PUBLIC JOINT STOCK COMPANY “ACRON”

Consolidated Condensed Interim Financial Information for the six months ended 30 June 2017

Contents

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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 June 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 consolidated condensed 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.

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 June 2017 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Emphasis of matter

We draw attention to Note 2.3 to the consolidated condensed interim financial information which describes the changes in comparative financial information for the three- and six-month periods ended 30 June 2016, made to conform to the annual consolidated financial statements, issued 31 March 2017. Our conclusion is not modified in respect to this matter.

Other Matter

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

КПМГ
KPMG
АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628 МОСКВА

Ilya O. Belyatski,

Director

JSC KPMG

28 August 2017

Moscow, Russia

(in millions of Russian Roubles)

	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	86,218	84,173
Subsoil licences and related costs	11	32,504	32,090
Goodwill		1,267	1,267
Available-for-sale investments	12	20,017	17,965
Deferred tax assets		552	341
Other non-current assets		2,204	2,231
Total non-current assets		**142,762**	**138,067**
Current assets			
Inventories	9	14,498	14,453
Accounts receivable	8	9,951	8,566
Short-term derivative financial instruments	13	-	5,177
Cash and cash equivalents	7	14,269	27,168
Other current assets		2,426	856
Total current assets		**41,144**	**56,220**
TOTAL ASSETS		**183,906**	**194,287**
EQUITY			
Share capital	16	3,046	3,046
Treasury shares		(5)	(4)
Retained earnings		66,371	68,439
Revaluation reserve		(5,583)	(7,635)
Other reserves		(2,556)	(1,650)
Cumulative currency translation difference		5,342	4,960
Share capital and reserves attributable to the Company's owners		**66,615**	**67,156**
Non-controlling interest		20,495	20,566
TOTAL EQUITY		**87,110**	**87,722**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	63,857	39,231
Long-term derivative financial instruments	13	9,159	8,443
Deferred tax liabilities		4,333	5,310
Other long-term liabilities		788	788
Total non-current liabilities		**78,137**	**53,772**
Current liabilities			
Accounts payable	14	9,210	6,302
Notes payable		-	34
Income tax payable		466	953
Short-term derivative financial instruments		626	-
Short-term borrowings	15	4,473	39,886
Advances received		2,362	4,200
Other current liabilities		1,522	1,418
Total current liabilities		**18,659**	**52,793**
TOTAL LIABILITIES		**96,796**	**106,565**
TOTAL LIABILITIES AND EQUITY		**183,906**	**194,287**

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

V.Y. Kunitskiy
President

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «АКРОН»
ОГРН 1025300786610
Россия, г. Великий Новгород

A.V. Milenkov
Finance Director

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

		Six months ended		Three months ended	
	Note	**30 June 2017**	**30 June 2016**	**30 June 2017**	**30 June 2016**
Revenue	5	46,889	46,865	22,816	21,850
Cost of sales		(24,933)	(21,271)	(12,126)	(10,668)
Gross profit		**21,956**	**25,594**	**10,690**	**11,182**
Transportation expenses		(7,005)	(6,076)	(3,495)	(2,815)
Selling, general and administrative expenses		(3,603)	(3,761)	(1,681)	(1,809)
Other operating expense, net	18	(865)	(2,644)	(111)	(908)
Operating profit		**10,483**	**13,113**	**5,403**	**5,650**
Finance income/(costs), net	17	115	4,722	(2,498)	1,335
Interest expense		(2,241)	(2,138)	(1,020)	(1,028)
Gain/(loss) on disposal of investment		6	5,391	4	(70)
Loss on derivatives, net		(6,515)	(308)	(1,436)	(504)
Share of profit of equity accounted investees		-	1,544	-	374
Derecognition of equity accounted investee and recycling of related cumulative currency translation difference		-	3,268	-	3,268
Profit before taxation		**1,848**	**25,592**	**453**	**9,025**
Income tax benefit/(expense)	20	98	(4,299)	(78)	(1,483)
Profit from continuing operations		**1,946**	**21,293**	**375**	**7,542**
Loss from discontinued operation		**-**	**(1,572)**	**-**	**(478)**
Profit for the period		**1,946**	**19,721**	**375**	**7,064**
Other comprehensive income/(loss) on items that will not be reclassified to profit or loss:					
Share of other comprehensive loss of equity-accounted investees		-	(150)	-	(50)
Other comprehensive income/(loss) on items that are or may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
- Gains/(losses) arising during the period		2,052	(3,878)	401	(3,878)
- Reclassification of revaluation gain on disposal to profit or loss		-	(4,690)	-	-
- Income tax recorded directly in other comprehensive income		-	938	-	-
Currency translation differences		387	(3,864)	1,249	(2,338)
Reclassification of translation to profit or loss		-	(6,884)	-	(6,884)
Other comprehensive income/(loss) for the period		**2,439**	**(18,528)**	**1,650**	**(13,150)**
Total comprehensive income/(loss) for the period		**4,385**	**1,193**	**2,025**	**(6,086)**
Profit is attributable to:					
Owners of the Company		1,667	20,439	185	7,253
Non-controlling interest		279	(718)	190	(189)
Profit for the period		**1,946**	**19,721**	**375**	**7,064**
Total comprehensive income is attributable to:					
Owners of the Company		4,101	2,161	1,778	(5,686)
Non-controlling interest		284	(968)	247	(400)
Total comprehensive income/(loss) for the period		**4,385**	**1,193**	**2,025**	**(6,086)**
Earnings per share					
Basic (expressed in RUB)	19	41.88	512.64	2.46	195.68
Diluted (expressed in RUB)	19	41.44	512.64	2.46	195.68

(in millions of Russian Roubles)

	Note	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash flows from operating activities			
Profit for the period		**1,946**	**19,721**
Adjustments for:			
Income tax (benefit)/expense		(98)	4,299
Income tax expense on discontinued operation		-	365
Depreciation and amortisation		3,790	2,116
Depreciation and amortisation on discontinued operation		-	300
Provision for / (reversal of) impairment of accounts receivable		7	(15)
Provision for inventory obsolescence		-	6
Loss on disposal of property, plant and equipment		17	164
Loss on disposal of property, plant and equipment on discontinued operation		-	47
Share of profit of equity-accounted investees		-	(1,544)
Interest expense		2,241	2,138
Interest expense on discontinued operation		-	128
Interest income		(184)	(153)
Loss on derivatives, net		6,515	308
Dividend income		-	(250)
Gain on disposal of investment		(6)	(5,391)
Derecognition of equity accounted investee and recycling of related cumulative currency translation difference		-	(3,268)
Foreign exchange effect on non-operating balances		446	(3,864)
Operating cash flows before working capital changes		**14,674**	**15,107**
Increase in gross trade receivables		(1,201)	(539)
(Increase)/decrease in advances to suppliers		(207)	321
Decrease/(increase) in other receivables		377	(867)
Decrease in inventories		108	2,494
Decrease in trade payables		(932)	(649)
Decrease in other payables		(509)	(1,698)
Decrease in advances from customers		(1,838)	(4,795)
Decrease in other current assets		185	93
Increase/(decrease) in other current liabilities		104	(277)
Cash generated from operations		**10,761**	**9,190**
Income taxes paid		(1,298)	(3,214)
Interest paid		(2,816)	(2,187)
Net cash generated from operating activities		**6,647**	**3,789**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(5,702)	(6,703)
Interest received		189	353
Purchase of available-for-sale investments		-	(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		31	71
Net cash used in investing activities		**(5,482)**	**(369)**
Cash flows from financing activities			
Acquisition of non-controlling interest		(87)	(8,952)
Acquisition of treasury shares		(907)	(442)
Dividend paid to shareholders		-	(7,187)
Dividend paid to non-controlling interest		(221)	(72)
Proceeds from borrowings	15	44,658	13,897
Repayment of borrowings	15	(55,503)	(4,746)
Loan arrangement costs		(689)	-
Security deposit made for auction (Note 13)		(1,060)	-
Net cash used in financing activities		**(13,809)**	**(7,502)**
Net decrease in cash and cash equivalents		**(12,644)**	**(4,082)**
Effect of exchange rate changes on cash and cash equivalents		(255)	(3,114)
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	**14,269**	**23,225**

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

(in millions of Russian Roubles)

	Capital and reserves attributable to the Company's owners							
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves	Cumulative currency translation difference	Non-controlling interest	Total equity
Balance at 1 January 2016	**3,046**	**(3)**	**60,523**	**3,752**	**(1,209)**	**18,877**	**24,812**	**109,798**
Total comprehensive income								
Profit for the period	-	-	20,439	-	-	-	(718)	19,721
Other comprehensive loss								
Fair value loss on available-for-sale investments	-	-	-	(3,878)	-	-	-	(3,878)
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	-	-	-	-	-	(3,614)	(250)	(3,864)
Reclassification of translation to profit or loss	-	-	-	-	-	(6,884)	-	(6,884)
Income tax recorded in other comprehensive income	-	-	-	938	-	-	-	938
Total other comprehensive loss	**-**	**-**	**-**	**(7,630)**	**-**	**(10,648)**	**(250)**	**(18,528)**
Total comprehensive income	**-**	**-**	**20,439**	**(7,630)**	**-**	**(10,648)**	**(968)**	**1,193**
Acquisition of non-controlling interest	-	-	(4,876)	-	-	-	(4,022)	(8,898)
Dividend declared	-	-	(7,187)	-	-	-	(72)	(7,259)
Acquisition of treasury shares	-	(1)	-	-	(441)	-	-	(442)
Balance at 30 June 2016	**3,046**	**(4)**	**68,899**	**(3,878)**	**(1,650)**	**8,229**	**19,750**	**94,392**
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	-	-	1,667	-	-	-	279	1,946
Other comprehensive income								
Fair value gains on available-for-sale investments	-	-	-	2,052	-	-	-	2,052
Currency translation differences	-	-	-	-	-	382	5	387
Total other comprehensive income	**-**	**-**	**-**	**2,052**	**-**	**382**	**5**	**2,439**
Total comprehensive income	**-**	**-**	**1,667**	**2,052**	**-**	**382**	**284**	**4,385**
Acquisition of non-controlling interest	-	-	47	-	-	-	(134)	(87)
Dividend declared	-	-	(3,782)	-	-	-	(221)	(4,003)
Acquisition of treasury shares	-	(1)	-	-	(906)	-	-	(907)
Balance at 30 June 2017	**3,046**	**(5)**	**66,371**	**(5,583)**	**(2,556)**	**5,342**	**20,495**	**87,110**

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 six months ended 30 June 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 June 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 Note 2.4 and Note 2.5, in preparing this consolidated condensed interim financial information 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 Changes in comparative information

Management made changes in comparative information for the three and six months ended 30 June 2016 to comply with the annual consolidated financial statements issued on 31 March 2017. The reasons for these changes are detailed in Note 3 to the consolidated financial statements of the Group for the year ended 31 December 2016 and related to the discontinuance of equity accounting with simultaneous change of the functional currency of foreign operation.

Therefore, in this comparative consolidated condensed interim financial information, the cumulative currency translation gain of RUB 6,884 related to foreign operation was recycled to profit or loss upon derecognition of the underlying equity accounted investment. Also, due to the disposal of the subsidiary in August 2016, comparative information about the results of its activities was reclassified to the loss from the discontinued operation caption.

The adjustments had no impact on the total comprehensive income for the three and six months ended 30 June 2016.

2.4 Valuation of put options for JSC Verkhnekamsk Potash Company (JSC 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 JSC 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 JSC VPC was estimated on the basis of discounted cash flows attributable to JSC VPC, in the current period the share spot price was determined based on the final price of an open auction for the sale of a stake of comparable size (Note 13).

2.5 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 JSC 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.

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

Information for the reportable segments for the six months ended 30 June 2017 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	26,203	(21,979)	4,224	8,302
Dorogobuzh	11,660	(4,966)	6,694	3,088
Logistics	1,716	(1,638)	78	366
Trading	36,606	(1,558)	35,048	1,457
Mining NWPC	4,353	(3,593)	760	1,472
Mining excluding NWPC	-	-	-	(27)
Other	839	(754)	85	(20)
Total	**81,377**	**(34,488)**	**46,889**	**14,638**

Information for the reportable segments for the six months ended 30 June 2016 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	25,241	(22,400)	2,841	9,159
Dorogobuzh	12,952	(8,259)	4,693	4,548
Logistics	1,673	(1,498)	175	240
Trading	39,047	(2,110)	36,937	(368)
Mining NWPC	6,562	(4,523)	2,039	4,107
Mining excluding NWPC	-	-	-	(72)
Other	1,180	(1,000)	180	(18)
Total	**86,655**	**(39,790)**	**46,865**	**17,596**

Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2017	30 June 2016
Operating Profit	**10,483**	**13,113**
Depreciation and amortisation	3,790	2,116
Foreign currency loss on operating activities, net	348	2,203
Loss on disposal of property, plant and equipment	17	164
Total consolidated EBITDA	**14,638**	**17,596**

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.

	Six months ended	
	30 June 2017	30 June 2016
Revenue		
Russia	10,157	12,069
European Union	6,594	5,641
Commonwealth of Independent States	6,239	4,369
USA and Canada	6,090	5,656
Latin America	6,360	7,232
PRC	2,744	3,642
Asia (excluding PRC)	5,879	5,398
Other regions	2,826	2,858
Total	**46,889**	**46,865**

Revenue from sales of chemical fertilisers accounts for 80% of total revenues (for the six months ended 30 June 2016: 81%).

There are no individual customers contributing 10% or more to the total revenues.

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

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 June 2017	31 December 2016
Cash on hand and bank balances denominated in RUB	4,929	7,954
Bank balances denominated in USD	7,697	17,320
Bank balances denominated in EUR	1,250	1,367
Bank balances denominated in CNY	135	313
Bank balances denominated in other currency	258	214
Total cash and cash equivalents	**14,269**	**27,168**

Cash and cash equivalents include term deposits of RUB 3,891 (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 June 2017	31 December 2016
Trade accounts receivable	2,691	1,490
Notes receivable	217	138
Other accounts receivable	344	265
Less: impairment provision	(41)	(41)
Total financial assets	**3,211**	**1,852**
Advances to suppliers	1,693	1,486
Value-added tax recoverable	3,849	4,350
Income tax prepayment	1,020	654
Other taxes receivable	219	258
Less: impairment provision	(41)	(34)
Total accounts receivable	**9,951**	**8,566**

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

9 Inventories

	30 June 2017	31 December 2016
Raw materials and spare parts	7,457	8,174
Work in progress	622	304
Finished products	6,419	5,975
	14,498	**14,453**

Raw materials are shown net of obsolescence provision RUB 120 (31 December 2016: RUB 120). No inventory was pledged as security at 30 June 2017 and 31 December 2016.

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

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	5,775	7,054
Disposals	(17)	(164)
Disposal of discontinued operation	-	(47)
Depreciation charge	(3,937)	(2,250)
Depreciation charge on discontinued operation	-	(300)
Currency translation difference	224	(1,392)
Carrying amount at 30 June	**86,218**	**87,581**

Included in the six months ended 30 June 2017 additions to assets under constructions is approximately RUB 463 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the six months ended 30 June 2016: RUB 499) at the average borrowing rate of 8.07% (for the six months 2016: 6.12%).

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

11 Subsoil licences and related costs

Subsoil licences and related costs comprise of:

	30 June 2017	31 December 2016
Apatite-nepheline deposits (production / development stage)	830	836
Potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	4,335	3,921
License and expenditure on deposit in exploration and evaluation stage	852	852
Asset related to the discharge of license obligations	276	270
	32,504	**32,090**

12 Available-for-Sale Investments

	2017	2016
Carrying amount at 1 January	**17,965**	**4,956**
Fair value gain/(loss) recognised directly in OCI	2,052	(3,878)
Reclassification from equity accounted investments	-	25,783
Additions	-	694
Disposals	-	(5,833)
Carrying amount at 30 June	**20,017**	**21,722**

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2017	31 December 2016
Non-current				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	19,876	17,824
Other		Russian Federation	141	141
Total non-current			**20,017**	**17,965**
Total			**20,017**	**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 June 2017. At 30 June 2017, the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to 1,009.15 roubles per share (31 December 2016: 906.76 roubles per share).

13 Derivative Financial Assets and Liabilities

Put and call options on JSC VPC shares are recognised within the shares issue to non-controlling interests. At 30 June 2017, the liabilities comprise put options giving the non-controlling shareholders the right to sell their 39.9% of JSC VPC shares back to the Group in 2017-2024.

In the reporting period, the term of the call option expired without execution.

Also during the reporting period, Vnesheconombank, holding the put option on a 20 per cent stake, carried out an open auction for the sale of its stake in JSC VPC. As at the reporting date, the winner of the auction was determined with the price of RUB 10,620. After the auction there was a period during which by the current shareholders of JSC VPC might exercise their pre-emptive rights to repurchase shares. This period elapsed after the reporting date and resulted in shareholder has exercised its pre-emptive right (Note 23). Management concluded that all necessary criteria for continuance of recognition of the put option were present at the reporting date and, therefore, in measurement of the option value Management applied relevant terms and conditions of the option agreement effective at the reporting date. 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.

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

	30 June 2017			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put options on JSC VPC shares	-	-	(9,159)	(626)
	-	**-**	**(9,159)**	**(626)**

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

14 Accounts Payable

	30 June 2017	31 December 2016
Trade accounts payable	3,403	4,335
Dividend payable	3,810	22
Total financial payables	**7,213**	**4,357**
Payables to employees	1,260	1,251
Accrued liabilities and other creditors	737	694
Total accounts payable and accrued expenses	**9,210**	**6,302**

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2017	31 December 2016
Bonds issued	23,767	18,772
Credit lines	3,488	5,237
Term loans	41,075	55,108
	68,330	**79,117**

The Group's borrowings mature as follows:

	30 June 2017	31 December 2016
Borrowings due:		
- within 1 year	4,473	39,886
- between 1 and 5 years	63,575	38,820
- after 5 years	282	411
	68,330	**79,117**

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

	30 June 2017	31 December 2016
Borrowings denominated in:		
- RUB	28,985	32,090
- EUR	3,887	4,061
- USD	35,458	42,966
	68,330	**79,117**

At 30 June 2017, unused credit lines available under the loan facilities were RUB 21,853 (31 December 2016: RUB 26,881). Terms and conditions of unused credit lines correspond to the terms and conditions of other borrowings.

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

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

	30 June 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	2,500	2,600
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	364	1,911
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	238	-
Loans with fixed interest rate of 5.27% per annum	212	201
USD		
Loans with fixed interest rate of 2.48% to 5.61% per annum	1,041	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	**4,473**	**39,886**

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

	30 June 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	2,600	5,600
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	1,533	1,648
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	1,328	-
Loans with fixed interest rate of 5.27% per annum	212	301
USD		
Loans with fixed interest rate of 5.11% to 5.61% per annum	147	229
Loans with floating interest rate of 1M LIBOR+2.8% per annum	34,270	22,681
Total long-term borrowings	**63,857**	**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 the first quarter of 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 2016, which resulted in early redemption of bonds for RUB 1,335. The Group further sold the bonds of this issue for RUB 1,354. At 30 June 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, during the optional redemption period, there was a partial early redemption of these bonds in the amount of 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 June 2017 was RUB 24,113 with reference to Moscow Stock Exchange quotations as of this date (31 December 2016: RUB 18,944).

In May 2017, the Group borrowed funds under a new agreement on a 5-year syndicated pre-export loan in the amount of USD 580 million at 1M LIBOR+2.8% rate 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 its entities to maintain a minimum level of net assets, net 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.

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

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.

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 June 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	-	(289,852)	-	(1)	(1)
30 June 2017	**40,534,000**	**(1,016,060)**	**3,046**	**(5)**	**3,041**

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.

17 Finance Income / (Costs), net

	Six months ended		Three months ended	
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Interest income from loans provided and term deposits	184	153	15	106
Other finance income, net	-	-	-	62
Commissions expense	(182)	(272)	(106)	(137)
Dividend income	-	250	-	250
Foreign exchange gain on financial transactions	3,503	10,597	766	5,106
Foreign exchange loss on financial transactions	(3,390)	(6,006)	(3,173)	(4,052)
	115	**4,722**	**(2,498)**	**1,335**

18 Other Operating Expenses, net

	Six months ended		Three months ended	
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Charity expenses	(305)	(201)	(257)	(143)
Other operating expenses, net	(212)	(240)	(125)	(223)
Foreign exchange gain on operating activities	1,226	3,537	856	812
Foreign exchange loss on operating activities	(1,574)	(5,740)	(585)	(1,354)
	(865)	**(2,644)**	**(111)**	**(908)**

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 JSC VPC shares by transferring its own ordinary shares. At 30 June 2016, the dilution effect is not material, therefore, the dilutive earnings per share equal the basic earnings per share.

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

	Six months ended	
	30 June 2017	30 June 2016
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(734,447)	(664,044)
Weighted average number of shares outstanding (basic)	**39,799,553**	**39,869,956**
Effect of settlement in own equity instruments	425,318	-
Weighted average number of shares outstanding (diluted)	**40,224,871**	**39,869,956**
Profit attributable to the equity holders of the Company	1,667	20,439
Basic earnings per share (in Russian Roubles)	**41.88**	**512.64**
Diluted earnings per share (in Russian Roubles)	**41.44**	**512.64**

20 Income Taxes

	Six months ended		Three months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Income tax expense – current	1,188	3,475	221	639
Deferred tax charge – origination and reversal of temporary differences	(1,286)	824	(143)	844
Income tax (benefit)/expense	**(98)**	**4,299**	**78**	**1,483**

21 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 June 2017, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 12,494 (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 June 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 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts as transfer pricing tax audits under new rules started recently, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

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 these consolidated financial statements, 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 June 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-sale financial instruments of the Group were included in Level 1 category in the amount of RUB 20,017 (31 December 2016: RUB 17,965).

All liabilities on bonds issued were included in Level 1 category in the amount of RUB 24,113 (31 December 2016: RUB 18,944).

The fair value of the call/put options on shares of JSC 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 June 2017, the fair value of borrowings was RUB 346 higher than their carrying amounts. At 31 December 2016, the fair value of borrowings was RUB 478 higher than their carrying amounts.

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

23 Subsequent Events

In August 2017, Sberbank Investments has exercised its pre-emptive right to buy Vnesheconombank's stake in the Talitsky potash project at the public auction for the sale of shares in Verkhnekamsk Potash Company, thus having increased its stake in VPC to 39.9%.

In August 2017, Acron's Board of Directors recommended to the extraordinary general meeting to pay (declare) dividend on Acron's outstanding ordinary shares (from retained earnings of PJSC Acron) in amount of 235 Roubles per ordinary share, totalling RUB 9,287.