



**OJSC “PhosAgro”**

**Consolidated Interim Condensed  
Financial Statements  
for the nine months ended  
30 September 2015 (unaudited)**

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

To the Shareholders and Board of Directors

OJSC "PhosAgro"

### Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 30 September 2015, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods then ended, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2015, and for the three- and nine-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

I.V. Tokarev

Director, power of attorney dated 16 March 2015 No. 25/15

JSC "KPMG"

16 November 2015

Moscow, Russian Federation

Audited entity: OJSC "PhosAgro"

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

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

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

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

**OJSC "PhosAgro"**  
*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the nine months ended 30 September 2015 (unaudited)*

	Note	Nine months ended 30 September		Three months ended 30 September	
		2015 RUB Million	2014* RUB Million	2015 RUB Million	2014* RUB Million
<b>Revenues</b>	5	142,300	86,758	49,068	30,056
<b>Cost of sales</b>	6	(62,437)	(49,624)	(21,457)	(16,760)
<b>Gross profit</b>		<b>79,863</b>	<b>37,134</b>	<b>27,611</b>	<b>13,296</b>
<b>Administrative expenses</b>	7	(8,341)	(6,128)	(3,144)	(2,109)
<b>Selling expenses</b>	8	(13,539)	(8,765)	(4,383)	(2,695)
<b>Taxes, other than income tax</b>		(1,546)	(1,540)	(502)	(544)
<b>Other expenses, net</b>	9	(244)	(965)	(521)	(417)
<b>Operating profit</b>		<b>56,193</b>	<b>19,736</b>	<b>19,061</b>	<b>7,531</b>
<b>Finance income</b>	10	982	647	241	342
<b>Finance costs</b>	10	(4,572)	(2,661)	(1,543)	(1,601)
<b>Foreign exchange loss</b>		(12,533)	(9,471)	(12,544)	(8,381)
<b>Share of (loss)/profit of associates</b>	13	(129)	91	(21)	20
<b>Restructuring costs</b>		-	(59)	-	(13)
<b>Profit/(loss) before tax</b>		<b>39,941</b>	<b>8,283</b>	<b>5,194</b>	<b>(2,102)</b>
<b>Income tax (expense)/benefit</b>	11	(8,390)	(2,010)	(1,329)	278
<b>Profit/(loss) for the period</b>		<b>31,551</b>	<b>6,273</b>	<b>3,865</b>	<b>(1,824)</b>
Attributable to:					
Non-controlling interests ^		(4)	257	1	(7)
Shareholders of the Parent		31,555	6,016	3,864	(1,817)
<b>Other comprehensive income</b>					
Actuarial gains and losses, net of tax		(312)	(84)	(79)	(8)
Foreign currency translation difference		2,136	1,546	2,475	1,373
<b>Other comprehensive income for the period</b>		<b>1,824</b>	<b>1,462</b>	<b>2,396</b>	<b>1,365</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>33,375</b>	<b>7,735</b>	<b>6,261</b>	<b>(459)</b>
Attributable to:					
Non-controlling interests ^		(4)	256	1	(7)
Shareholders of the Parent		33,379	7,479	6,260	(452)
<b>Basic and diluted earnings/(loss) per share (in RUB)</b>	19	<b>244</b>	<b>46</b>	<b>30</b>	<b>(14)</b>

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

The consolidated interim condensed financial statements were approved on 16 November 2015:

Chief executive officer  
A.A. Guryev

Chief financial officer  
A.F. Sharabaiko

**OJSC "PhosAgro"**  
*Consolidated Interim Condensed Statement of Financial Position*  
*as at 30 September 2015 (unaudited)*

	Note	30 September 2015 RUB million	31 December 2014 RUB million
<b>Assets</b>			
Property, plant and equipment	12	107,969	86,086
Intangible assets		576	572
Investments in associates	13	14,744	12,975
Deferred tax assets		5,399	4,249
Other non-current assets	14	11,154	8,935
<b>Non-current assets</b>		<b>139,842</b>	<b>112,817</b>
Other current investments	15	1,865	1,656
Inventories	16	14,149	12,527
Current income tax receivable		2,052	2,975
Trade and other receivables	17	20,531	18,993
Cash and cash equivalents		25,478	30,687
<b>Current assets</b>		<b>64,075</b>	<b>66,838</b>
<b>Total assets</b>		<b>203,917</b>	<b>179,655</b>
<b>Equity</b>			
Share capital	18	372	372
Share premium		7,494	7,494
Retained earnings		45,997	22,708
Other reserves		7,082	5,258
Equity attributable to shareholders of the Parent		60,945	35,832
Equity attributable to non-controlling interests		144	149
<b>Total equity</b>		<b>61,089</b>	<b>35,981</b>
<b>Liabilities</b>			
Loans and borrowings	20	97,463	93,002
Defined benefit obligations		497	453
Deferred tax liabilities		4,254	2,118
<b>Non-current liabilities</b>		<b>102,214</b>	<b>95,573</b>
Trade and other payables	21	12,896	15,321
Current income tax payable		1,942	620
Loans and borrowings	20	25,776	30,822
Derivative financial liabilities		-	1,338
<b>Current liabilities</b>		<b>40,614</b>	<b>48,101</b>
<b>Total equity and liabilities</b>		<b>203,917</b>	<b>179,655</b>

	Note	Nine months ended 30 September	
		2015	2014
		RUB million	RUB million
<b>Cash flows from operating activities</b>			
Profit before tax		39,941	8,283
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	6,612	6,014
Loss on disposal of fixed assets	9	246	177
Finance income	10	(982)	(647)
Finance costs	10	4,572	2,661
Share of loss/(profit) of associates	13	129	(91)
Foreign exchange loss		12,866	9,078
Operating profit before changes in working capital and provisions		63,384	25,475
(Increase)/decrease in inventories		(1,620)	1,275
Increase in trade and other receivables		(1,485)	(55)
Increase/(decrease) in trade and other payables		380	(735)
Cash flows from operations before income taxes and interest paid		60,659	25,960
Income tax paid		(5,080)	(2,925)
Finance costs paid		(4,690)	(1,584)
<b>Cash flows from operating activities</b>		<b>50,889</b>	<b>21,451</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(30,491)	(11,981)
Loans repaid/(issued), net		255	(480)
Acquisition of intangible assets		(89)	(55)
Proceeds from disposal of property, plant and equipment		84	227
Disposal of investments, net		19	254
Finance income received		752	290
<b>Cash flows used in investing activities</b>		<b>(29,470)</b>	<b>(11,745)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		30,956	31,370
Repayment of borrowings		(46,379)	(20,955)
Dividends paid to shareholders of the Parent	18	(10,749)	(2,667)
Dividends paid to non-controlling interests		(1)	-
Finance leases paid		(1,430)	(722)
(Loss)/income from settlement of derivatives		(1,643)	234
Other payments		(107)	(247)
Acquisition of non-controlling interests		-	(5,958)
<b>Cash flows (used in)/from financing activities</b>		<b>(29,353)</b>	<b>1,055</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,934)</b>	<b>10,761</b>
Cash and cash equivalents at 1 January		30,687	8,938
Effect of exchange rates fluctuations		2,725	886
<b>Cash and cash equivalents at 30 September</b>		<b>25,478</b>	<b>20,585</b>

RUB Million	Attributable to shareholders of the Parent							
	Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Attributable to non-controlling interests	Total
<b>Balance at 1 January 2014</b>	<b>372</b>	<b>7,494</b>	<b>48,556</b>	<b>(23)</b>	<b>(443)</b>	<b>350</b>	<b>3,020</b>	<b>59,326</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	6,016	-	-	-	257	6,273
Reclassification of non-controlling interests reflected as a liability	-	-	-	-	-	-	(72)	(72)
Actuarial gains and losses, net of tax	-	-	-	-	(83)	-	(1)	(84)
Foreign currency translation difference	-	-	-	-	-	1,546	-	1,546
	-	-	6,016	-	(83)	1,546	184	7,663
<b>Transactions with owners recognised directly in equity</b>								
Acquisition of non-controlling interest in subsidiaries	-	-	(3,031)	-	-	-	(2,663)	(5,694)
Dividends to shareholders of the Parent	-	-	(5,737)	-	-	-	-	(5,737)
Other	-	-	(247)	-	-	-	-	(247)
	-	-	(9,015)	-	-	-	(2,663)	(11,678)
<b>Balance at 30 September 2014</b>	<b>372</b>	<b>7,494</b>	<b>45,557</b>	<b>(23)</b>	<b>(526)</b>	<b>1,896</b>	<b>541</b>	<b>55,311</b>
<b>Balance at 1 January 2015</b>	<b>372</b>	<b>7,494</b>	<b>22,708</b>	<b>-</b>	<b>(312)</b>	<b>5,570</b>	<b>149</b>	<b>35,981</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	31,555	-	-	-	(4)	31,551
Actuarial gains and losses, net of tax	-	-	-	-	(312)	-	-	(312)
Foreign currency translation difference	-	-	-	-	-	2,136	-	2,136
	-	-	31,555	-	(312)	2,136	(4)	33,375
<b>Transactions with owners recognised directly in equity</b>								
Dividends to shareholders	-	-	(8,159)	-	-	-	(1)	(8,160)
Other	-	-	(107)	-	-	-	-	(107)
	-	-	(8,266)	-	-	-	(1)	(8,267)
<b>Balance at 30 September 2015</b>	<b>372</b>	<b>7,494</b>	<b>45,997</b>	<b>-</b>	<b>(624)</b>	<b>7,706</b>	<b>144</b>	<b>61,089</b>

## **1 BACKGROUND**

### **(a) Organisation and operations**

OJSC “PhosAgro” (the “Company” or the “Parent”) and its subsidiaries (together referred to as the “Group”) comprise Russian legal entities 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.

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

### **(b) Russian business environment**

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

## **2 BASIS OF PREPARATION**

### **(a) Statement of compliance**

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

These consolidated interim condensed financial statements do not contain all the information required for presentation in a complete set of IFRS financial statements and therefore should be read in conjunction with PhosAgro’s consolidated annual financial statements for the year ended 31 December 2014.

Except as disclosed in note 2(c), the accounting policies and judgements applied by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2014.

### **(b) Functional and presentation currencies**

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Parent and its subsidiaries, except for foreign trading subsidiaries, where the functional currencies are USD and EUR. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

These consolidated interim condensed financial statements are presented in RUB.

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

- Assets and liabilities as at 30 September 2015 were translated at the closing exchange rate of RUB 66.2367 for USD 1 (31 December 2014: RUB 56.2584 for USD 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2015 of RUB 59.2777 for USD 1 (nine months ended 30 September 2014: RUB 35.3878 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 September 2015 were translated at the closing exchange rate of RUB 74.5825 for EUR 1 (31 December 2014: RUB 68.3427 for EUR 1);
- Profit and loss items were translated at the average exchange rate for the nine months ended 30 September 2015 of RUB 66.2618 for EUR 1 (nine months ended 30 September 2014: RUB 47.9894 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.

### (c) Adoption of new and revised standards and interpretations

A number of amendments to standards became effective for the Group from 1 January 2015. 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 September 2015, 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 make certain reclassifications of expenses for the three and nine months ended 30 September 2014 on materials and services, and depreciation between cost of sales, administrative expenses and selling expenses in order to align them with the current period's presentation:

	Nine months ended 30 September 2014		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(50,651)	1,027	(49,624)
Administrative expenses	(6,039)	(89)	(6,128)
Selling expenses	(7,767)	(998)	(8,765)
Other expenses, net	(1,025)	60	(965)

	Three months ended 30 September 2014		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(17,118)	358	(16,760)
Administrative expenses	(2,084)	(25)	(2,109)
Selling expenses	(2,344)	(351)	(2,695)
Other expenses, net	(435)	18	(417)

#### 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.

Management is currently in the process of reviewing and adjusting its internal reporting system based on merger of management accounting and IFRS. As a result, presentation of the segment information has been amended from 1 January 2015. Comparative information has been adjusted to conform to the current year's presentation.

Business segment information as at 30 September 2015 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:	125,800	15,953	547	-	142,300
Export	89,029	13,187	-	-	102,216
Domestic	36,771	2,766	547	-	40,084
Cost of goods sold	(53,352)	(8,595)	(490)	-	(62,437)
Gross segment profit	<u>72,448</u>	<u>7,358</u>	<u>57</u>	-	<u>79,863</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(5,063)	(1,416)	(133)	-	(6,612)
Total non-current segment assets	<u>70,839</u>	<u>35,115</u>	<u>2,591</u>	-	<u>108,545</u>
Additions to non-current assets	<u>9,968</u>	<u>17,671</u>	<u>1,064</u>	-	<u>28,703</u>

Business segment information of the Group as at 31 December 2014 and for the nine months ended 30 September 2014 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:	74,233	12,018	507	-	86,758
Export	47,269	9,868	-	-	57,137
Domestic	26,964	2,150	507	-	29,621
Inter-segment transfers	-	8	-	(8)	-
Cost of goods sold	(43,132)	(6,044)	(456)	8	(49,624)
Gross segment profit	<u>31,101</u>	<u>5,982</u>	<u>51</u>	<u>-</u>	<u>37,134</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	<u>(4,522)</u>	<u>(1,396)</u>	<u>(96)</u>	<u>-</u>	<u>(6,014)</u>
Total non-current segment assets	<u>66,498</u>	<u>18,214</u>	<u>1,946</u>	<u>-</u>	<u>86,658</u>
Additions to non-current assets	<u>9,056</u>	<u>2,647</u>	<u>429</u>	<u>-</u>	<u>12,132</u>

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2015	2014
	RUB million	RUB million
North and South America	33,267	28,831
Europe	32,186	16,998
India	17,751	826
CIS	8,640	5,248
Africa	5,558	2,742
Asia	3,469	2,256
Australia	1,345	236
	<u>102,216</u>	<u>57,137</u>

**5 REVENUES**

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	117,136	65,678	41,063	23,289
Sales of apatite concentrate	12,906	10,828	3,821	3,199
Sales of sodium tripolyphosphate	4,314	3,275	1,403	1,136
Sales of nepheline concentrate	526	469	173	197
Sales of ammonium	88	425	24	322
Other sales	7,330	6,083	2,584	1,913
	<b>142,300</b>	<b>86,758</b>	<b>49,068</b>	<b>30,056</b>

**6 COST OF SALES**

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Materials and services	(15,000)	(14,022)	(5,410)	(5,272)
Salaries and social contributions	(7,131)	(7,264)	(2,319)	(2,288)
Sulphur and sulphuric acid	(6,482)	(3,035)	(2,044)	(1,316)
Ammonia	(6,305)	(2,209)	(1,897)	(610)
Potash	(5,953)	(3,036)	(2,510)	(1,079)
Depreciation	(5,797)	(5,377)	(1,903)	(1,748)
Natural gas	(5,358)	(5,545)	(1,791)	(1,851)
Chemical fertilisers and other products for resale	(3,337)	(2,394)	(1,109)	(681)
Electricity	(2,829)	(2,674)	(926)	(892)
Fuel	(2,061)	(2,126)	(758)	(581)
Ammonium sulphate	(1,515)	(491)	(201)	(137)
Heating energy	(497)	(919)	(117)	(115)
Other items	(23)	(14)	(18)	(1)
Change in stock of WIP and finished goods	(149)	(518)	(454)	(189)
	<b>(62,437)</b>	<b>(49,624)</b>	<b>(21,457)</b>	<b>(16,760)</b>

**7 ADMINISTRATIVE EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(4,608)	(3,522)	(1,807)	(1,234)
Professional services	(1,361)	(498)	(497)	(171)
Depreciation and amortisation	(451)	(458)	(144)	(126)
Other	(1,921)	(1,650)	(696)	(578)
	<b>(8,341)</b>	<b>(6,128)</b>	<b>(3,144)</b>	<b>(2,109)</b>

**8 SELLING EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(6,761)	(3,191)	(1,936)	(1,002)
Russian Railways infrastructure tariff and operators' fees	(4,544)	(4,159)	(1,622)	(1,281)
Materials and services	(1,625)	(972)	(534)	(204)
Depreciation	(364)	(179)	(201)	(126)
Salaries and social contributions	(245)	(264)	(90)	(82)
	<b>(13,539)</b>	<b>(8,765)</b>	<b>(4,383)</b>	<b>(2,695)</b>

**9 OTHER EXPENSES, NET**

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Fines and penalties received	909	-	11	-
Social expenditures	(1,212)	(856)	(573)	(314)
Increase in provision for bad debt	(35)	(52)	(18)	(37)
(Increase)/decrease in provision for inventory obsolescence	(2)	69	34	43
Loss on disposal of fixed assets	(246)	(177)	(149)	(115)
Other income, net	342	51	174	6
	<b>(244)</b>	<b>(965)</b>	<b>(521)</b>	<b>(417)</b>

**10 FINANCE INCOME AND FINANCE COSTS**

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Interest income	815	638	156	266
Other finance income	167	9	85	76
Finance income	<b>982</b>	<b>647</b>	<b>241</b>	<b>342</b>
Interest expense	(3,993)	(1,651)	(1,270)	(589)
Loss from operations with derivative financial instruments	(305)	(879)	(211)	(1,012)
Other finance costs	(274)	(131)	(62)	-
Finance costs	<b>(4,572)</b>	<b>(2,661)</b>	<b>(1,543)</b>	<b>(1,601)</b>
Net finance costs	<b>(3,590)</b>	<b>(2,014)</b>	<b>(1,302)</b>	<b>(1,259)</b>

**11 INCOME TAX (EXPENSE)/BENEFIT**

The Company's applicable corporate income tax rate is 20% (nine months ended 30 September 2014: 20%).

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(7,326)	(2,293)	(2,011)	(485)
Origination and reversal of temporary differences, including change in unrecognised assets	(1,064)	283	682	763
	<b>(8,390)</b>	<b>(2,010)</b>	<b>(1,329)</b>	<b>278</b>

**Reconciliation of effective tax rate:**

	Nine months ended 30 September			
	2015		2014	
	RUB million	%	RUB million	%
Profit before tax	39,941	100	8,283	100
Income tax at applicable tax rate	(7,988)	(20)	(1,657)	(20)
Effect of tax rates in foreign jurisdictions	(15)	-	12	-
Under provided in respect of prior years	(265)	(1)	(24)	-
Unrecognised tax (asset)/liability on (loss)/profit from associates	(26)	-	18	-
Correction of tax loss carry-forward	-	-	(330)	(4)
Reversal of income tax on intra-group dividends	399	1	-	-
Non-deductible items	(501)	(1)	(144)	(2)
Change in unrecognised deferred tax assets	6	-	115	2
	<b>(8,390)</b>	<b>(21)</b>	<b>(2,010)</b>	<b>(24)</b>

**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 2014	18,017	31,488	1,584	24,839	<b>75,928</b>
Additions	33	764	740	10,595	<b>12,132</b>
Transfers	1,863	5,867	-	(7,730)	-
Disposals	(124)	(173)	(62)	(45)	<b>(404)</b>
Depreciation	(876)	(4,401)	(555)	-	<b>(5,832)</b>
Net book value at 30 September 2014	<u>18,913</u>	<u>33,545</u>	<u>1,707</u>	<u>27,659</u>	<b>81,824</b>
Net book value at 1 January 2015	19,099	34,017	1,758	31,212	<b>86,086</b>
Additions	14	777	664	27,248	<b>28,703</b>
Transfers	4,576	6,440	-	(11,016)	-
Disposals	(80)	(186)	(14)	(50)	<b>(330)</b>
Depreciation	(1,039)	(4,891)	(560)	-	<b>(6,490)</b>
Net book value at 30 September 2015	<u>22,570</u>	<u>36,157</u>	<u>1,848</u>	<u>47,394</u>	<b>107,969</b>

**Security**

Properties with a carrying amount of RUB 65 million (31 December 2014: RUB 315 million) are pledged to secure loans and borrowings, see note 20.

**13 INVESTMENTS IN ASSOCIATES**

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

	2015 RUB million	2014 RUB million
Balance at 1 January	12,975	8,485
Foreign currency translation difference	1,898	1,481
Share in (loss)/profit for the period	(129)	91
Balance at 30 September	<b>14,744</b>	<b>10,057</b>

As at 30 September 2015 and 31 December 2014 one of the Group's associate companies held promissory notes and loan participation notes issued by entities affiliated to a bank, which at the end of 2014 went into a financial recovery procedure monitored by the Russian Deposit Insurance Agency finalised in June 2015. Taking into account the uncertainties associated with the outcome of this procedure and mutual court claims filed by the Group and bank, the Group recognised a provision of 50% of the nominal value of the promissory notes and loan participation notes in the amount of RUB 1,084 million (31 December 2014: RUB 919 million).

**14 OTHER NON-CURRENT ASSETS**

	30 September 2015 RUB million	31 December 2014 RUB million
Advances issued for property, plant and equipment, at cost	9,248	6,927
Financial assets available-for-sale, at cost	592	610
Loans issued to associates and related parties, at amortised cost	557	466
Loans issued to third parties, at amortised cost	246	287
Loans issued to employees, at amortised cost	163	260
Financial assets available-for-sale, at fair value	61	44
Finance lease receivable	13	21
Other long-term receivables	274	320
	<b>11,154</b>	<b>8,935</b>

**15 OTHER CURRENT INVESTMENTS**

	30 September 2015 RUB million	31 December 2014 RUB million
Investments in debt securities, at amortised cost	2,981	2,531
Interest receivable	486	383
Loans issued to employees, at amortised cost	103	63
Loans issued to third parties, at amortised cost	25	96
Loans issued to related parties, at amortised cost	-	7
Provision for doubtful accounts	(1,730)	(1,424)
	<b>1,865</b>	<b>1,656</b>

As at 30 September 2015 and 31 December 2014 the Group held promissory notes issued by an entity affiliated to a bank, which at the end of 2014 went into a financial recovery procedure monitored by the Russian Deposit Insurance Agency finalised in June 2015. Taking into account the uncertainties associated with the outcome of this procedure and mutual court claims filed by the Group and bank, the Group recognised a provision of 50% of the nominal value of the promissory notes in the amount of RUB 1,490 million (31 December 2014: RUB 1,265 million) and 50% of interest receivable in the amount of RUB 240 million (31 December 2014: RUB 159 million).

**16 INVENTORIES**

	30 September 2015 RUB million	31 December 2014 RUB million
Raw materials and spare parts	6,682	5,137
<i>Finished goods:</i>		
Chemical fertilisers	4,639	4,932
Apatite concentrate	198	76
<i>Work-in-progress</i>		
Apatite concentrate	560	562
Chemical fertilisers and other products	448	379
Apatite-nepheline ore	1,220	991
Other goods for resale	54	30
Chemical fertilisers and other products for resale, purchased from third parties	541	611
Provision for obsolescence	(193)	(191)
	<b>14,149</b>	<b>12,527</b>

**17 TRADE AND OTHER RECEIVABLES**

	30 September 2015 RUB million	31 December 2014 RUB million
Trade accounts receivable	8,656	6,867
Taxes receivable	8,570	7,514
Advances issued	3,583	4,721
Receivables from employees	123	42
Deferred expenses	107	54
Other receivables	103	318
Finance lease receivable	12	11
Provision for doubtful accounts	(623)	(534)
	<b>20,531</b>	<b>18,993</b>



**18 EQUITY****Dividends**

In April 2015, the Board of Directors proposed to pay a dividend of RUB 15 per ordinary share. The total amount of proposed dividends was RUB 1,943 million. In June 2015, the proposed dividend payout was approved by a meeting of shareholders.

In May 2015, the Board of Directors proposed to pay a dividend of RUB 48 per ordinary share. The total amount of proposed dividends was RUB 6,216 million. In July 2015, the proposed dividend payout was approved by a meeting of shareholders.

In August 2015, the Board of Directors proposed to pay a dividend of RUB 57 per ordinary share. The total amount of proposed dividends was RUB 7,382 million. In October 2015, the proposed dividend payout was approved by a meeting of shareholders.

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.

**19 EARNINGS/(LOSS) 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.

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Weighted average number of ordinary shares in issue	129,500,000	129,500,000	129,500,000	129,500,000
Profit/(loss) for the period attributable to shareholders of the Parent, RUB million	31,555	6,016	3,864	(1,817)
Basic and diluted earnings/(loss) per share, RUB	244	46	30	(14)

**20 LOANS AND BORROWINGS**

This note provides information about the contractual terms of the Group's loans and borrowings. See note 12 on the assets pledged as a security for bank loans.

<i>RUB Million</i>	Contractual interest rate	Year of maturity	30 September 2015	31 December 2014
<b>Current loans and borrowings</b>				
<i>Unsecured bank loans:</i>				
RUB-denominated	9.15%-15.00%		7,000	9,011
USD-denominated	LIBOR(1M)+1.4%-3.35%		9,342	13,627
USD-denominated	LIBOR(3M)+2.9%-3.0%		6,624	4,220
USD-denominated	2.20%		-	928
<i>Secured letters of credit:</i>				
USD-denominated	EURIBOR(6M)+2.30%		-	124
EUR-denominated	EURIBOR(6M)+3.25%		114	-
<i>Unsecured letters of credit:</i>				
EUR-denominated	EURIBOR(6M)+1.15%		169	-
EUR-denominated	EURIBOR(12M)+1.15%-1.83%		270	775
<i>Unsecured loans from related parties:</i>				
RUB-denominated	9.00-17.00%		38	46
<i>Unsecured loans from associates:</i>				
USD-denominated	2.25%		-	242
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% <sup>1</sup>		1,748	1,294
<i>Interest payable:</i>				
RUB-denominated			3	8
USD-denominated			468	547
			<b>25,776</b>	<b>30,822</b>
<b>Non-current loans and borrowings</b>				
<i>Unsecured bank loans:</i>				
RUB-denominated	12.95%-13.30%	2016	6,500	3,000
USD-denominated	LIBOR(1M)+2.0%-3.35%	2016-2019	32,387	48,217
USD-denominated	LIBOR(6M)+1.05%	2017-2018	6,778	2,612
USD-denominated	4.17%	2021-2023	10,166	3,919
<i>Secured letters of credit:</i>				
EUR-denominated	EURIBOR(6M)+3.25%	2017	-	208
<i>Unsecured letters of credit:</i>				
EUR-denominated	EURIBOR(6M)+1.15%	2016-2017	169	-
EUR-denominated	EURIBOR(12M)+1.10%-1.15%	2016-2017	3,822	2,441
<i>Unsecured loans from other companies</i>				
USD-denominated	LIBOR(12M)+1.25%	2018	675	571
<i>Loan participation notes:</i>				
USD-denominated	4.204% <sup>2</sup>	2018	33,071	28,066
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% <sup>1</sup>	2016-2021	3,895	3,968
			<b>97,463</b>	<b>93,002</b>
			<b>123,239</b>	<b>123,824</b>

<sup>1</sup> 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)

<sup>2</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 32,958 million (31 December 2014: RUB 23,800 million).

**21 TRADE AND OTHER PAYABLES**

	30 September 2015	31 December 2014
	RUB million	RUB million
Trade accounts payable	3,962	3,902
Taxes payable	3,024	2,362
Advances received	2,345	2,599
Payable for property, plant and equipment	1,687	1,891
Accruals	1,209	1,178
Payables to employees	593	735
Dividends payable	-	2,590
Other payables	76	64
	<b>12,896</b>	<b>15,321</b>

**22 COMMITMENTS**

The Group has entered into contracts to purchase plant and equipment for RUB 42,200 million (31 December 2014: RUB 28,766 million).

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

	Nine months ended 30 September	
	2015	2014
	RUB million	RUB million
Sales of goods and services	4,828	1,314
Interest income	76	21
Purchases of goods and services	(424)	(170)

**(ii) Balances with associates**

	30 September 2015	31 December 2014
	RUB million	RUB million
Trade and other receivables	309	156
Long-term loans issued at amortised cost	98	-
Advances issued for property, plant and equipment, at cost	6	-
Trade and other payables	(8)	(19)
Short-term loans received	-	(242)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,660 million (31 December 2014: RUB 1,880 million).

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

	Nine months ended 30 September	
	2015	2014
	RUB million	RUB million
Sales of goods and services	694	279
Interest income	21	4
Purchases of goods and services	(555)	(49)

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

	30 September 2015	31 December 2014
	RUB million	RUB million
Long-term loans issued, at amortised cost	459	466
Trade and other receivables	3	81
Short-term loans issued, at amortised cost	-	7
Dividends payable to shareholders of the Parent	-	(2,590)
Trade and other payables	(12)	(21)
Short-term loans received	(38)	(46)

**(iii) Financial guarantees**

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 155 million (31 December 2014: RUB 178 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.