



PJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the six months ended
30 June 2016 (unaudited)**

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors

PJSC "PhosAgro"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 30 June 2016, 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 International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Audited entity: PJSC "PhosAgro"

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

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

55/4 building 1, Leninsky prospekt, Moscow, Russian Federation, 119333

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

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

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

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.



PJSC "PhosAgro"

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 2016, and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



I.A. Yagnov

Director, power of attorney dated 24 March 2015

JSC "KPMG"

16 August 2016

Moscow, Russian Federation

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

	Note	Six months ended 30 June		Three months ended 30 June	
		2016	2015	2016	2015
		RUB million	RUB million	RUB million	RUB million
Revenues	5	102,049	93,232	45,976	43,206
Cost of sales	6	(45,895)	(40,980)	(22,125)	(21,434)
Gross profit		56,154	52,252	23,851	21,772
Administrative expenses	7	(6,600)	(5,197)	(3,672)	(2,794)
Selling expenses	8	(10,620)	(9,156)	(4,923)	(4,236)
Taxes, other than income tax		(1,072)	(1,044)	(555)	(478)
Other (expenses)/income, net	9	(1,354)	277	(882)	398
Operating profit		36,508	37,132	13,819	14,662
Finance income	10	472	741	308	466
Finance costs	10	(2,556)	(3,029)	(1,199)	(1,387)
Foreign exchange gain		11,279	11	4,412	3,788
Share of profit/(loss) of associates	13	65	(108)	38	(168)
Profit before tax		45,768	34,747	17,378	17,361
Income tax expense	11	(9,654)	(7,061)	(3,895)	(3,839)
Profit for the period		36,114	27,686	13,483	13,522
Attributable to:					
Non-controlling interests ^		5	(5)	(2)	(8)
Shareholders of the Parent		36,109	27,691	13,485	13,530
Other comprehensive income					
Actuarial gains and losses, net of tax		(18)	(233)	(8)	(98)
Foreign currency translation difference		(1,760)	(339)	(665)	(727)
Other comprehensive loss for the period		(1,778)	(572)	(673)	(825)
Total comprehensive income for the period		34,336	27,114	12,810	12,697
Attributable to:					
Non-controlling interests ^		5	(5)	(2)	(8)
Shareholders of the Parent		34,331	27,119	12,812	12,705
Basic and diluted earnings per share (in RUB)	19	279	214	104	104

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

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

Chief executive officer
A.A. Guryev

Chief financial officer
A.F. Sharabaiko



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

	Note	30 June 2016 RUB million	31 December 2015 RUB million
Assets			
Property, plant and equipment	12	135,206	120,952
Intangible assets		745	566
Investments in associates	13	835	810
Deferred tax assets		5,307	5,901
Other non-current assets	14	9,351	10,246
Non-current assets		151,444	138,475
Other current investments	15	4,070	4,902
Inventories	16	18,264	17,814
Current income tax receivable		1,139	453
Trade and other receivables	17	23,765	25,511
Cash and cash equivalents		26,224	29,347
Current assets		73,462	78,027
Total assets		224,906	216,502
Equity			
	18		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		63,877	43,460
Other reserves		6,881	8,659
Equity attributable to shareholders of the Parent		78,624	59,985
Equity attributable to non-controlling interests		218	213
Total equity		78,842	60,198
Liabilities			
Loans and borrowings	20	99,508	105,565
Defined benefit obligations		445	424
Deferred tax liabilities		3,922	3,677
Non-current liabilities		103,875	109,666
Trade and other payables	21	17,162	17,011
Current income tax payable		899	491
Loans and borrowings	20	23,898	28,947
Derivative financial liabilities		230	189
Current liabilities		42,189	46,638
Total equity and liabilities		224,906	216,502

PJSC "PhosAgro"
Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2016 (unaudited)

	Note	Six months ended 30 June	
		2016	2015
		RUB million	RUB million
Cash flows from operating activities			
Profit before tax		45,768	34,747
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	5,047	4,364
Loss on disposal of property, plant and equipment	9	252	97
Finance income	10	(472)	(741)
Finance costs	10	2,556	3,029
Share of (profit)/loss of associates	13	(65)	108
Foreign exchange gain		(12,574)	(1,625)
Operating profit before changes in working capital and provisions		40,512	39,979
Increase in inventories		(450)	(1,490)
Decrease/(increase) in trade and other receivables		1,835	(953)
(Decrease)/increase in trade and other payables		(470)	1,045
Cash flows from operations before income taxes and interest paid		41,427	38,581
Income tax paid		(9,088)	(2,966)
Finance costs paid		(2,801)	(2,953)
Cash flows from operating activities		29,538	32,662
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(18,302)	(15,214)
Loans repaid, net		270	167
Proceeds from disposal of property, plant and equipment		210	62
Finance income received		222	464
Disposal of investments, net		202	-
Cash flows used in investing activities		(17,398)	(14,521)
Cash flows from financing activities			
Proceeds from borrowings		14,505	23,860
Repayment of borrowings		(10,248)	(37,649)
Dividends paid to shareholders of the Parent	18	(15,540)	(3,626)
Finance leases paid		(1,078)	(922)
Proceeds from/(payments for) settlement of derivatives		26	(286)
Other payments		(152)	(96)
Cash flows used in financing activities		(12,487)	(18,719)
Net decrease in cash and cash equivalents		(347)	(578)
Cash and cash equivalents at 1 January		29,347	30,687
Effect of exchange rates fluctuations		(2,776)	(523)
Cash and cash equivalents at 30 June		26,224	29,586

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	
Balance at 1 January 2015	372	7,494	22,708	(312)	5,570	149	35,981
Total comprehensive income for the period							
Profit for the period	-	-	27,691	-	-	(5)	27,686
Actuarial gains and losses, net of tax	-	-	-	(233)	-	-	(233)
Foreign currency translation difference	-	-	-	-	(339)	-	(339)
	-	-	27,691	(233)	(339)	(5)	27,114
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(1,943)	-	-	(1)	(1,944)
Other	-	-	(107)	-	-	-	(107)
	-	-	(2,050)	-	-	(1)	(2,051)
Balance at 30 June 2015	372	7,494	48,349	(545)	5,231	143	61,044
Balance at 1 January 2016	372	7,494	43,460	(316)	8,975	213	60,198
Total comprehensive income for the period							
Profit for the period	-	-	36,109	-	-	5	36,114
Actuarial gains and losses, net of tax	-	-	-	(18)	-	-	(18)
Foreign currency translation difference	-	-	-	-	(1,760)	-	(1,760)
	-	-	36,109	(18)	(1,760)	5	34,336
Transactions with owners recognised directly in equity							
Dividends to shareholders	-	-	(15,540)	-	-	-	(15,540)
Other	-	-	(152)	-	-	-	(152)
	-	-	(15,692)	-	-	-	(15,692)
Balance at 30 June 2016	372	7,494	63,877	(334)	7,215	218	78,842

1 BACKGROUND

(a) Organisation and operations

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

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

(b) Russian business environment

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

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

(b) Functional currency

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

(c) Presentation currency

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

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

- Assets and liabilities as at 30 June 2016 were translated at the closing exchange rate of RUB 64.2575 for USD 1 (31 December 2015: RUB 72.8827 for USD 1);
- Profit and loss items were translated at the average exchange rate for the six months ended 30 June 2016 of RUB 70.2583 for USD 1 (six months ended 30 June 2015: RUB 57.3968 for USD 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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

- Assets and liabilities as at 30 June 2016 were translated at the closing exchange rate of RUB 71.2102 for EUR 1 (31 December 2015: RUB 79.6972 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the six months ended 30 June 2016 of RUB 78.3415 for EUR 1 (six months ended 30 June 2015: RUB 64.3057 for EUR 1);
- Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

(d) Adoption of new and revised standards and interpretations

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

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

3 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to net-off certain expenses in cost of sales with revenues for the three- and six-month periods ended 30 June 2015 in order to align them with the current period's presentation:

	Six months ended 30 June 2015		
	As previously presented	Reclassifications	As adjusted
	RUB million	RUB million	RUB million
Revenues	93,702	(470)	93,232
Cost of sales	(41,450)	470	(40,980)

	Three months ended 30 June 2015		
	As previously presented	Reclassifications	As adjusted
	RUB million	RUB million	RUB million
Revenues	43,478	(272)	43,206
Cost of sales	(21,706)	272	(21,434)

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 2016 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:	90,529	11,207	313	102,049
Export	61,852	8,010	-	69,862
Domestic	28,677	3,197	313	32,187
Cost of goods sold	(39,983)	(5,631)	(281)	(45,895)
Gross segment profit	<u>50,546</u>	<u>5,576</u>	<u>32</u>	<u>56,154</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(3,833)	(1,040)	(174)	(5,047)
Total non-current segment assets	<u>83,650</u>	<u>48,935</u>	<u>3,366</u>	<u>135,951</u>
Additions to non-current assets	<u>10,427</u>	<u>9,164</u>	<u>133</u>	<u>19,724</u>

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

RUB million

	Phosphate-based products	Nitrogen-based products	Other operations	Total
<i>Segment revenue and profitability</i>				
Segment external revenues, thereof:	81,874	11,164	194	93,232
Export	63,210	8,647	-	71,857
Domestic	18,664	2,517	194	21,375
Cost of goods sold	(35,240)	(5,566)	(174)	(40,980)
Gross segment profit	<u>46,634</u>	<u>5,598</u>	<u>20</u>	<u>52,252</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	(3,321)	(954)	(89)	(4,364)
Total non-current segment assets	<u>76,090</u>	<u>41,992</u>	<u>3,436</u>	<u>121,518</u>
Additions to non-current assets	<u>5,790</u>	<u>7,392</u>	<u>623</u>	<u>13,805</u>

The analysis of export revenue by regions is as follows:

	Six months ended 30 June	
	2016 RUB million	2015 RUB million
Europe	26,215	23,889
North and South America	18,705	25,133
Asia	7,475	2,350
India	6,700	12,784
CIS	6,518	3,922
Africa	4,249	2,438
Australia	-	1,341
	<u>69,862</u>	<u>71,857</u>

5 REVENUES

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	78,941	76,073	35,568	34,797
Sales of apatite concentrate	14,146	9,085	6,288	4,014
Sales of sodium tripolyphosphate	3,046	2,911	1,507	1,823
Sales of nepheline concentrate	414	353	228	165
Sales of ammonium	40	64	19	26
Other sales	5,462	4,746	2,366	2,381
	102,049	93,232	45,976	43,206

6 COST OF SALES

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Materials and services	(12,282)	(9,590)	(6,391)	(5,427)
Salaries and social contributions	(5,687)	(4,812)	(3,043)	(2,509)
Depreciation	(4,412)	(3,894)	(2,159)	(2,010)
Natural gas	(4,104)	(3,567)	(1,996)	(1,590)
Sulphur and sulphuric acid	(3,847)	(4,438)	(1,457)	(2,207)
Potash	(3,664)	(3,443)	(1,848)	(1,924)
Ammonia	(3,456)	(4,408)	(1,415)	(2,272)
Chemical fertilisers and other products for resale	(2,800)	(2,228)	(1,201)	(1,152)
Electricity	(2,159)	(1,903)	(1,057)	(926)
Ammonium sulphate	(1,329)	(1,314)	(515)	(493)
Fuel	(1,134)	(1,303)	(508)	(662)
Heating energy	(386)	(380)	(121)	(139)
Other items	(9)	(5)	(7)	(2)
Change in stock of WIP and finished goods	(626)	305	(407)	(121)
	(45,895)	(40,980)	(22,125)	(21,434)

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(4,041)	(2,801)	(2,351)	(1,483)
Professional services	(717)	(864)	(371)	(520)
Depreciation and amortisation	(351)	(307)	(188)	(150)
Other	(1,491)	(1,225)	(762)	(641)
	(6,600)	(5,197)	(3,672)	(2,794)

8 SELLING EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(4,499)	(4,825)	(2,015)	(2,461)
Russian Railways infrastructure tariff and operators' fees	(3,949)	(2,922)	(1,856)	(1,392)
Materials and services	(1,662)	(1,091)	(789)	(225)
Salaries and social contributions	(226)	(155)	(123)	(74)
Depreciation	(284)	(163)	(140)	(84)
	(10,620)	(9,156)	(4,923)	(4,236)

9 OTHER (EXPENSES)/INCOME, NET

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(946)	(639)	(611)	(421)
Loss on disposal of property, plant and equipment	(285)	(97)	(176)	(96)
Increase in provision for inventory obsolescence	(107)	(36)	(122)	(39)
Increase in provision for bad debt	(65)	(17)	(26)	(27)
Fines and penalties received	76	898	58	898
Other (expenses)/income, net	(27)	168	(5)	83
	(1,354)	277	(882)	398

10 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Interest income	231	659	109	317
Gain from operations with derivative financial instruments	111	-	68	53
Unwind of discount of financial assets	51	68	23	40
Other finance income	79	14	108	56
Finance income	<u>472</u>	<u>741</u>	<u>308</u>	<u>466</u>
Interest expense	(2,425)	(2,723)	(1,128)	(1,320)
Bank fees	(131)	(140)	(71)	(67)
Loss from operations with derivative financial instruments	-	(94)	-	-
Other finance costs	-	(72)	-	-
Finance costs	<u>(2,556)</u>	<u>(3,029)</u>	<u>(1,199)</u>	<u>(1,387)</u>
Net finance costs	(2,084)	(2,288)	(891)	(921)

11 INCOME TAX EXPENSE

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

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(8,811)	(5,315)	(3,484)	(2,926)
Origination and reversal of temporary differences, including change in unrecognised assets	(843)	(1,746)	(411)	(913)
	(9,654)	(7,061)	(3,895)	(3,839)

Reconciliation of effective tax rate:

	Six months ended 30 June			
	2016		2015	
	RUB million	%	RUB million	%
Profit before tax	45,768	100	34,747	100
Income tax at applicable tax rate	(9,154)	(20)	(6,949)	(20)
Effect of tax rates in foreign jurisdictions	44	-	13	-
Under provided in respect of prior years	(15)	-	(236)	-
Unrecognised tax liability/(asset) on profit/(loss) from associates	13	-	(22)	-
Reversal of income tax on intra-group dividends	-	-	399	1
Non-deductible items	(538)	(1)	(273)	(1)
Change in unrecognised deferred tax assets	(4)	-	7	-
	(9,654)	(21)	(7,061)	(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 2015	19,099	34,017	1,758	31,212	86,086
Additions	-	735	449	12,621	13,805
Transfers	2,858	4,048	-	(6,906)	-
Disposals	(42)	(64)	(12)	(41)	(159)
Depreciation	(664)	(3,227)	(370)	-	(4,261)
Net book value at 30 June 2015	21,251	35,509	1,825	36,886	95,471
Net book value at 1 January 2016	22,898	37,052	2,502	58,500	120,952
Additions	-	377	423	18,924	19,724
Transfers	3,076	3,643	-	(6,719)	-
Disposals	(174)	(172)	(10)	(107)	(463)
Depreciation	(811)	(3,706)	(490)	-	(5,007)
Net book value at 30 June 2016	24,989	37,194	2,425	70,598	135,206

As at 30 June 2016, the balance of the construction in progress account includes the accumulated costs related to the construction of ammonia plant in the amount of RUB 29,158 million and the construction of urea plant in the amount of RUB 4,897 million in the city of Cherepovets as well as the construction of apatit-nepheline beneficiation plant in the amount of RUB 4,370 million in the city of Kirovsk.

13 INVESTMENTS IN ASSOCIATES

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

	2016 RUB million	2015 RUB million
Balance at 1 January	810	12,975
Foreign currency translation difference	(40)	(306)
Share in profit/(loss) for the period	65	(108)
Balance at 30 June	835	12,561

14 OTHER NON-CURRENT ASSETS

	30 June 2016 RUB million	31 December 2015 RUB million
Advances issued for property, plant and equipment and intangible assets, at cost	6,785	7,424
Loans issued to related parties, at amortised cost	686	862
Financial assets available-for-sale, at cost	596	596
Loans issued to third parties, at amortised cost	260	248
Financial assets available-for-sale, at fair value	107	81
Loans issued to employees, at amortised cost	105	133
Finance lease receivable	-	13
Other long-term receivables	812	889
	9,351	10,246

15 OTHER CURRENT INVESTMENTS

	30 June 2016 RUB million	31 December 2015 RUB million
Investments in debt securities, at amortised cost	4,932	5,671
Financial assets available-for-sale, at fair value	1,279	1,636
Loans issued to third parties, at amortised cost	176	183
Loans issued to employees, at amortised cost	113	114
Interest receivable	36	27
Loans issued to associate, at amortised cost	-	68
Provision for doubtful accounts	(2,466)	(2,797)
	4,070	4,902

16 INVENTORIES

	30 June 2016 RUB million	31 December 2015 RUB million
Raw materials and spare parts	7,979	6,561
<i>Finished goods:</i>		
Chemical fertilisers	7,471	7,664
Apatite concentrate	175	299
<i>Work-in-progress</i>		
Apatite-nepheline ore	764	790
Chemical fertilisers and other products	1,371	1,643
Other goods for resale	34	45
Chemical fertilisers for resale, purchased from the third parties	607	842
Provision for obsolescence	(137)	(30)
	18,264	17,814

17 TRADE AND OTHER RECEIVABLES

	30 June 2016 RUB million	31 December 2015 RUB million
Trade accounts receivable	11,115	11,368
Taxes receivable	8,768	9,429
Advances issued	3,557	4,462
Other receivables	650	582
Deferred expenses	165	164
Receivables from employees	54	21
Finance lease receivable	-	12
Provision for doubtful accounts	(544)	(527)
	23,765	25,511

The movements in provision for doubtful accounts are as follows:

	2016 RUB Million	2015 RUB Million
Balance at 1 January	(527)	(534)
Foreign currency translation difference	48	4
Disposal of provision through trade receivables	-	(4)
Increase in provision for bad debt	(65)	(17)
Balance at 30 June	(544)	(551)

18 EQUITY**Dividends**

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

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

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

In August 2016, the Board of Directors proposed paying a dividend of RUB 33 per ordinary share. The total amount of proposed dividends was RUB 4,274 million. As of the date of the preparation of these financial statements the proposed dividends were not approved by a meeting of shareholders.

19 EARNINGS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Weighted average number of ordinary shares in issue	129,500,000	129,500,000	129,500,000	129,500,000
Profit for the period attributable to shareholders of the Parent, RUB million	36,109	27,691	13,485	13,530
Basic and diluted earnings per share, RUB	279	214	104	104

20 LOANS AND BORROWINGS

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

<i>RUB million</i>	Contractual interest rate	Year of maturity	30 June 2016	31 December 2015
Current loans and borrowings				
<i>Unsecured bank loans:</i>				
RUB-denominated	5.75%-15%		5,928	6,500
USD-denominated	LIBOR(1M)+1.18%-3.35%		11,513	11,783
USD-denominated	LIBOR(3M)+2.9%-3%		-	3,644
<i>Unsecured letters of credit:</i>				
EUR-denominated	EURIBOR(3M)+1.1%-1.15%		3,447	317
EUR-denominated	EURIBOR(12M)+1.1%-1.83%		364	2,982
<i>Unsecured loans from related parties:</i>				
RUB-denominated	9%-17%		-	29
<i>Unsecured loans from other companies:</i>				
USD-denominated	LIBOR(1M)+1.5%		-	438
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% ¹		1,925	2,351
<i>Interest payable:</i>				
RUB-denominated			1	3
USD-denominated			720	900
			23,898	28,947
Non-current loans and borrowings				
<i>Unsecured bank loans:</i>				
RUB-denominated	12.65%-13.3%	2020-2021	4,000	3,000
EUR-denominated	EURIBOR(6M)+2.15%	2027	303	-
USD-denominated	LIBOR(1M)+2%-3.35%	2017-2019	28,407	38,506
USD-denominated	LIBOR(3M)+2.85%	2020	9,475	-
USD-denominated	LIBOR(6M)+1.05%	2021	8,360	8,700
USD-denominated	4.17%	2027	12,540	13,051
<i>Unsecured letters of credit:</i>				
EUR-denominated	EURIBOR(3M)+1.1%	2017	263	-
EUR-denominated	EURIBOR(6M)+1.1%-1.15%	2017	-	185
EUR-denominated	EURIBOR(12M)+1.1%-1.15%	2017	364	1,329
EUR-denominated	1.62%-1.79%	2019	371	104
<i>Unsecured loans from other companies:</i>				
USD-denominated	LIBOR(12M)+1.25%	2018	650	742
<i>Loan participation notes:</i>				
USD-denominated	4.204% ²	2018	32,097	36,400
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% ¹	2017-2021	2,678	3,548
			99,508	105,565
			123,406	134,512

¹ Contractual interest rate on financial lease agreements consists of:

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

² In February 2013, the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 4.204%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 33,066 million (31 December 2015: RUB 36,405 million).

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

	30 June 2016	31 December 2015
	RUB million	RUB million
USD-denominated	108,365	120,063
RUB-denominated	9,929	9,532
EUR-denominated	5,112	4,917
	123,406	134,512

21 TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	RUB million	RUB million
Trade accounts payable	3,935	4,763
Payables for property, plant and equipment and intangible assets	3,905	3,282
Advances received	3,807	3,901
Taxes payable	2,601	2,617
Accruals	1,631	1,394
Payables to employees	1,111	873
Other payables	172	181
	17,162	17,011

22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 26,038 million (31 December 2015: RUB 35,854 million).

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

	Six months ended 30 June	
	2016	2015
	RUB million	RUB million
Sales of goods and services	3,020	1,650
Interest income	5	20
Purchases of goods and services	(165)	(241)

(ii) Balances with associates

	30 June 2016	31 December 2015
	RUB million	RUB million
Trade and other receivables	607	595
Long-term loans issued at amortised cost	10	-
Short-term loans issued, at amortised cost	-	68
Trade and other payables	(11)	(22)

(iii) Financial guarantees

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

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

	Six months ended 30 June	
	2016	2015
	RUB million	RUB million
Sales of goods and services	697	439
Interest income	23	16
Purchases of goods and services	(379)	(122)

(ii) Balances with other related parties

	30 June 2016	31 December 2015
	RUB million	RUB million
Long-term loans issued, at amortised cost	676	862
Trade and other receivables	7	5
Trade and other payables	(75)	(358)
Short-term loans received	-	(29)

(iii) Financial guarantees

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 117 million (31 December 2015: RUB 134 million).

24 FOREIGN CURRENCY RISK

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

	30 June 2016	31 December 2015
	RUB million	RUB million
USD-denominated net liabilities	(97,725)	(110,936)
EUR-denominated net liabilities	(5,467)	(4,976)
	(103,192)	(115,912)

The foreign exchange gain recognised in profit or loss of RUB 11,279 million and the foreign exchange gain of RUB 11 million for the comparative period resulted from the appreciation of the Russian Rouble against major currencies during the reporting period and the comparative period.

In addition, the net assets of the Group's foreign subsidiaries denominated in USD amount to RUB 13,810 million as at the reporting date (31 December 2015: RUB 14,655 million).

25 SEASONALITY

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

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