

**PUBLIC JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information for the nine months
ended 30 September 2017**



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

To the Shareholders and Board of Directors
PJSC "Acron"

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of PJSC "Acron" and its subsidiaries (the "Group") as at 30 September 2017, and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine - month period then ended, and notes to the consolidated condensed interim financial information (the "consolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated condensed interim 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 condensed (consolidated) interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: PJSC "Acron".

Entered in the Unified State Register of Legal Entities under registration No. 1025300786610.

Veliky Novgorod, 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.

Entered in the Unified State Register of Legal Entities under registration No. 1027700125628.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.



PJSC “Acron”

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial information as at 30 September 2017 and for the nine-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other Matter

The consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 30 September 2017 and the corresponding figures for the three-month period ended 30 September 2016 are not reviewed.



Ilya O. Belyatski,

Director

JSC KPMG

28 November 2017

Moscow, Russia

Public Joint Stock Company "Acron"
Consolidated Condensed Interim Statement of Financial Position at 30 September 2017
(in millions of Russian Roubles)



	Note	30 September 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	86,635	84,173
Subsoil licences and related costs	11	32,676	32,090
Goodwill		1,267	1,267
Available-for-sale investments	12	25,104	17,965
Deferred tax assets		362	341
Other non-current assets		2,437	2,231
Total non-current assets		148,481	138,067
Current assets			
Inventories	9	13,865	14,453
Accounts receivable	8	8,062	8,566
Short-term derivative financial instruments	13	-	5,177
Cash and cash equivalents	7	19,001	27,168
Other current assets		1,160	856
Total current assets		42,088	56,220
TOTAL ASSETS		190,569	194,287
EQUITY			
Share capital	16	3,046	3,046
Treasury shares		(6)	(4)
Retained earnings		65,052	68,439
Revaluation reserve		(514)	(7,635)
Other reserves		(3,445)	(1,650)
Cumulative currency translation difference		5,634	4,960
Share capital and reserves attributable to the Company's owners		69,767	67,156
Non-controlling interest		20,533	20,566
TOTAL EQUITY		90,300	87,722
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	66,174	39,231
Long-term derivative financial instruments	13	-	8,443
Deferred tax liabilities		5,746	5,310
Other long-term liabilities		730	788
Total non-current liabilities		72,650	53,772
Current liabilities			
Accounts payable	14	15,177	7,289
Sort-term derivative financial instruments	13	3,505	-
Short-term borrowings	15	4,888	39,886
Advances received		2,088	4,200
Other current liabilities		1,961	1,418
Total current liabilities		27,619	52,793
TOTAL LIABILITIES		100,269	106,565
TOTAL LIABILITIES AND EQUITY		190,569	194,287

Approved for issue and signed on behalf of the Board of Directors on 28 November 2017.

V.Y. Kunitskiy
President



A.V. Milenkov
Finance Director

Public Joint Stock Company "Acron"
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive
Income for the nine months ended 30 September 2017
(in millions of Russian Roubles, except for per share amounts)



	Note	Nine months ended		Three months ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
Revenue	5	69,289	66,785	22,400	19,920
Cost of sales		(37,774)	(31,783)	(12,841)	(10,079)
Gross profit		31,515	35,002	9,559	9,841
Transportation expenses		(10,310)	(9,444)	(3,305)	(3,368)
Selling, general and administrative expenses		(5,093)	(5,756)	(1,490)	(2,428)
Other operating expenses, net	18	(1,297)	(3,026)	(432)	(382)
Operating profit		14,815	16,776	4,332	3,663
Finance income, net	17	409	5,584	294	862
Interest expense		(3,189)	(3,017)	(948)	(879)
Gain on disposal of investment		8	5,406	2	15
Gain/(loss) on derivatives, net		197	(1,541)	6,712	(1,233)
Share of profit of equity accounted investees		-	1,544	-	-
Derecognition of equity accounted investee and recycling of related cumulative currency translation difference		-	3,268	-	-
Profit before taxation		12,240	28,020	10,392	2,428
Income tax expense	20	(2,105)	(4,974)	(2,203)	(675)
Profit from continuing operations		10,135	23,046	8,189	1,753
Loss from discontinued operation		-	(1,623)	-	(51)
Profit for the period		10,135	21,423	8,189	1,702
<i>Other comprehensive (loss)/income on items that will not be reclassified to profit or loss:</i>					
Share of other comprehensive loss of equity-accounted investees		-	(150)	-	-
<i>Other comprehensive (loss)/income on items that are or may be reclassified subsequently to profit or loss:</i>					
Available-for-sale investments:					
- Gains/(losses) arising during the period	11	7,121	(5,581)	5,069	(1,703)
- Reclassification of revaluation gain on disposal to profit or loss		-	(4,690)	-	-
- Income tax recorded directly in other comprehensive income		-	938	-	-
Currency translation differences		707	(4,119)	320	(255)
Reclassification of translation to profit or loss		-	(8,280)	-	(1,396)
Other comprehensive income/(loss) for the period		7,828	(21,882)	5,389	(3,354)
Total comprehensive income/(loss) for the period		17,963	(459)	13,578	(1,652)
Profit is attributable to:					
Owners of the Company		9,610	22,121	7,943	1,682
Non-controlling interest		525	(698)	246	20
Profit for the period		10,135	21,423	8,189	1,702
Total comprehensive income/(loss) is attributable to:					
Owners of the Company		17,405	326	13,304	(1,835)
Non-controlling interest		558	(785)	274	183
Total comprehensive income/(loss) for the period		17,963	(459)	13,578	(1,652)
Earnings per share					
Basic (expressed in RUB)	19	242.27	554.83	200.39	41.96
Diluted (expressed in RUB)	19	239.69	554.83	198.25	41.96

The accompanying notes are an integral part of this consolidated condensed interim financial information.

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Cash Flows for the nine months
ended 30 September 2017
(in millions of Russian Roubles)



	Note	Nine months ended	
		30 September 2017	30 September 2016
Cash flows from operating activities			
Profit for the period		10,135	21,423
<i>Adjustments for:</i>			
Income tax expense		2,105	4,974
Income tax expense on discontinued operation		-	372
Depreciation and amortisation		6,151	3,144
Depreciation and amortisation on discontinued operation		-	356
Provision/(reversal of provision) for impairment of accounts receivable		7	(13)
Loss on disposal of property, plant and equipment		86	243
Loss on disposal of property, plant and equipment on discontinued operation		-	53
Share of profit of equity-accounted investees		-	(1,544)
Interest expense		3,189	3,017
Interest expense on discontinued operation		-	144
Interest income		(188)	(243)
(Gain)/loss on derivatives, net		(197)	1,541
Dividend income		(221)	(293)
Gain on disposal of investment		(8)	(5,406)
Gain on disposal of discontinued operation		-	(122)
Derecognition of equity accounted investee		-	(3,268)
Foreign exchange effect on non-operating balances		(638)	(4,831)
Operating cash flows before working capital changes		20,421	19,547
Decrease in gross trade receivables		108	774
Increase in advances to suppliers		(381)	(219)
Decrease/(increase) in other receivables		1,002	(1,109)
Decrease in inventories		508	3,531
Decrease in trade payables		(1,074)	(111)
Decrease in other payables		(841)	(1,400)
Decrease in advances from customers		(2,112)	(3,393)
Decrease/(increase) in other current assets		393	(5)
Increase in other current liabilities		543	584
Cash generated from operations		18,567	18,199
Income taxes paid		(1,958)	(3,646)
Interest paid		(3,234)	(3,998)
Net cash generated from operating activities		13,375	10,555
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(8,181)	(9,900)
Interest received		206	272
Dividends received		221	-
Purchase of available-for-sale investments		(18)	(694)
Proceeds from sale of available-for-sale investments		-	6,575
Proceeds from sale of trading investments		-	3
Proceeds from sale of equity-accounted investees		-	26
Net change in other non-current assets and liabilities		(259)	(314)
Net cash outflow from disposal of discontinued operation		-	(1,061)
Net cash used in investing activities		(8,031)	(5,093)
Cash flows from financing activities			
Acquisition of non-controlling interest		(315)	(8,952)
Acquisition of treasury shares		(1,364)	(442)
Dividend paid to shareholders		(3,782)	(13,345)
Dividend paid to non-controlling interest		(222)	(72)
Proceeds from borrowings	15	49,054	19,423
Repayment of borrowings	15	(55,716)	(7,826)
Loan agreement costs		(689)	-
Security deposit made for auction		(1,060)	-
Repayment of security deposit made for auction		1,060	-
Net cash used in financing activities		(13,034)	(11,214)
Net decrease in cash and cash equivalents		(7,690)	(5,752)
Effect of exchange rate changes on cash and cash equivalents		(477)	(3,297)
Cash and cash equivalents at the beginning of the period	7	27,168	30,421
Cash and cash equivalents at the end of the period	7	19,001	21,372

The accompanying notes are an integral part of this consolidated condensed interim financial information.

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Changes in Equity for the nine months ended 30 September 2017
(in millions of Russian Roubles)



	Capital and reserves attributable to the Company's owners						Non-controlling interest	Total equity
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other currency reserves	Cumulative translation difference		
Balance at 1 January 2016	3,046	(3)	60,523	3,752	(1,209)	18,877	24,812	109,798
Total comprehensive loss								
Profit for the period	-	-	22,121	-	-	-	(698)	21,423
<i>Other comprehensive income</i>								
Fair value loss on available-for-sale investments	-	-	-	(5,581)	-	-	-	(5,581)
Share of other comprehensive loss of equity-accounted investees	-	-	-	-	-	(150)	-	(150)
Disposal of fair value revaluation gain on available-for-sale investments	-	-	-	(4,690)	-	-	-	(4,690)
Currency translation differences	-	-	-	-	-	(4,032)	(87)	(4,119)
Income tax recorded in other comprehensive income	-	-	-	938	-	-	-	938
Reclassification to profit or loss currency translation differences	-	-	-	-	-	(8,280)	-	(8,280)
Total other comprehensive loss	-	-	-	(9,333)	-	(12,462)	(87)	(21,882)
Total comprehensive loss	-	-	22,121	(9,333)	-	(12,462)	(785)	(459)
Acquisition of non-controlling interest	-	-	(4,857)	-	-	-	(4,068)	(8,925)
Dividend declared	-	-	(13,345)	-	-	-	(72)	(13,417)
Disposal of subsidiary	-	(1)	-	-	(441)	-	-	(442)
Acquisition of treasury shares	-	-	-	-	-	-	733	733
Balance at 30 September 2016	3,046	(4)	64,442	(5,581)	(1,650)	6,415	20,620	87,288

The accompanying notes are an integral part of this consolidated condensed interim financial information.

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Changes in Equity for the nine months ended 30 September 2017
(in millions of Russian Roubles)



	Capital and reserves attributable to the Company's owners					Cumulative translation difference	Non-controlling interest	Total equity
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves			
Balance at 1 January 2017	3,046	(4)	68,439	(7,635)	(1,650)	4,960	20,566	87,722
Total comprehensive income								
Profit for the period	-	-	9,610	-	-	-	525	10,135
<i>Other comprehensive income</i>								
Fair value income on available-for-sale investments	-	-	-	7,121	-	-	-	7,121
Currency translation differences	-	-	-	-	-	674	33	707
Total other comprehensive income	-	-	-	7,121	-	674	33	7,828
Total comprehensive income	-	-	9,610	7,121	-	674	558	17,963
Acquisition of non-controlling interest	-	-	54	-	-	-	(369)	(315)
Loss at recognition of options for CSJC VPC shares	-	-	-	-	(433)	-	-	(433)
Dividend declared	-	-	(13,051)	-	-	-	(222)	(13,273)
Acquisition of treasury shares	-	(2)	-	-	(1,362)	-	-	(1,364)
Balance at 30 September 2017	3,046	(6)	65,052	(514)	(3,445)	5,634	20,533	90,300

The accompanying notes are an integral part of this consolidated condensed interim financial information.



1 Acron Group and its Operations

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" for the nine months ended 30 September 2017 for Public Joint Stock Company "Acron" (the "Company" or "Acron") and its subsidiaries (together referred to as the "Group" or "Acron Group"). The Company's shares are traded on the Moscow and London Stock Exchange.

The Group's principal activities include the manufacture, distribution and sale of chemical fertilisers and related mineral primary and by-products. The Group's manufacturing facilities are primarily based in the Novgorodskaya, Smolenskaya and Murmanskaya regions of Russia.

The Company's registered office is at Veliky Novgorod, 173012, Russian Federation.

As at 30 September 2017, the Group's immediate parent company is Redbrick Investments S.a.r.l. (Luxembourg). Effective 9 June 2017, the Group's ultimate parent is Terasta Enterprises Limited (The Republic of Cyprus). During the reporting and comparable periods the Group is ultimately controlled by Mr. Viatcheslav Kantor.

2 Basis of Preparation

2.1 Statement of compliance

This consolidated condensed interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

2.2 Judgements and estimates

Preparing the consolidated condensed interim financial information requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except for changes mentioned in notes 2.3 and 2.4, in preparing this consolidated condensed interim financial information for the nine months ended 30 September 2017, significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

2.3 Valuation of put options for CJSC Verkhnekamsk Potash Company (CJSC VPC) shares

The fair value of stock options is estimated based on Black-Scholes Option Pricing Model which was developed for use in estimating the fair value of short and medium term options on quoted shares. Option pricing method requires use of subjective inputs and assumptions including expected volatility of the share price and share spot price at the date of valuation. Since CJSC VPC shares are not publicly traded expected volatility was determined based on historical stock quotes of companies in the same industry. Unlike to the consolidated financial statements of the Group for the year 2016 where share spot price CJSC VPC was estimated on the basis of discounted cash flows attributable to CJSC VPC, in current period the share spot price was determined based on the final price of open auction for sale of stake of comparable size (Note 13).

Because the terms of the option agreements from July 2017 require parties to agree in August 2018 on certain substantial inputs for further exercise price calculation, in valuation management applied one year maturity the.

2.4 Significant and prolonged decline in the fair value of equity securities

The management clarified the accounting policy for available-for-sale investments by defining quantitative criteria for a significant and prolonged decline in the fair value of equity shares below their historical cost. As a result, a decrease in the average value of shares by more than 25% for securities with inherently high volatility and by more than 20% for all other shares for the period longer than 9 months were determined as key impairment triggers.

The Management estimates that a significant portion of the Group's available-for-sale investments measured at fair value (Note 12) is characterised by inherently high volatility. During the reporting period, there was no prolonged decline in fair value by more than 25% in these investments, therefore no impairment was recognised in the current period.

3 Significant Accounting Policies

The accounting policies applied by the Group in this consolidated condensed interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.



4 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 facts that the Group sells its fertilisers globally and fertiliser application and purchases vary by region. The seasonality does not significantly influence production, and inventory levels are adjusted for movements in demand. Seasonality does not impact the revenue or cost recognition policies of the Group.

5 Segment Information

The Group prepares its segment analysis in accordance with IFRS 8, Operating Segments. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker(s) (“CODM”) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Management Board of the Group.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the current segment structure of the Group:

- Acron – representing manufacturing and distribution of chemical fertilisers by PJSC Acron;
- Dorogobuzh – representing manufacturing and distribution of chemical fertilisers by PJSC Dorogobuzh;
- Logistics – representing transportation and logistic services rendered by Estonian ports of the Group and some minor transportation companies in Russia. Constitutes an aggregation of a number of operating segments;
- Trading – representing overseas and domestic distribution companies of the Group;
- Mining NWPC – representing production of apatite-nepheline ore and subsequent processing in apatite concentrate;
- Mining excluding NWPC - comprise mining entities CJSC VPC, North Atlantic Potash Inc., and other assets in Canada being at the stage of development, exploration and evaluation;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations.

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit has distinctive business and risk profile.

Segment financial information is presented and reviewed by the CODM based on the IFRS and includes revenues from sales and EBITDA.

The CODM evaluates performance of each segment based on measure of operating profit adjusted by depreciation and amortisation, foreign exchange gain or loss, other non-cash and extraordinary items (EBITDA). Since this term is not a standard IFRS measure Acron Group's definition of EBITDA may differ from that of other companies.

Information for the reportable segments for the nine months ended 30 September 2017 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	39,218	(33,300)	5,918	12,015
Dorogobuzh	18,021	(7,578)	10,443	5,083
Logistics	2,703	(2,599)	104	599
Trading	53,402	(2,025)	51,377	1,785
Mining NWPC	6,506	(5,264)	1,242	2,163
Mining excluding NWPC	-	-	-	(29)
Other	1,283	(1,078)	205	4
Total	121,133	(51,844)	69,289	21,620



(in millions of Russian Roubles, except for per share amounts)

Information for the reportable segments for the nine months ended 30 September 2016 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	37,231	(32,911)	4,320	11,130
Dorogobuzh	18,437	(10,833)	7,604	5,434
Logistics	2,806	(2,500)	306	595
Trading	54,427	(2,240)	52,187	(106)
Mining NWPC	8,871	(6,841)	2,030	5,460
Mining excluding NWPC	-	-	-	(169)
Other	1,709	(1,371)	338	3
Total	123,481	(56,696)	66,785	22,347

Reconciliation of EBITDA to Profit Before Tax:

	Nine months ended	
	30 September 2017	30 September 2016
Operating Profit	14,815	16,776
Depreciation and amortisation	6,151	3,144
Foreign currency loss on operating activities, net	568	2,184
Loss on disposal of property, plant and equipment	86	243
Total consolidated EBITDA	21,620	22,347

Information about geographical areas:

The geographic information below analyses the Group’s revenue. In presenting the following information, segment revenue has been based on the geographic location of customers.

	Nine months ended	
	30 September 2017	30 September 2016
Revenue		
Russia	13,447	15,636
European Union	10,873	8,191
Commonwealth of Independent States	9,848	7,147
USA and Canada	7,519	6,885
Latin America	10,561	11,875
PRC	4,348	5,336
Asia (excluding PRC)	8,260	7,588
Other regions	4,433	4,127
Total	69,289	66,785

Revenue from sales of chemical fertilisers accounts for 80% of total revenues (for the nine months ended 30 September 2016: 83%).

For the nine months ended 30 September 2017 there is one individual export customer contributing 13% of the total revenue. For the nine months ended 30 September 2016 there were no customers contributing individually more than 10% of the total revenue.

6 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Balances and transactions with related parties are not significant.



7 Cash and Cash Equivalents

	30 September	31 December
	2017	2016
Cash on hand and bank balances denominated in RUB	3,337	7,954
Bank balances denominated in USD	13,847	17,320
Bank balances denominated in EUR	1,457	1,367
Bank balances denominated in CNY	124	313
Bank balances denominated in other currency	236	214
Total cash and cash equivalents	19,001	27,168

Cash and cash equivalents include term deposits of RUB 11,301 (31 December 2016: RUB 20,414).

The fair value of cash, cash equivalents and irrevocable deposits is equal to their carrying amount. All bank balances and term deposits are neither past due nor impaired.

8 Accounts Receivable

	30 September	31 December
	2017	2016
Trade accounts receivable	1,382	1,490
Notes receivable	129	138
Other accounts receivable	411	265
Less: impairment provision	(48)	(41)
Total financial assets	1,874	1,852
Advances to suppliers	1,867	1,486
Value-added tax recoverable	3,147	4,350
Income tax prepayment	904	654
Other taxes receivable	304	258
Less: impairment provision	(34)	(34)
Total accounts receivable	8,062	8,566

The fair value of accounts receivable does not differ significantly from their carrying amount.

9 Inventories

	30 September	31 December
	2017	2016
Raw materials and spare parts	7,255	8,174
Work in progress	364	304
Finished products	6,246	5,975
	13,865	14,453

Raw materials are shown net of obsolescence provision RUB 127 (31 December 2016: RUB 120).

No inventory was pledged as security at 30 September 2017 and 31 December 2016.

10 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	2017	2016
Carrying amount at 1 January	84,173	84,680
Acquisitions	8,318	10,855
Disposals	(85)	(296)
Disposal of discontinued operation	-	(5,251)
Depreciation charge	(6,052)	(3,092)
Depreciation charge on discontinued operation	-	(356)
Currency translation difference	281	(1,184)
Carrying amount at 30 September	86,635	85,356

Included in the nine months 2017 additions to assets under constructions is approximately RUB 597 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the nine months 2016: RUB 1,048) at the average borrowing rate of 7.84% (for the nine months 2016: 7.5%).

As at 30 September 2017 and 31 December 2016, there were no pledges over property, plant and equipment.



11 Subsoil Licences and Related Costs

Exploration and evaluation expenditure comprise of:

	30 September 2017	31 December 2016
Apatite-nepheline deposits (production / development stage)	824	836
Potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	4,526	3,921
License and expenditure on deposit in exploration and evaluation stage	852	852
Asset related to the discharge of license obligations	263	270
	32,676	32,090

During the reporting period, the Group did not capitalize borrowing costs related to CJSC VPC assets during the reporting period (for the nine months ended September 30, 2016, interests were not capitalized). Capitalisation of borrowing costs will be continued in 2018 after the resumption of the active stage of construction work.

Impairment test of CJSC VPC

Since the assets of CJSC "VPC" are under development, Management of the Group performed an annual testing of this cash-generating unit (CGU) for impairment as at 30 September 2017.

The recoverable amount of this CGU was determined on the basis of the value in use. In these calculations, cash flow forecasts, prepared in nominal terms, were used based on the financial budgets approved by management. The growth rate does not exceed the long-term average growth rates for the economic sector in which the CGU operates.

Based on these estimates, management of the Group concluded that no impairment charge is required. The main assumptions for calculating the value in use are presented below:

	30 September 2017	30 November 2016
EBITDA margin range for the forecasted period after reaching the project capacity	63-69%	73-78%
Projected revenue annual growth rate	2%	3%
Year of start of production	2021	2021
Discount rate	12.0%	13.1%

Management determined the target EBITDA based on its most realistic expectations regarding market development. The weighted average growth rates used in the calculations are in line with the forecast calculations in industry reports. Discount rates used are post-tax rates reflecting the specific risks inherent in the CGU and estimated on the basis of the weighted average cost of capital.

The estimated recoverable amount of the CGU exceeded its carrying value by approximately RUB 41,719 (2016: RUB 38,898). Management identified that the recoverable amount is strongly dependent on changes in export price expressed in rubles and discount rates. Decrease of over 18.4% (2016: over 23%) in the export prices or increase of over 3.3 percentage points (2016: over 3.8 percentage points) in the discount rate used would have caused the recoverable amount to equal the carrying amount.

12 Available-for-Sale Investments

	2017	2016
Carrying amount at 1 January	17,965	4,956
Fair value gain/(loss) recognised directly in OCI	7,121	(5,581)
Reclassification from equity accounted investments	-	25,783
Additions	18	694
Disposals	-	(5,833)
Carrying amount at 30 September	25,104	20,019

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2017	31 December 2016
Non-current				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	24,946	17,824
Other			158	141
Total non-current			25,104	17,965
Total			25,104	17,965

Fair value of investments in Grupa Azoty S.A was determined by reference to the current market value at the close of business on the date of a transaction or on 30 September 2017. At 30 September 2017, the share price quoted at



(in millions of Russian Roubles, except for per share amounts)

Warsaw Stock Exchange for Grupa Azoty S.A. amounted to 1,269.03 roubles per share (31 December 2016: 906.76 roubles per share).

13 Derivative Financial Assets and Liabilities

Options for the purchase and sale of shares are recognised as part of a transaction to sell shares of CJSC "VPC" to holders of non-controlling interests. The net liability as at 30 September 2017 is represented by one call option, which gives Group the right to purchase from non-controlling shareholders the 20% stake in CJSC "VPC" up to August 2018 and two put options that give non-controlling shareholders the right to sell to the Group their 19.9% and 20% stakes of their interest in CJSC "VPC" correspondingly in May and August 2018.

In the reporting period the term of the call option, recognised on 31 December 2016, has expired.

During the reporting period, Vnesheconombank, holding the put option on a 20% stake, carried out an open auction for the sale of the its stake in CJSC "VPC". The winner of the auction was determined with the price of RUB 10,620. Then, in August 2017 Sberbank Investments LLC exercised its pre-emptive right to purchase this stake, thereby increased its stake in CJSC "VPC" to 39.9%. As a result of the change of the holder of this stake in accordance with the terms of the option agreement, the put option, recognised on 31 December, has expired.

As part of the above stated transaction, Sberbank Investments LLC entered into long-term option agreements with the Group for the purchase / sale of the acquired 20% of stake. Because the terms of the option agreements from July 2017 require parties to agree certain parameters for further exercise price calculation in August 2018 on, management classifies these options as short-term.

One of the input parameters of this valuation is the fair value of the shares of JSC VPC, which as of 30 June 2017, was determined with reference to the final price of the auction.

The put option agreement concluded with the Sberbank Investments LLC in the reporting period is similar to the previous agreements, under which the Group had an unconditional right to fulfil its obligations by transferring to the banks its own equity instruments (PJSC "Acron" ordinary shares) in amount, calculated based on total amount of obligation and fair value of transferred at the date of discharge of obligation shares. Accordingly, as at 30 September 2017, the funds received from investors in 2012 and 2014 remain in the Group's equity as non-controlling interest.

	30 September 2017			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on CJSC VPC shares	-	-	-	(3,505)
	-	-	-	(3,505)

	31 December 2016			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on CJSC VPC shares	-	5,177	(8,443)	-
	-	5,177	(8,443)	-



(in millions of Russian Roubles, except for per share amounts)

14 Accounts Payable

	30 September 2017	31 December 2016
Trade accounts payable	3,261	4,335
Dividend payable	9,520	22
Notes payable	20	34
Total financial payables	12,801	4,391
Payables to employees	1,256	1,251
Accrued liabilities and other creditors	704	694
Other taxes payable	416	953
Total accounts payable and accrued expenses	15,177	7,289

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 September 2017	31 December 2016
Bonds issued	23,767	18,772
Credit lines	3,495	5,237
Term loans	43,800	55,108
	71,062	79,117

The Group's borrowings mature as follows:

	30 September 2017	31 December 2016
Borrowings due:		
- within 1 year	4,888	39,886
- between 1 and 5 years	65,962	38,820
- after 5 years	212	411
	71,062	79,117

The Group's borrowings are denominated in currencies as follows:

	30 September 2017	31 December 2016
Borrowings denominated in:		
- RUB	29,605	32,090
- EUR	3,766	4,061
- USD	37,691	42,966
	71,062	79,117

At 30 September 2017, unused credit lines available under the long-term loan facilities were RUB 21,952 (31 December 2016: RUB 26,881). Terms and conditions of unused credit lines correspond to the terms and conditions of other borrowings.

The details of the significant short-term loan balances are summarised below:

	30 September 2017	31 December 2016
Short-term borrowings		
RUB		
Bonds with fixed interest rate of 11.6% per annum	-	10,000
Loans with fixed interest rate of 9.75% to 14% per annum	118	5,118
Loans with floating interest key rate of the Bank of Russia +1.4% to key rate of the Bank of Russia +1.6% per annum	2,923	2,600
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	369	1,911
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	241	-
Loans with fixed interest rate of 5.27% per annum	215	201
USD		
Loans with fixed interest rate of 2.48% to 5.61% per annum	1,022	764
Loans with floating interest rate of LIBOR O/N+2.05% per annum to 1M LIBOR +4.6% per annum	-	19,292
Total short-term borrowings	4,888	39,886



The details of the significant long-term loan balances are summarised below:

	30 September 2017	31 December 2016
Long-term borrowings		
RUB		
Bonds with fixed interest rate of 8.6% to 10.2% per annum	23,767	8,772
Loans with floating interest key rate of the Bank of Russia +1.5% to key rate of the Bank of Russia +2.5% per annum	2,797	5,600
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	1,447	1,648
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	1,279	-
Loans with fixed interest rate of 5.27% per annum	215	301
USD		
Loans with fixed interest rate of 5.11% to 5.61% per annum	118	229
Loans with floating interest rate of 1M LIBOR+2.8% per annum	36,551	22,681
Total long-term borrowings	66,174	39,231

In May 2011, the Group placed through an offering to the public under an open subscription RUB non-convertible bonds with a face value of RUB 7,500 to be redeemed in May 2021. In 2012 the Group redeemed bonds in the amount of RUB 3,377. The holders of this bonds issue were granted an option to redeem the bonds in May 2015 and May 2016, which resulted in early redemption of bonds for RUB 1,354. During the reporting period the Group further sold the bonds of this issue for RUB 1,354. At 30 September 2017 the Group's subsidiary PJSC Dorogobuzh held bonds in the amount of RUB 351.

In November 2015, the Group placed non-convertible interest-bearing documentary bonds in the amount of RUB 10,000 to be redeemed in November 2018. The bonds were placed at 9.1%. In May 2017, partial redemption took place during buy back option period for RUB 5.

In October 2016, the Group placed non-convertible interest-bearing documentary bonds in the amount of RUB 5,000 to be redeemed in September 2026. The bonds were placed at 9.55% with the option of early redemption in October 2020.

In June 2017, the Group placed non-convertible interest-bearing documentary bonds in the amount of RUB 5,000 to be redeemed in May 2027. The bonds were placed at 8.6% with the option of early redemption in December 2021.

All of the above bonds have been admitted to the quotation list B and are traded on Moscow Stock Exchange. The fair value of the outstanding bonds balance at 30 September 2017 was RUB 24,262 with reference to Moscow Stock Exchange quotations as of this date (31 December 2016: RUB 18,944).

In the reporting period, the Group borrowed funds under a new agreement on a 5-year syndicated pre-export loan in the amount of USD 630 million at 1M LIBOR+2.8% rate per annum to refinance a previously borrowed syndicated pre-export loan, as well as for general corporate purposes.

Significant loan agreements contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, debt/EBITDA ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on significant transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the loans. The Group is in compliance with the covenants.

16 Capital and Reserves

The total authorised number of ordinary shares is 40,534,000 (31 December 2016: 40,534,000) with a par value of RUB 5 per shares. All authorised shares have been issued and fully paid.



(in millions of Russian Roubles, except for per share amounts)

Total number of outstanding shares comprises (par value is expressed in roubles per one share):

	Number of outstanding ordinary shares	Number of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
1 January 2016	40,534,000	(601,880)	3,046	(3)	3,043
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(124,328)	-	(1)	(1)
30 September 2016	40,534,000	(726,208)	3,046	(4)	3,042
1 January 2017	40,534,000	(726,208)	3,046	(4)	3,042
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(414,464)	-	(2)	(2)
30 September 2017	40,534,000	(1,140,672)	3,046	(6)	3,040

In June 2017, the Company declared dividend in respect of 2016 financial year for ordinary shares in amount of 95 Roubles per share. This announcement complemented the declaration in September 2016 of interim dividends on the results of the first half of 2016 in the amount of 155 Roubles per share.

In September 2017, the Company declared dividends for ordinary shares in amount of 235 Roubles per share.



(in millions of Russian Roubles, except for per share amounts)

17 Finance Income, net

	Nine months ended		Three months ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Interest income from loans provided and term deposits	188	243	4	90
Commissions expense	(554)	(272)	(372)	-
Dividend income	221	293	221	43
Foreign exchange gain on financial transactions	4,827	14,230	1,324	3,633
Foreign exchange loss on financial transactions	(4,273)	(8,910)	(883)	(2,904)
	409	5,584	294	862

18 Other Operating Expenses, net

	Nine months ended		Three months ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Charity expenses	(305)	(273)	-	(72)
Other operating expenses, net	(338)	(326)	(143)	(250)
Loss on disposal of fixed assets	(86)	(243)	(69)	(79)
Foreign exchange gain on operating activities	1,912	5,020	686	1,483
Foreign exchange loss on operating activities	(2,480)	(7,204)	(906)	(1,464)
	(1,297)	(3,026)	(432)	(382)

19 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. Ordinary shares of the Company have a potential dilutive effect associated with the right to exercise obligations under the redemption put-options on CJSC VPC shares by transferring its own ordinary shares. As at 30 September 2016 the effect of dilution is not significant, respectively diluted earnings per share is the same as the basic earnings per share.

	Nine months ended	
	30 September 2017	30 September 2016
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(867,071)	(664,044)
Weighted average number of shares outstanding (basic)	39,666,929	39,869,956
Effect of settlement in own equity instruments	425,997	-
Weighted average number of shares outstanding (diluted)	40,092,926	39,869,956
Profit attributable to the equity holders of the Company	9,610	22,121
Basic earnings per share (in Russian roubles)	242.27	554.83
Diluted earnings per share (in Russian roubles)	239.69	554.83

20 Income Taxes

	Nine months ended		Three months ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Income tax expense – current	1,690	4,521	502	681
Deferred tax charge – origination and reversal of temporary differences	415	453	1,701	(6)
Income tax charge	2,105	4,974	2,203	675

21 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 September 2017, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 11,622 (31 December 2016: RUB 12,840).

In accordance with the conditions of the exploration licenses the Group has to commence the extraction of certain mineral resources by certain dates as stipulated by license agreements. To the extent necessary, the Group has



already allocated the resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 30 September 2017 and 31 December 2016, the Group had no issued guarantees.

ii Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims.

iii Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets 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 conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in 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. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated 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.

iv Taxation contingencies in Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 376-Federal law introduced changes aimed at regulating tax consequences of transactions with foreign companies and their activities. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

These transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code (no threshold is set for the purposes of prices control in such transactions). In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1 billion in 2014 and thereon).

The compliance of prices with the arm's length level could be as well subject to scrutiny on the basis of unjustified tax benefit concept.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of



applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to recent reform of the supreme courts that are resolving tax disputes, could differ and the effect on this consolidated financial information, if the authorities were successful in enforcing their interpretations, could be significant.

The amount of possible tax liabilities related to uncertainties in practical application of legislation could be material, however, management believes that its interpretation of the relevant legislation is generally appropriate, and the Group's tax, currency and customs positions will be sustained. Accordingly, as at 30 September 2017, no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2016: no provision). Management believes that all necessary provisions were recognised in respect of other probable tax risks.

v Environmental matters

The environmental regulation in the Russian Federation continues to evolve. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

22 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading, Available-for-sale investments and derivatives are carried in the consolidated statement of financial position at their fair value.

This Group discloses the value of financial instruments that are measured in the consolidated statement of financial position at fair value by three levels in accordance with IFRS 13, Fair Value Measurement.

The level in the fair value hierarchy into which the fair values are categorised as one of the three categories:

- Level 1: quoted price in an active market;
- Level 2: valuation technique with inputs observable in markets;
- Level 3: valuation technique with significant non-observable inputs.

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 25,104 (31 December 2016: RUB 17,965).

The fair value of the call/put options on shares of CJSC VPC was determined similar to 2016 based on the Black-Scholes Option Pricing Model with the adjustments, but the use of unobservable inputs has been reduced because the fair value of shares used corresponds to the final price of an open auction for the sale of a stake of comparable size (Note 13). Thus, the fair value of options was included in Level 2 category (31 December 2016: Level 3 category).

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables and loans receivable approximate fair values.

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 30 September 2017, the fair value of borrowings was RUB 505 higher than their carrying amounts. At 31 December 2016, the fair value of borrowings was RUB 478 higher than their carrying amounts.

All liabilities on bonds issued were included in level 1 category with the fair value in the amount of RUB 24,262 (31 December 2016: RUB 18,944).

The fair value of payables does not differ significantly from their carrying amounts.