,782
	121,730	43,164	(42,332)	243	122,805

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 28,902 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 28,578 million.

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

21 TRADE AND OTHER PAYABLES

	31 March 2018	31 December 2017
	RUB million	RUB million
Trade accounts payable	5,277	6,291
Advances received	3,579	4,414
Payables for property, plant and equipment and intangible assets	3,274	5,838
Taxes payable	2,831	2,014
Payables to employees	2,693	2,933
Dividends payable	1,157	-
Income tax payable	252	109
Accruals	99	51
Other payables	267	198
	19,429	21,848

22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 27,499 million (31 December 2017: RUB 26,637 million).

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

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Sales of goods and services	1,507	2,375
Interest income	1	3
Purchases of goods and services	(119)	(84)
Other income, net	(3)	-
Dividend income	-	110

(ii) Balances with associates

	31 March 2018	31 December 2017
	RUB million	RUB million
Trade and other receivables	518	573
Long-term loans issued, at amortised cost	10	20
Short-term loans issued, at amortised cost	33	23
Trade and other payables	(9)	(13)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure associates' loans amounting to RUB 1,217 million (31 December 2017: RUB 1,318 million).

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

	Three months ended 31 March	
	2018	2017
	RUB million	RUB million
Sales of goods and services	61	196
Other income, net	58	-
Interest income	4	10
Purchases of goods and services	(519)	(338)
Interest expenses	(8)	-

(ii) Balances with other related parties

	31 March 2018	31 December 2017
	RUB million	RUB million
Short-term loans issued, at amortised cost	216	213
Long-term loans issued, at amortised cost	41	97
Trade and other receivables	22	1
Trade and other payables	(143)	(65)
Short-term loans received	(12)	(5)
Finance lease liabilities	(174)	(285)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 53 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:

	31 March 2018	31 December 2017
	RUB million	RUB million
USD-denominated net liabilities	(101,437)	(101,170)
EUR-denominated net liabilities	(7,195)	(6,626)
	(108,632)	(107,796)

The foreign exchange gain recognised in profit or loss of RUB 535 million (RUB 6,625 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 and EUR amount to RUB 12,880 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.

26 SUBSEQUENT EVENTS

The Group has become aware that on 14 May 2018, Ukraine has introduced sanctions against a number of Russian individuals, entities and its affiliates. Among producers of fertilizers against which sanctions were introduced there is a PJSC PhosAgro, Group subsidiary JSC Apatit and Group associate LLC PhosAgro-Ukraine. The sanctions introduced by Ukraine include blocking of assets, restriction of trading operations and a moratorium on the performance of obligations. During three months ended by 31 March 2018 the Group's revenue to LLC PhosAgro-Ukraine was RUB 1,501 million. As of 31 March 2018 investments in associate amounted RUB 457 million, accounts receivable from LLC PhosAgro-Ukraine were RUB 490 million. Management estimates that the above sanctions will not have a significant negative impact on the Group.