



OJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the six months ended
30 June 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 June 2015, 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.

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 2015, 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.V. Tokarev

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

JSC "KPMG"

18 August 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 six months ended 30 June 2015 (unaudited)*

	Note	Six months ended 30 June		Three months ended 30 June	
		2015 RUB Million	2014* RUB Million	2015 RUB Million	2014* RUB Million
Revenues	5	93,702	56,702	43,478	27,286
Cost of sales	6	(41,450)	(32,864)	(21,706)	(15,756)
Gross profit		52,252	23,838	21,772	11,530
Administrative expenses	7	(5,197)	(4,019)	(2,794)	(1,995)
Selling expenses	8	(9,156)	(6,070)	(4,236)	(3,016)
Taxes, other than income tax		(1,044)	(996)	(478)	(511)
Other income/(expenses), net	9	277	(548)	398	(407)
Operating profit		37,132	12,205	14,662	5,601
Finance income	10	741	514	418	522
Finance costs	10	(3,029)	(1,269)	(1,339)	(718)
Foreign exchange gain/(loss)		11	(1,090)	3,788	2,682
Share of (loss)/profit of associates	13	(108)	71	(168)	67
Restructuring costs		-	(46)	-	(46)
Profit before tax		34,747	10,385	17,361	8,108
Income tax expense	11	(7,061)	(2,288)	(3,839)	(1,920)
Profit for the period		27,686	8,097	13,522	6,188
Attributable to:					
Non-controlling interests ^		(5)	264	(8)	212
Shareholders of the Parent		27,691	7,833	13,530	5,976
Other comprehensive income					
Actuarial gains and losses, net of tax		(233)	(76)	(98)	(11)
Foreign currency translation difference		(339)	173	(727)	(467)
Other comprehensive (loss)/income for the period		(572)	97	(825)	(478)
Total comprehensive income for the period		27,114	8,194	12,697	5,710
Attributable to:					
Non-controlling interests ^		(5)	263	(8)	213
Shareholders of the Parent		27,119	7,931	12,705	5,497
Basic and diluted earnings per share (in RUB)	19	214	60	104	46

^ 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 18 August 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 June 2015 (unaudited)

	Note	30 June 2015 RUB million	31 December 2014 RUB million
Assets			
Property, plant and equipment	12	95,471	86,086
Intangible assets		519	572
Investments in associates	13	12,561	12,975
Deferred tax assets		4,217	4,249
Other non-current assets	14	10,214	8,935
Non-current assets		122,982	112,817
Other current investments	15	1,799	1,656
Inventories	16	14,019	12,527
Current income tax receivable		1,276	2,975
Trade and other receivables	17	19,991	18,993
Cash and cash equivalents		29,586	30,687
Current assets		66,671	66,838
Total assets		189,653	179,655
Equity			
	18		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		48,347	22,708
Other reserves		4,686	5,258
Equity attributable to shareholders of the Parent		60,899	35,832
Equity attributable to non-controlling interests		145	149
Total equity		61,044	35,981
Liabilities			
Loans and borrowings	20	78,685	93,002
Defined benefit obligations		482	453
Deferred tax liabilities		3,774	2,118
Non-current liabilities		83,035	95,573
Trade and other payables	21	14,018	15,321
Current income tax payable		1,270	620
Loans and borrowings	20	29,234	30,822
Derivative financial liabilities		1,146	1,338
Current liabilities		45,574	48,101
Total equity and liabilities		189,653	179,655

OJSC "PhosAgro"
Consolidated Interim Condensed Statement of Cash Flows
for the six months ended 30 June 2015 (unaudited)

	Note	Six months ended 30 June	
		2015	2014
		RUB million	RUB million
Cash flows from operating activities			
Profit before tax		34,747	10,385
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	4,364	4,014
Loss on disposal of fixed assets	9	97	62
Finance income	10	(741)	(514)
Finance costs	10	3,029	1,269
Share of loss/(profit) of associates	13	108	(71)
Foreign exchange (gain)/loss		(1,625)	1,245
Operating profit before changes in working capital and provisions		39,979	16,390
(Increase)/decrease in inventories		(1,490)	926
Increase in trade and other receivables		(953)	(261)
Increase/(decrease) in trade and other payables		1,045	(937)
Cash flows from operations before income taxes and interest paid		38,581	16,118
Income tax paid		(2,966)	(1,786)
Finance costs paid		(2,953)	(924)
Cash flows from operating activities		32,662	13,408
Cash flows from investing activities			
Loans repaid/(issued), net		167	(500)
Acquisition of intangible assets		(50)	(50)
Acquisition of property, plant and equipment		(15,164)	(7,117)
Proceeds from disposal of property, plant and equipment		62	224
Disposal of investments, net		-	223
Finance income received		464	181
Cash flows used in investing activities		(14,521)	(7,039)
Cash flows from financing activities			
Proceeds from borrowings		23,860	21,224
Repayment of borrowings		(37,649)	(14,324)
Acquisition of non-controlling interests		-	(5,702)
Dividends paid to shareholders of the Parent	18	(3,626)	(461)
Finance leases paid		(922)	(656)
(Loss)/income from settlement of derivatives		(286)	209
Other payments		(96)	(247)
Cash flows (used in)/from financing activities		(18,719)	43
Net (decrease)/increase in cash and cash equivalents		(578)	6,412
Cash and cash equivalents at 1 January		30,687	8,938
Effect of exchange rates fluctuations		(523)	(481)
Cash and cash equivalents at 30 June		29,586	14,869

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
Balance at 1 January 2014	372	7,494	48,556	(23)	(443)	350	3,020	59,326
Total comprehensive income for the period								
Profit for the period	-	-	7,833	-	-	-	264	8,097
Reclassification of non-controlling interests reflected as a liability	-	-	-	-	-	-	(72)	(72)
Actuarial gains and losses, net of tax	-	-	-	-	(75)	-	(1)	(76)
Foreign currency translation difference	-	-	-	-	-	173	-	173
	-	-	7,833	-	(75)	173	191	8,122
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries	-	-	(3,103)	-	-	-	(2,599)	(5,702)
Dividends to shareholders of the Parent	-	-	(2,499)	-	-	-	-	(2,499)
Other	-	-	(247)	-	-	-	-	(247)
	-	-	(5,849)	-	-	-	(2,599)	(8,448)
Balance at 30 June 2014	372	7,494	50,540	(23)	(518)	523	612	59,000
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 recognized 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

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 currency is 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 June 2015 were translated at the closing exchange rate of RUB 55.5240 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 six months ended 30 June 2015 of RUB 57.3968 for USD 1 (six months ended 30 June 2014: RUB 34.9796 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 2015 were translated at the closing exchange rate of RUB 61.5206 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 six months ended 30 June 2015 of RUB 64.3057 for EUR 1 (six months ended 30 June 2014: RUB 47.9875 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 June 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 six months ended 30 June 2014 on materials and services between cost of sales, administrative expenses and selling expenses in order to align them with the current period's presentation:

	Six months ended 30 June 2014		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(33,533)	669	(32,864)
Administrative expenses	(3,955)	(64)	(4,019)
Selling expenses	(5,423)	(647)	(6,070)
Other expenses, net	(590)	42	(548)

	Three months ended 30 June 2014		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Cost of sales	(16,090)	334	(15,756)
Administrative expenses	(1,982)	(13)	(1,995)
Selling expenses	(2,693)	(323)	(3,016)
Other expenses, net	(409)	2	(407)

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 June 2015 and for the six 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:	81,874	11,164	664	-	93,702
Export	63,210	8,647	-	-	71,857
Domestic	18,664	2,517	664	-	21,845
Cost of goods sold	(35,286)	(5,566)	(598)	-	(41,450)
Gross segment profit	<u>46,588</u>	<u>5,598</u>	<u>66</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>68,526</u>	<u>25,238</u>	<u>2,226</u>	-	<u>95,990</u>
Additions to non-current assets	<u>5,790</u>	<u>7,392</u>	<u>623</u>	-	<u>13,805</u>

Business segment information of the Group as at 31 December 2014 and for the six months ended 30 June 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:	48,267	8,093	342	-	56,702
Export	33,170	6,067	-	-	39,237
Domestic	15,097	2,026	342	-	17,465
Inter-segment transfers	-	8	-	(8)	-
Cost of goods sold	(28,353)	(4,210)	(309)	8	(32,864)
Gross segment profit	<u>19,914</u>	<u>3,891</u>	<u>33</u>	<u>-</u>	<u>23,838</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	<u>(3,035)</u>	<u>(922)</u>	<u>(57)</u>	<u>-</u>	<u>(4,014)</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>5,199</u>	<u>1,165</u>	<u>240</u>	<u>-</u>	<u>6,604</u>

The analysis of export revenue by regions is as follows:

	Six months ended 30 June	
	2015 RUB million	2014 RUB million
North and South America	25,133	19,715
Europe	23,889	11,549
India	12,784	483
CIS	3,922	2,952
Africa	2,438	2,419
Asia	2,350	1,928
Australia	1,341	191
	<u>71,857</u>	<u>39,237</u>

5 REVENUES

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	76,073	42,389	34,788	20,575
Sales of apatite concentrate	9,085	7,629	4,014	3,467
Sales of sodium tripolyphosphate	2,911	2,139	1,823	1,179
Sales of nepheline concentrate	353	272	165	164
Sales of ammonium	64	103	35	89
Other sales	5,216	4,170	2,653	1,812
	93,702	56,702	43,478	27,286

6 COST OF SALES

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Materials and services	(10,060)	(8,749)	(5,753)	(4,809)
Salaries and social contributions	(4,812)	(4,976)	(2,509)	(2,342)
Sulphur and sulphuric acid	(4,438)	(1,719)	(2,207)	(983)
Ammonia	(4,408)	(1,599)	(2,272)	(776)
Depreciation	(3,894)	(3,629)	(2,010)	(1,850)
Natural gas	(3,567)	(3,694)	(1,590)	(1,731)
Potash	(3,443)	(1,957)	(1,924)	(978)
Chemical fertilisers and other products for resale	(2,228)	(1,713)	(1,124)	(651)
Electricity	(1,903)	(1,782)	(926)	(887)
Ammonium sulphate	(1,314)	(354)	(493)	(117)
Fuel	(1,303)	(1,545)	(662)	(727)
Heating energy	(380)	(804)	(139)	(297)
Other items	(5)	(15)	(2)	(5)
Change in stock of WIP and finished goods	305	(328)	(95)	397
	(41,450)	(32,864)	(21,706)	(15,756)

7 ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(2,801)	(2,288)	(1,483)	(1,066)
Professional services	(864)	(327)	(520)	(171)
Depreciation and amortisation	(307)	(332)	(150)	(152)
Other	(1,225)	(1,072)	(641)	(606)
	(5,197)	(4,019)	(2,794)	(1,995)

8 SELLING EXPENSES

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Freight, port and stevedoring expenses	(4,825)	(2,189)	(2,461)	(1,170)
Russian Railways infrastructure tariff and operators' fees	(2,922)	(2,878)	(1,392)	(1,560)
Materials and services	(1,091)	(768)	(225)	(163)
Salaries and social contributions	(155)	(182)	(74)	(94)
Depreciation	(163)	(53)	(84)	(29)
	(9,156)	(6,070)	(4,236)	(3,016)

9 OTHER INCOME/(EXPENSES), NET

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Fines and penalties received	898	-	898	-
Social expenditures	(639)	(542)	(421)	(342)
(Increase)/decrease in provision for bad debt	(17)	(15)	(27)	29
(Increase)/decrease in provision for inventory obsolescence	(36)	26	(39)	12
Loss on disposal of fixed assets	(97)	(62)	(96)	(86)
Other income/(expenses), net	168	45	83	(20)
	277	(548)	398	(407)

10 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Interest income	659	372	317	214
Gain from operations with derivative financial instruments	-	133	53	302
Other finance income	82	9	48	6
Finance income	741	514	418	522
Interest expense	(2,723)	(1,062)	(1,320)	(551)
Loss from operations with derivative financial instruments	(94)	-	-	-
Other finance costs	(212)	(207)	(19)	(167)
Finance costs	(3,029)	(1,269)	(1,339)	(718)
Net finance costs	(2,288)	(755)	(921)	(196)

11 INCOME TAX EXPENSE

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

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(5,315)	(1,808)	(2,926)	(519)
Origination and reversal of temporary differences, including change in unrecognised assets	(1,746)	(480)	(913)	(1,401)
	(7,061)	(2,288)	(3,839)	(1,920)

Reconciliation of effective tax rate:

	Six months ended 30 June			
	2015		2014	
	RUB million	%	RUB million	%
Profit before tax	34,747	100	10,385	100
Income tax at applicable tax rate	(6,949)	(20)	(2,077)	(20)
Effect of tax rates in foreign jurisdictions	13	-	10	-
Over/(under) provided in respect of prior years	(236)	-	16	-
Unrecognised tax liability on profit from associates	(22)	-	14	-
Correction of tax loss carry-forward	-	-	(330)	(3)
Reversal of income tax on intra-group dividends	399	1	-	-
Non-deductible items	(273)	(1)	(64)	(1)
Change in unrecognised deferred tax assets	7	-	143	2
	(7,061)	(20)	(2,288)	(22)

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	75,928
Additions	31	325	453	5,795	6,604
Transfers	1,644	4,789	-	(6,433)	-
Disposals	(167)	(29)	(60)	(30)	(286)
Depreciation	(579)	(2,929)	(347)	-	(3,855)
Net book value at 30 June 2014	<u>18,946</u>	<u>33,644</u>	<u>1,630</u>	<u>24,171</u>	78,391
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	<u>21,251</u>	<u>35,509</u>	<u>1,825</u>	<u>36,886</u>	95,471

Security

Properties with a carrying amount of RUB 66 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
Share in (loss)/profit for the period	(108)	71
Foreign currency translation difference	(306)	198
Balance at 30 June	12,561	8,754

As at 30 June 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 909 RUB million (31 December 2014: RUB 919 million).

14 OTHER NON-CURRENT ASSETS

	30 June 2015 RUB million	31 December 2014 RUB million
Advances issued for property, plant and equipment, at cost	8,343	6,927
Financial assets available-for-sale, at cost	611	610
Loans issued to related parties, at amortised cost	487	466
Loans issued to employees, at amortised cost	218	260
Loans issued to third parties, at amortised cost	200	287
Financial assets available-for-sale, at fair value	57	44
Finance lease receivable	14	21
Other long-term receivables	284	320
	10,214	8,935

15 OTHER CURRENT INVESTMENTS

	30 June 2015 RUB million	31 December 2014 RUB million
Investments in debt securities, at amortised cost	2,499	2,531
Interest receivable	572	383
Loans issued to third parties, at amortised cost	100	96
Loans issued to employees, at amortised cost	73	63
Loans issued to related parties, at amortised cost	2	7
Provision for doubtful accounts	(1,447)	(1,424)
	1,799	1,656

As at 30 June 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 1,249 RUB million (31 December 2014: RUB 1,265 million) and 50% of interest receivable in the amount of RUB 198 million (31 December 2014: RUB 159 million).

16 INVENTORIES

	30 June 2015 RUB million	31 December 2014 RUB million
Raw materials and spare parts	6,568	5,137
<i>Finished goods:</i>		
Chemical fertilisers	5,340	4,932
Apatite concentrate	201	76
<i>Work-in-progress</i>		
Apatite concentrate	691	562
Chemical fertilisers and other products	402	379
Apatite-nepheline ore	604	991
Other goods for resale	37	30
Chemical fertilisers and other products for resale, purchased from third parties	403	611
Provision for obsolescence	(227)	(191)
	14,019	12,527

17 TRADE AND OTHER RECEIVABLES

	30 June 2015 RUB million	31 December 2014 RUB million
Taxes receivable	8,560	7,514
Trade accounts receivable	7,827	6,867
Advances issued	3,726	4,721
Other receivables	264	318
Deferred expenses	98	54
Receivables from employees	55	42
Finance lease receivable	12	11
Provision for doubtful accounts	(551)	(534)
	19,991	18,993

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.

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	
	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 for the period attributable to shareholders of the Parent, RUB million	27,691	7,833	13,530	5,976
Basic and diluted earnings per share, RUB	214	60	104	46

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 June 2015	31 December 2014
Current loans and borrowings				
<i>Unsecured bank loans:</i>				
RUB-denominated	9.15%-15.00%		7,000	9,011
USD-denominated	LIBOR(1M)+1.4%-3.35%		13,812	13,627
USD-denominated	LIBOR(3M)+2.9%-3.0%		5,552	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%		94	-
<i>Unsecured letters of credit:</i>				
EUR-denominated	EURIBOR(6M)+1.15%		140	-
EUR-denominated	EURIBOR(12M)+1.15%-1.83%		552	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% ¹		1,448	1,294
<i>Interest payable:</i>				
RUB-denominated			2	8
USD-denominated			596	547
			29,234	30,822
Non-current loans and borrowings				
<i>Unsecured bank loans:</i>				
RUB-denominated	13.30%	2016	6,500	3,000
USD-denominated	LIBOR(1M)+2.0%-3.35%	2016-2019	28,387	48,217
USD-denominated	LIBOR(6M)+1.05%	2017-2018	3,279	2,612
USD-denominated	4.17%	2021-2023	4,919	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	279	-
EUR-denominated	EURIBOR(12M)+1.10%-1.15%	2016-2017	3,327	2,441
<i>Unsecured loans from other companies</i>				
USD-denominated	LIBOR(12M)+1.25%	2018	558	571
<i>Loan participation notes:</i>				
USD-denominated	4.204% ²	2018	27,710	28,066
<i>Finance lease liabilities:</i>				
USD-denominated	3.8%-12.55% ¹	2016-2021	3,726	3,968
			78,685	93,002
			107,919	123,824

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 27,123 million (31 December 2014: RUB 23,800 million).

21 TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	RUB million	RUB million
Trade accounts payable	3,632	3,902
Advances received	3,203	2,599
Taxes payable	2,812	2,362
Accruals	1,486	1,178
Payable for property, plant and equipment	1,213	1,891
Dividends payable	928	2,590
Payables to employees	653	735
Other payables	91	64
	14,018	15,321

22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 33,892 million (31 December 2014: RUB 28,766 million).

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

	Six months ended 30 June	
	2015	2014
	RUB million	RUB million
Sales of goods and services	1,650	609
Interest income	20	14
Purchases of goods and services	(241)	(86)

(ii) Balances with associates

	30 June 2015	31 December 2014
	RUB million	RUB million
Trade and other receivables	318	156
Long-term loans issued, at amortised cost	53	-
Advances issued for property, plant and equipment, at cost	6	-
Trade and other payables	(15)	(19)
Short-term loans received	-	(242)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,658 million (31 December 2014: RUB 1,880 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Six months ended 30 June	
	2015 RUB million	2014 RUB million
Sales of goods and services	439	255
Interest income	16	2
Purchases of goods and services	(122)	(87)

(ii) Balances with other related parties

	30 June 2015	31 December 2014
	RUB million	RUB million
Long-term loans issued, at amortised cost	434	466
Trade and other receivables	35	81
Interest receivable from related parties	11	-
Short-term loans issued, at amortised cost	2	7
Dividends payable to shareholders of the Parent	(928)	(2,590)
Trade and other payables	(263)	(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 162 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.

25 EVENTS SUBSEQUENT TO THE REPORTING DATE

On 1 July 2015, the Group's subsidiaries CJSC “Agro-Cherepovets”, CJSC “PhosAgro AG” and CJSC “Nordic Rus Holding” were merged into JSC “PhosAgro-Cherepovets” as a part of a project aimed at simplifying the Group's corporate structure.