



**PJSC “PhosAgro”**

**Consolidated Interim Condensed  
Financial Statements  
for the nine months ended  
30 September 2018 (unaudited)**

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## Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors

PJSC "PhosAgro"

### **Introduction**

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 30 September 2018, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2018 and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2018, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements 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 statements 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.

Registration 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. 11803053203.



**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 September 2018, and for the three- and nine-month periods ended 30 September 2018 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Yagnov I.A.  
JSC "KPMG"  
Moscow, Russia  
20 November 2018

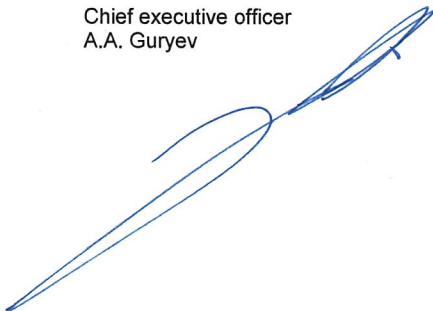
**PJSC "PhosAgro"**  
**Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income**  
**for the nine months ended 30 September 2018 (unaudited)**

	Note	Nine months ended 30 September		Three months ended 30 September	
		2018 RUB million	2017 RUB million	2018 RUB million	2017 RUB million
Revenues	5	174,026	135,573	62,778	46,452
Cost of sales	6	(94,512)	(76,861)	(32,614)	(27,016)
<b>Gross profit</b>		<b>79,514</b>	<b>58,712</b>	<b>30,164</b>	<b>19,436</b>
Administrative expenses	7	(10,924)	(10,531)	(3,913)	(3,526)
Selling expenses	8	(24,263)	(17,065)	(7,353)	(5,398)
Taxes, other than income tax		(2,676)	(1,869)	(871)	(639)
Other expenses, net	9	(1,707)	(1,383)	(453)	(325)
<b>Operating profit</b>		<b>39,944</b>	<b>27,864</b>	<b>17,574</b>	<b>9,548</b>
Finance income	10	257	399	134	178
Finance costs	10	(4,436)	(4,230)	(1,991)	(2,046)
Foreign exchange (loss)/gain, net		(13,218)	3,585	(5,081)	1,572
Share of profit/(loss) of associates, net of provision	13	(640)	251	(724)	100
<b>Profit before tax</b>		<b>21,907</b>	<b>27,869</b>	<b>9,912</b>	<b>9,352</b>
Income tax expense	11	(4,276)	(6,794)	(2,114)	(2,009)
<b>Profit for the period</b>		<b>17,631</b>	<b>21,075</b>	<b>7,798</b>	<b>7,343</b>
Attributable to:					
Non-controlling interests ^		55	(3)	30	(1)
Shareholders of the Parent		17,576	21,078	7,768	7,344
<b>Other comprehensive income/(loss)</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation difference		2,345	(600)	907	(171)
<b>Other comprehensive income/(loss) for the period</b>		<b>2,345</b>	<b>(600)</b>	<b>907</b>	<b>(171)</b>
<b>Total comprehensive income for the period</b>		<b>19,976</b>	<b>20,475</b>	<b>8,705</b>	<b>7,172</b>
Attributable to:					
Non-controlling interests ^		55	(3)	30	(1)
Shareholders of the Parent		19,921	20,478	8,675	7,173
Basic and diluted earnings per share (in RUB)	19	136	163	60	57

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

The consolidated interim condensed financial statements were approved on 20 November 2018:

Chief executive officer  
A.A. Guryev



Chief financial officer  
A.F. Sharabaiko



**PJSC "PhosAgro"**  
*Consolidated Interim Condensed Statement of Financial Position*  
*as at 30 September 2018 (unaudited)*

	Note	30 September 2018 RUB million	31 December 2017 RUB million
<b>Assets</b>			
Property, plant and equipment	12	181,553	175,113
Catalysts		1,900	1,900
Advances issued for property, plant and equipment		5,108	2,334
Intangible assets		1,830	1,773
Investments in associates	13	490	969
Deferred tax assets		7,820	5,371
Other non-current assets	14	1,879	1,955
<b>Non-current assets</b>		<b>200,580</b>	<b>189,415</b>
Other current investments	15	341	352
Inventories	16	26,083	25,445
Trade and other receivables	17	31,496	33,727
Cash and cash equivalents		11,956	2,691
<b>Current assets</b>		<b>69,876</b>	<b>62,215</b>
<b>Total assets</b>		<b>270,456</b>	<b>251,630</b>
<b>Equity</b>			
Share capital	18	372	372
Share premium		7,494	7,494
Retained earnings		95,286	85,480
Other reserves		7,112	4,767
Equity attributable to shareholders of the Parent		110,264	98,113
Equity attributable to non-controlling interests		184	129
<b>Total equity</b>		<b>110,448</b>	<b>98,242</b>
<b>Liabilities</b>			
Loans and borrowings	20	110,409	76,530
Finance lease liabilities		468	1,004
Defined benefit obligations		951	950
Deferred tax liabilities		8,563	7,914
<b>Non-current liabilities</b>		<b>120,391</b>	<b>86,398</b>
Loans and borrowings	20	21,051	44,025
Finance lease liabilities		855	1,117
Trade and other payables	21	17,520	21,848
Other current liabilities		191	-
<b>Current liabilities</b>		<b>39,617</b>	<b>66,990</b>
<b>Total equity and liabilities</b>		<b>270,456</b>	<b>251,630</b>

**PJSC "PhosAgro"**  
*Consolidated Interim Condensed Statement of Cash Flows  
for the nine months ended 30 September 2018 (unaudited)*

	Note	Nine months ended 30 September	
		2018	2017
		RUB million	RUB million
<b>Cash flows from operating activities</b>			
Profit before tax		21,907	27,869
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	16,408	10,647
Loss on disposal of property, plant and equipment and intangible assets	9	394	764
Finance income	10	(257)	(415)
Finance costs	10	4,436	4,246
Share of profit of associates, net of provision	13	640	(251)
Foreign exchange loss/(gain) net		13,213	(3,589)
Operating profit before changes in working capital and provisions		56,741	39,271
Increase in inventories		(206)	(4,339)
Decrease in trade and other receivables		2,672	5,621
Decrease in trade and other payables		(3,028)	(4,159)
Cash flows from operations before income taxes and interest paid		56,179	36,394
Income tax paid		(3,671)	(6,743)
Finance costs paid		(3,059)	(3,184)
<b>Cash flows from operating activities</b>		<b>49,449</b>	<b>26,467</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(26,578)	(23,294)
(Issue)/repayment of loans issued, net		(365)	414
Proceeds from disposal of property, plant and equipment		14	193
Finance income received		148	228
(Acquisition)/disposal of investments, net		(8)	381
Other payments		(599)	-
<b>Cash flows used in investing activities</b>		<b>(27,388)</b>	<b>(22,078)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	20	69,146	76,254
Repayment of borrowings	20	(74,248)	(69,215)
Dividends paid to shareholders of the Parent	18	(7,770)	(11,655)
Dividends paid to non-controlling interests		-	(5)
Finance leases paid	20	(994)	(1,012)
Payments for settlement of derivatives, net		97	-
<b>Cash flows used in financing activities</b>		<b>(13,769)</b>	<b>(5,633)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,292</b>	<b>(1,244)</b>
Cash and cash equivalents at 1 January		2,691	7,261
Effect of exchange rates fluctuations		973	111
<b>Cash and cash equivalents at 30 September</b>		<b>11,956</b>	<b>6,128</b>

RUB million	Attributable to shareholders of the Parent						Total
	Share capital	Share premium	Retained earnings	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Attributable to non-controlling interests	
<b>Balance at 1 January 2017</b>	<b>372</b>	<b>7,494</b>	<b>74,932</b>	<b>(384)</b>	<b>5,870</b>	<b>137</b>	<b>88,421</b>
<b>Total comprehensive income for the period</b>							
Profit/(loss) for the period	-	-	21,078	-	-	(3)	21,075
Foreign currency translation difference	-	-	-	-	(600)	-	(600)
	-	-	21,078	-	(600)	(3)	20,475
<b>Transactions with owners recognised directly in equity</b>							
Dividends accrued	-	-	(11,655)	-	-	(5)	(11,660)
	-	-	(11,655)	-	-	(5)	(11,660)
<b>Balance at 30 September 2017</b>	<b>372</b>	<b>7,494</b>	<b>84,355</b>	<b>(384)</b>	<b>5,270</b>	<b>129</b>	<b>97,236</b>
<b>Balance at 1 January 2018</b>	<b>372</b>	<b>7,494</b>	<b>85,480</b>	<b>(726)</b>	<b>5,493</b>	<b>129</b>	<b>98,242</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	17,576	-	-	55	17,631
Foreign currency translation difference	-	-	-	-	2,345	-	2,345
	-	-	17,576	-	2,345	55	19,976
<b>Transactions with owners recognised directly in equity</b>							
Dividends accrued	-	-	(7,770)	-	-	-	(7,770)
	-	-	(7,770)	-	-	-	(7,770)
<b>Balance at 30 September 2018</b>	<b>372</b>	<b>7,494</b>	<b>95,286</b>	<b>(726)</b>	<b>7,838</b>	<b>184</b>	<b>110,448</b>



## **1 BACKGROUND**

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

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

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

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

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

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

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## **2 BASIS OF PREPARATION**

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

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

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

These consolidated interim condensed financial statements do not contain all the information required for presentation in a complete set of IFRS financial statements and therefore should be read in conjunction with PhosAgro's consolidated annual financial statements for the year ended 31 December 2017.

Except as disclosed in note 2(d), the accounting policies and judgements applied by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2017.

### **(b) Functional currency**

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

**(c) Presentation currency**

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

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

- Assets and liabilities as at 30 September 2018 were translated at the closing exchange rate of RUB 65.5906 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 nine months ended 30 September 2018 of RUB 61.4358 for USD 1 (nine months ended 30 September 2017: RUB 58.3344 for USD 1);
- Equity items arising during the reporting period are recognised at the exchange rate ruling at the date of transaction;
- The resulting foreign exchange difference is recognised in other comprehensive income.

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

- Assets and liabilities as at 30 September 2018 were translated at the closing exchange rate of RUB 76.2294 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 nine months ended 30 September 2018 of RUB 73.2921 for EUR 1 (nine months ended 30 September 2017: RUB 64.9319 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 ownership coincides with the fulfilment of the performance obligations, the changes in respect of the timing and amount of revenue recognised do not have a material impact on the Group's consolidated financial statements.

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

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

### 3 PRIOR YEAR RECLASSIFICATIONS

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

- cost of sales, administrative expenses, selling expenses and other expenses;
- revenue;
- elements making cost of sales;
- inventory, catalysts (as non-current assets), trade and other payables;
- segment information.

	Nine months ended 30 September 2017		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(10,917)	386	(10,531)
Selling expenses	(16,533)	(532)	(17,065)
Other expenses, net	(1,660)	277	(1,383)
Cost of sales	(76,730)	(131)	(76,861)

	Three months ended 30 September 2017		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Administrative expenses	(3,706)	180	(3,526)
Selling expenses	(4,991)	(407)	(5,398)
Other expenses, net	(423)	98	(325)
Cost of sales	(27,145)	129	(27,016)

	31 December 2017		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Catalysts	-	1,900	1,900
Inventories	27,345	(1,900)	25,445

### 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 September 2018 and for the nine 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:	139,584	27,417	7,025	174,026
Export	94,032	21,999	772	116,803
Domestic	45,552	5,418	6,253	57,223
Cost of goods sold	(75,295)	(12,733)	(6,484)	(94,512)
Gross segment profit	<u>64,289</u>	<u>14,684</u>	<u>541</u>	<u>79,514</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	<u>(11,388)</u>	<u>(4,524)</u>	<u>(496)</u>	<u>(16,408)</u>
Total non-current segment assets <sup>1</sup>	<u>118,053</u>	<u>61,902</u>	<u>5,328</u>	<u>185,283</u>
Additions to non-current assets <sup>1</sup>	<u>16,558</u>	<u>4,474</u>	<u>817</u>	<u>21,849</u>

Business segment information of the Group as at 31 December 2017 and for the nine months ended 30 September 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:	113,692	15,649	6,232	135,573
Export	72,786	10,886	215	83,887
Domestic	40,906	4,763	6,017	51,686
Cost of goods sold	(61,783)	(9,286)	(5,792)	(76,861)
Gross segment profit	<u>51,909</u>	<u>6,363</u>	<u>440</u>	<u>58,712</u>
<i>Certain items of profit and loss</i>				
Amortisation and depreciation	<u>(7,898)</u>	<u>(2,461)</u>	<u>(288)</u>	<u>(10,647)</u>
Total non-current segment assets <sup>1</sup>	<u>108,711</u>	<u>66,081</u>	<u>3,994</u>	<u>178,786</u>
Additions to non-current assets <sup>1</sup>	<u>15,806</u>	<u>6,221</u>	<u>716</u>	<u>22,743</u>

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2018	2017
	RUB million	RUB million
Europe	40,565	28,203
South America	31,240	20,161
North America	17,360	9,087
India	11,562	5,564
CIS	8,546	13,848
Africa	4,850	4,046
Asia	2,674	2,967
Australia	6	11
	<u>116,803</u>	<u>83,887</u>

<sup>1</sup> Total non-current segment assets include property, plant and equipment, intangible assets and catalysts.

**5 REVENUES**

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Phosphate-based products	139,584	113,692	51,529	39,972
Sales of chemical fertilisers	117,050	92,875	43,633	33,223
Sales of apatite concentrate	15,789	15,801	5,435	5,006
Sales of other phosphate-based products and services	6,164	4,500	2,272	1,589
Sales of nepheline concentrate	581	516	189	154
Nitrogen-based products	27,417	15,649	8,780	4,173
Other	7,025	6,232	2,469	2,307
	<b>174,026</b>	<b>135,573</b>	<b>62,778</b>	<b>46,452</b>

**6 COST OF SALES**

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Materials and services	(28,268)	(23,589)	(10,353)	(8,569)
Depreciation	(14,990)	(9,546)	(5,354)	(3,673)
Salaries and social contributions	(9,540)	(8,250)	(3,165)	(2,674)
Natural gas	(9,403)	(6,424)	(2,685)	(2,520)
Sulphur and sulphuric acid	(7,735)	(4,391)	(2,561)	(1,619)
Potash	(7,718)	(6,514)	(3,162)	(2,775)
Chemical fertilisers and other products for resale	(4,672)	(4,092)	(1,641)	(1,414)
Electricity	(4,195)	(4,112)	(1,327)	(1,387)
Fuel	(2,764)	(2,494)	(876)	(738)
Ammonia	(2,720)	(5,637)	(914)	(1,273)
Ammonium sulphate	(2,105)	(1,328)	(506)	(308)
Heating energy	(402)	(484)	(70)	(66)
	<b>(94,512)</b>	<b>(76,861)</b>	<b>(32,614)</b>	<b>(27,016)</b>

**7 ADMINISTRATIVE EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(6,232)	(6,320)	(2,211)	(2,026)
Professional services	(1,331)	(1,249)	(523)	(438)
Depreciation and amortisation	(901)	(650)	(323)	(263)
Other	(2,460)	(2,312)	(856)	(799)
	<b>(10,924)</b>	<b>(10,531)</b>	<b>(3,913)</b>	<b>(3,526)</b>

**8 SELLING EXPENSES**

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(12,122)	(7,096)	(3,618)	(2,239)
Russian Railways infrastructure tariff and operators' fees	(7,712)	(6,824)	(2,459)	(2,290)
Materials and services	(1,950)	(1,252)	(724)	(198)
Salaries and social contributions	(1,153)	(907)	(258)	(392)
Custom duties	(809)	(535)	(160)	(139)
Depreciation	(517)	(451)	(134)	(140)
	<b>(24,263)</b>	<b>(17,065)</b>	<b>(7,353)</b>	<b>(5,398)</b>

**9 OTHER EXPENSES, NET**

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(1,415)	(1,238)	(501)	(399)
Loss on disposal of property, plant and equipment and intangible assets	(390)	(764)	(109)	(10)
(Accrual)/reversal of accrual of contingent liabilities	(91)	(38)	71	2
Increase in provision for bad debt	(22)	(83)	(25)	(33)
(Increase)/decrease in provision for inventory obsolescence	(48)	47	(57)	15
Other income, net	259	693	168	100
	<b>(1,707)</b>	<b>(1,383)</b>	<b>(453)</b>	<b>(325)</b>

**10 FINANCE INCOME AND FINANCE COSTS**

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Interest income	158	185	74	59
Unwind of discount of financial assets	50	71	16	73
Other finance income	49	143	44	46
Finance income	<b>257</b>	<b>399</b>	<b>134</b>	<b>178</b>
Interest expense	(3,506)	(3,321)	(1,191)	(1,263)
Bank fees	(115)	(298)	(36)	(193)
Provision for other non-current assets	(543)	-	(543)	-
Other finance costs	(272)	(611)	(221)	(590)
Finance costs	<b>(4,436)</b>	<b>(4,230)</b>	<b>(1,991)</b>	<b>(2,046)</b>
Net finance costs	<b>(4,179)</b>	<b>(3,831)</b>	<b>(1,857)</b>	<b>(1,868)</b>

**11 INCOME TAX EXPENSE**

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

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(6,076)	(5,550)	(2,623)	(1,856)
Origination and reversal of temporary differences, including change in unrecognised assets	1,800	(1,244)	509	(153)
	<b>(4,276)</b>	<b>(6,794)</b>	<b>(2,114)</b>	<b>(2,009)</b>

**Reconciliation of effective tax rate:**

	Nine months ended 30 September			
	2018		2017	
	RUB million	%	RUB million	%
Profit before tax	21,907	100	27,869	100
Income tax at applicable tax rate	(4,381)	(20)	(5,574)	(20)
Effect of tax rates in foreign jurisdictions	97	-	28	-
Over provided in respect of prior years	1	-	35	-
Unrecognised tax liability on profit from associates	16	-	50	-
Non-deductible items	(797)	(4)	(712)	(2)
Change in unrecognised deferred tax assets	-	-	15	-
Reduction in tax rate	788	4	187	1
Recognition of previously unrecognised deferred tax liabilities	-	-	(823)	(3)
	<b>(4,276)</b>	<b>(20)</b>	<b>(6,794)</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 2017	35,242	39,997	3,151	76,323	<b>154,713</b>
Additions	752	379	1,651	19,961	<b>22,743</b>
Transfers	12,595	32,316	-	(44,911)	-
Disposals	(88)	(591)	(8)	(262)	<b>(949)</b>
Depreciation	(2,201)	(7,536)	(827)	-	<b>(10,564)</b>
Net book value at 30 September 2017	<b>46,300</b>	<b>64,565</b>	<b>3,967</b>	<b>51,111</b>	<b>165,943</b>
Net book value at 1 January 2018	54,740	73,747	4,768	41,858	<b>175,113</b>
Additions	1,270	2,478	1,349	16,416	<b>21,513</b>
Transfers	3,200	8,532	-	(11,732)	-
Disposals	(46)	(87)	(25)	(240)	<b>(398)</b>
Depreciation	(3,329)	(10,888)	(1,363)	-	<b>(15,580)</b>
Other movements	68	834	3	-	<b>905</b>
Net book value at 30 September 2018	<b>55,903</b>	<b>74,616</b>	<b>4,732</b>	<b>46,302</b>	<b>181,553</b>

During the nine months ended 30 September 2018 the Group capitalized borrowing cost in the amount of RUB 615 million (RUB 621 million in the nine months ended 30 September 2017) in value of property, plant and equipment using the weighted average interest rate of 3.5% per annum.

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

*in Cherepovets:*

- The construction of ammonia sulphate plant in the amount of RUB 2,354 million;
- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 1,765 million;
- The construction of service infrastructure of ammonia plant in the amount of RUB 1,024 million;
- Modernization of production facilities for urea plant in the amount of RUB 1,094 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 1,917 million;
- Maintenance programme of ammonia production facilities in the amount of RUB 3,126 million.

*in Kirovsk:*

- Kirovsk mine extension and modernization in the amount of RUB 10,919 million;
- The construction of apatit-nepheline beneficiation plants in the amount of RUB 6,666 million;
- The development of Rasvumchorskiy mine in the amount of RUB 7,066 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB 2,555 million.

*in Balakovo:*

- Modernization of production facilities in the amount of RUB 2,313 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	82	251
Dividends accrued	-	(110)
Provision for investments in associates	(722)	-
Foreign currency translation difference	161	(98)
Balance at 30 September	<b>490</b>	<b>859</b>

### 14 OTHER NON-CURRENT ASSETS

	30 September 2018 RUB million	31 December 2017 RUB million
Financial assets, at fair value	738	755
Loans issued to third parties, at amortised cost	779	232
Loans issued to employees, at amortised cost	97	77
Financial assets, at amortised cost	27	21
Loans issued to related parties, at amortised cost	-	97
Loans issued to associates, at amortised cost	-	20
Provision for loans issued to third parties	(546)	-
Other long-term assets	784	753
	<b>1,879</b>	<b>1,955</b>

### 15 OTHER CURRENT INVESTMENTS

	30 September 2018 RUB million	31 December 2017 RUB million
Loans issued to related parties, at amortised cost	173	213
Interest receivable	73	42
Loans issued to employees, at amortised cost	45	35
Loans issued to third parties, at amortised cost	34	43
Loans issued to associates, at amortised cost	16	23
Provision for doubtful accounts	-	(4)
	<b>341</b>	<b>352</b>



## 16 INVENTORIES

	30 September 2018	31 December 2017
	RUB million	RUB million
Raw materials and spare parts	12,247	9,812
<i>Finished goods:</i>		
Chemical fertilisers	8,403	9,363
Other products	691	1,260
Apatite concentrate	421	200
<i>Work-in-progress:</i>		
Chemical fertilisers and other products	3,270	3,543
Other goods for resale	64	84
Chemical fertilisers and other products for resale, purchased from third parties	1,131	1,279
Provision for obsolescence	(144)	(96)
	<b>26,083</b>	<b>25,445</b>

## 17 TRADE AND OTHER RECEIVABLES

	30 September 2018	31 December 2017
	RUB million	RUB million
Trade accounts receivable	16,301	15,507
VAT and other taxes receivable	9,856	10,306
Advances issued	3,917	4,662
Income tax receivable	483	2,734
Other receivables	959	818
Deferred expenses	121	210
Receivables from employees	34	26
Provision for doubtful accounts	(175)	(536)
	<b>31,496</b>	<b>33,727</b>

The movements in provision for doubtful accounts are as follows:

	2018	2017
	RUB million	RUB million
Balance at 1 January	(536)	(499)
Foreign currency translation difference	-	15
Written off provision through trade receivables	383	85
(Increase) in provision for bad debt	(22)	(83)
Balance at 30 September	<b>(175)</b>	<b>(482)</b>

**18 EQUITY****Dividends**

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
<b>Total dividends approved during the reporting period</b>			
November 2017	February 2018	21	2,720
March 2018	May 2018	15	1,942
May 2018	July 2018	24	3,108
			<b>7,770</b>
<b>Total dividends approved subsequent to the reporting date</b>			
August 2018	October 2018	45	5,828
November 2018	To be approved in December 2018	72	9,324
			<b>15,152</b>

**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.

	Nine months ended 30 September		Three months ended 30 September	
	2018	2017	2018	2017
Weighted average number of ordinary shares in issue	129,500,000	129,500,000	129,500,000	129,500,000
Profit for the period attributable to shareholders of the Parent, RUB million	17,576	21,078	7,768	7,344
Basic and diluted earnings per share, RUB	136	163	60	57

**20 LOANS AND BORROWINGS**

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

	30 September 2018 RUB million	31 December 2017 RUB million
<b>Current loans and borrowings:</b>		
Unsecured bank loans	19,407	14,266
Interest payable	1,639	946
Unsecured loans from other companies	8	13
Loan participation notes <sup>1</sup>	-	28,800
Bank commission (short-term)	(3)	-
	<b>21,051</b>	<b>44,025</b>
<b>Non-current loans and borrowings:</b>		
Loan participation notes <sup>2,3</sup>	65,591	28,800
Unsecured bank loans	44,985	46,577
Unsecured letters of credit issued by banks	-	1,254
Bank commission (long-term)	(167)	(101)
	<b>110,409</b>	<b>76,530</b>
	<b>131,460</b>	<b>120,555</b>

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 32,360 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 31,989 million.

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

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

	30 September 2018 RUB million	31 December 2017 RUB million
USD-denominated	117,647	100,874
RUB-denominated	7,026	13,426
EUR-denominated	6,957	6,356
	<b>131,630</b>	<b>120,656</b>

The maturity of the loans and borrowings is as follows:

	30 September 2018 RUB million	31 December 2017 RUB million
Less than 1 year	21,054	44,025
1-2 years	18,536	9,483
2-3 years	3,450	16,291
3-4 years	38,266	31,844
4-5 years	36,245	5,064
More than 5 years	14,079	13,949
	<b>131,630</b>	<b>120,656</b>

Reconciliation of liabilities arising from financing activities:

RUB million	31 December 2017 RUB million	Cash inflows RUB million	Cash outflows RUB million	Amortisation of bank commission RUB million	Foreign exchange loss RUB million	30 September 2018 RUB million
Loans and borrowings (excluding interest payable)	119,609	69,146	(74,248)	34	15,280	129,821
Finance lease liabilities	2,121	-	(994)	-	196	1,323
	<b>121,730</b>	<b>69,146</b>	<b>(75,242)</b>	<b>34</b>	<b>15,476</b>	<b>131,144</b>

## 21 TRADE AND OTHER PAYABLES

	30 September 2018 RUB million	31 December 2017 RUB million
Trade accounts payable	9,501	12,129
incl. accounts payable for property, plant and equipment and intangible assets	3,457	5,838
Payables to employees	2,870	2,933
Advances received	2,461	4,414
Taxes payable	1,946	2,014
Income tax payable	306	109
Accruals	146	51
Other payables	290	198
	<b>17,520</b>	<b>21,848</b>

## 22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 35,468 million (31 December 2017: RUB 26,637 million).

## 23 RELATED PARTY TRANSACTIONS

### (a) Transactions and balances with associates

#### (i) Transactions with associates

	Nine months ended 30 September	
	2018	2017
	RUB million	RUB million
Sales of goods and services	2,144	7,605
Interest income	2	8
Purchases of goods and services	(368)	(312)
Other income, net	3	-
Bad debt provision on investments in associates	(722)	-
Dividend income	-	110

#### (ii) Balances with associates

	30 September 2018	31 December 2017
	RUB million	RUB million
Trade and other receivables	22	573
Long-term loans issued, at amortised cost	-	20
Short-term loans issued, at amortised cost	16	23
Trade and other payables	(2)	(13)

#### (iii) Financial guarantees

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

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

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

	Nine months ended 30 September	
	2018	2017
	RUB million	RUB million
Sales of goods and services	427	973
Other income, net	33	-
Interest income	11	23
Purchases of goods and services	(1,541)	(619)
Interest expenses	(22)	(47)

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

	30 September 2018	31 December 2017
	RUB million	RUB million
Short-term loans issued, at amortised cost	173	213
Long-term loans issued, at amortised cost	-	97
Trade and other receivables	121	1
Trade and other payables	(140)	(65)
Short-term loans received	(8)	(5)
Finance lease liabilities	(37)	(285)

#### (iii) Financial guarantees

The Group issued financial guarantees to banks to secure related parties' loans amounting to RUB 50 million (31 December 2017: RUB 56 million).

## 24 FOREIGN CURRENCY RISK

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

	30 September 2018 RUB million	31 December 2017 RUB million
USD-denominated net liabilities	(113,379)	(101,170)
EUR-denominated net liabilities	(7,581)	(6,626)
	<b>(120,960)</b>	<b>(107,796)</b>

The foreign exchange loss recognized in profit of loss of RUB 13,218 million (RUB 3,585 million of foreign exchange gain for the comparative period) resulted from the depreciation (appreciation) of the Russian Rouble against major currencies during the reporting and comparative periods.

In addition, the net assets of the Group’s foreign subsidiaries denominated in USD and EUR amount to RUB 15,650 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.