

**JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information**

**For the three months ended
31 March 2016**



Contents

Unaudited Condensed Interim Statement of Financial Position	1
Unaudited Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	2
Unaudited Condensed Interim Statement of Cash Flows	3
Unaudited Condensed Interim Statement of Changes in Equity	4

Notes to the Consolidated Condensed Interim Financial Information

1	Acron Group and its Operations	5
2	Basis of Preparation	5
3	Significant Accounting Policies	5
4	Seasonality	5
5	Segment Information	5
6	Balances and Transactions with Related Parties	7
7	Cash and Cash Equivalents	8
8	Accounts Receivable	8
9	Inventories	8
10	Property, Plant and Equipment	8
11	Exploration and Evaluation Licences and Expenditure	9
12	Available-for-Sale Investments	9
13	Investment in Equity Accounted Investees	9
14	Derivative Financial Assets and Liabilities	10
15	Accounts Payable	10
16	Short-Term and Long-Term Borrowings	10
17	Capital and Reserves	12
18	Finance Income / (Costs), net	12
19	Other Operating (Expenses) / Income, net	12
20	Earnings per Share	12
21	Income Taxes	13
22	Contingencies, Commitments and Operating Risks	13
23	Fair Value of Financial Instruments	15
24	Subsequent Events	15

**Joint Stock Company "Acron"****Consolidated Condensed Interim Statement of Financial Position at 31 March 2016 (unaudited)***(in millions of Russian Roubles)*

	Note	31 March 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	10	86,748	84,680
Exploration and evaluation licences and expenditure	11	32,323	32,232
Leasehold land		770	825
Goodwill		1,267	1,267
Available-for-sale investments	12	148	148
Investment in equity accounted investees	13	30,928	31,263
Long-term loans receivable		47	47
Deferred tax assets		645	1,396
Other non-current assets		2,072	2,104
Total non-current assets		154,948	153,962
Current assets			
Inventories	9	15,091	17,800
Short-term loans receivable		-	5
Accounts receivable	8	10,883	9,443
Income tax prepayment		121	1,505
Available-for-sale investments	12	-	4,808
Trading investments		147	172
Short-term derivative financial instruments	14	7,693	7,816
Cash and cash equivalents	7	37,869	30,421
Other current assets		739	842
Total current assets		72,543	72,812
TOTAL ASSETS		227,491	226,774
EQUITY			
Share capital	17	3,046	3,046
Treasury shares		(3)	(3)
Retained earnings		73,718	60,523
Revaluation reserve		-	3,752
Other reserves		(1,209)	(1,209)
Cumulative currency translation difference		17,290	18,877
Share capital and reserves attributable to the Company's owners		92,842	84,986
Non-controlling interests		24,221	24,812
TOTAL EQUITY		117,063	109,798
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	54,660	68,611
Long-term derivative financial instruments	14	8,964	9,282
Deferred tax liabilities		3,873	5,196
Other long-term liabilities		1,069	1,080
Total non-current liabilities		68,566	84,169
Current liabilities			
Accounts payable	15	7,066	8,435
Notes payable		1,701	2,138
Income tax payable		751	-
Taxes payable		880	1,422
Short-term borrowings	16	26,488	12,995
Advances received		3,132	6,254
Other current liabilities		1,844	1,563
Total current liabilities		41,862	32,807
TOTAL LIABILITIES		110,428	116,976
TOTAL LIABILITIES AND EQUITY		227,491	226,774

Approved for issue and signed on behalf of the Board of Directors on 30 May 2016.

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

**Joint Stock Company "Acron"****Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2016 (unaudited)***(in millions of Russian Roubles, except for per share amounts)*

	Note	Three months ended	
		31 March 2016	31 March 2015
Revenue	5	27,597	27,653
Cost of sales		(13,397)	(12,424)
Gross profit		14,200	15,229
Transportation expenses		(3,261)	(2,675)
Selling, general and administrative expenses		(2,299)	(2,153)
Other operating (expenses)/income, net	19	(1,816)	542
Operating profit		6,824	10,943
Finance income/(costs), net	18	3,387	(1,820)
Interest expense		(1,179)	(530)
Gain/(loss) on disposal of investment		5,461	(23)
Gain/(loss) on derivatives, net		196	(1,351)
Share of profit of equity accounted investees		1,170	1,015
Profit before taxation		15,859	8,234
Income tax expense	21	(3,202)	(1,167)
Profit for the period		12,657	7,067
Other comprehensive loss on items that will not be reclassified to profit or loss:			
Share of other comprehensive loss of equity-accounted investees		(100)	-
Other comprehensive income/(loss) on items that are or may be reclassified to profit or loss:			
Available-for-sale investments:			
- Gains arising during the period		-	727
- Reclassification of revaluation gain on disposal to profit or loss		(4,690)	-
- Income tax recorded directly in other comprehensive income		938	(145)
Currency translation differences		(1,526)	(1,519)
Other comprehensive loss for the period		(5,378)	(937)
Total comprehensive income for the period		7,279	6,130
Profit is attributable to:			
Owners of the Company		13,186	6,776
Non-controlling interest		(529)	291
Profit for the period		12,657	7,067
Total comprehensive income is attributable to:			
Owners of the Company		7,847	5,820
Non-controlling interest		(568)	310
Total comprehensive income for the period		7,279	6,130
Earnings per share			
Basic (expressed in RUB per share)	20	316.96	167.17
Diluted (expressed in RUB per share)	20	316.96	167.17

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

Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Cash Flows for the three months
ended 31 March 2016 (unaudited)
(in millions of Russian Roubles)



	Note	Three months ended	
		31 March 2016	31 March 2015
Cash flows from operating activities			
Profit before taxation		15,859	8,234
<i>Adjustments for:</i>			
Depreciation	10	1,304	1,079
(Reversal of provision)/provision for impairment of accounts receivable		(17)	41
Provision for obsolescence of inventory		6	-
Loss on disposal of property, plant and equipment		97	42
Share of profit of equity-accounted investees		(1,170)	(1,015)
Interest expense		1,179	530
Interest income		(47)	(291)
(Gain)/loss on derivatives, net		(196)	1,351
(Gain)/loss on disposal of investments		(5,461)	23
Unrealised foreign exchange effect on non-operating balances		(1,856)	1,376
Operating cash flows before working capital changes		9,698	11,370
Increase in gross trade receivables		(942)	(23)
Increase in advances to suppliers		(146)	(283)
Decrease in other receivables		1,047	445
Decrease/(increase) in inventories		2,774	(286)
Decrease in trade payables		(1,409)	(498)
Decrease in other payables		(2,654)	(876)
(Decrease)/increase in advances from customers		(3,122)	948
Decrease/(increase) in other current assets		103	(477)
Increase in other current liabilities		281	364
Cash generated from operations		5,630	10,684
Income taxes paid		(803)	(102)
Interest paid		(1,011)	(811)
Net cash generated from operating activities		3,816	9,771
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(4,040)	(3,672)
Interest received		49	157
Proceeds from sale of available-for-sale investments		5,632	-
Proceeds from sale of trading investments		-	21
Net change in other non-current assets and liabilities		21	49
Net cash generated from/(used in) investing activities		1,662	(3,445)
Cash flows from financing activities			
Acquisition of non-controlling interest		(14)	(92)
Acquisition of treasury shares		-	(754)
Proceeds from borrowings	16	5,728	36,977
Repayment of borrowings	16	(1,554)	(30,088)
Net cash generated from financing activities		4,160	6,043
Net increase in cash and cash equivalents		9,638	12,369
Effect of exchange rate changes on cash and cash equivalents		(2,190)	746
Cash and cash equivalents at the beginning of the period	7	30,421	24,773
Cash and cash equivalents at the end of the period	7	37,869	37,888

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



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 2015	3,046	(1)	51,816	2,686	(446)	13,411	23,261	93,773
Comprehensive income								
Profit for the period	-	-	6,776	-	-	-	291	7,067
<i>Other comprehensive income</i>								
Fair value gains on available-for-sale investments	-	-	-	727	-	-	-	727
Currency translation differences	-	-	-	-	-	(1,538)	19	(1,519)
Income tax recorded in other comprehensive income	-	-	-	(145)	-	-	-	(145)
Total other comprehensive income	-	-	-	582	-	(1,538)	19	(937)
Total comprehensive income	-	-	6,776	582	-	(1,538)	310	6,130
Acquisition of non-controlling interest	-	-	1	-	-	-	(93)	(92)
Acquisition of treasury shares	-	(2)	-	-	(752)	-	-	(754)
Balance at 31 March 2015	3,046	(3)	58,593	3,268	(1,198)	11,873	23,478	99,057
Balance at 1 January 2016	3,046	(3)	60,523	3,752	(1,209)	18,877	24,812	109,798
Comprehensive income								
Profit for the period	-	-	13,186	-	-	-	(529)	12,657
<i>Other comprehensive income</i>								
Reclassification of revaluation gain on disposal to profit or loss	-	-	-	(4,690)	-	-	-	(4,690)
Currency translation differences	-	-	-	-	-	(1,587)	(39)	(1,626)
Income tax recorded in other comprehensive income	-	-	-	938	-	-	-	938
Total other comprehensive income	-	-	-	(3,752)	-	(1,587)	(39)	(5,378)
Total comprehensive income	-	-	13,186	(3,752)	-	(1,587)	(568)	7,279
Acquisition of non-controlling interest	-	-	9	-	-	-	(23)	(14)
Balance at 31 March 2016	3,046	(3)	73,718	-	(1,209)	17,290	24,221	117,063

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 Standards for the three months ended 31 March 2016 for 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 by-products. The Group’s manufacturing facilities are primarily based in the Novgorod, Smolensk and Murmansk regions of Russia and also in The People’s Republic of China (the “PRC”).

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

The Group’s ultimate parent is Subero Associates Inc. (British Virgin Islands). As at 31 March 2016 and 31 December 2015 the Group was 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 2015.

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.

In preparing this consolidated condensed interim financial information for the three months ended 31 March 2016, 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 2015.

3 Significant Accounting Policies

The accounting policies and judgments 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 2015.

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 JSC Acron;
- Dorogobuzh – representing manufacturing and distribution of chemical fertilisers by PJSC Dorogobuzh;
- Hongri Acron – representing manufacturing and distribution of chemical fertilisers by Shandong Hongri Acron Chemical Joint Stock Company Ltd.;



- Logistics – representing transportation and logistics 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 and North Atlantic Potash Inc., both under 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 three months ended 31 March 2016 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	13,705	(12,118)	1,587	5,079
Dorogobuzh	7,203	(4,117)	3,086	2,776
Hongri Acron	2,582	-	2,582	(400)
Logistics	826	(717)	109	159
Trading	21,231	(1,895)	19,336	32
Mining NWPC	3,397	(2,587)	810	2,272
Mining excluding NWPC	-	-	-	(20)
Investment in equity accounted investees	-	-	-	1,170
Other	649	(562)	87	(12)
Total	49,593	(21,996)	27,597	11,056

Information for the reportable segments for the three months ended 31 March 2015 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	14,710	(12,170)	2,540	6,618
Dorogobuzh	6,603	(5,296)	1,307	3,004
Hongri Acron	4,366	-	4,366	(6)
Logistics	954	(756)	198	232
Trading	19,348	(912)	18,436	339
Mining NWPC	2,182	(1,692)	490	1,240
Mining excluding NWPC	-	-	-	(2)
Investment in equity accounted investees	-	-	-	1,015
Other	638	(322)	316	(27)
Total	48,801	(21,148)	27,653	12,413



Reconciliation of EBITDA to Profit Before Tax:

	Three months ended	
	31 March 2016	31 March 2015
Profit Before Tax	15,859	8,234
(Gain)/loss on derivatives, net	(196)	1,351
Interest expense	1,179	530
(Gain)/loss on disposal of investments	(5,461)	23
Finance (income)/costs, net	(3,387)	1,820
Operating Profit including share of profit of equity accounted investees	7,994	11,958
Depreciation and amortisation	1,304	1,079
Net foreign currency loss/(gain) on operating activities	1,661	(666)
Loss on disposal of property, plant and equipment	97	42
Total consolidated EBITDA	11,056	12,413

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.

	Three months ended	
	31 March 2016	31 March 2015
Revenue		
Russia	7,289	5,543
European Union	2,526	2,944
Commonwealth of Independent States	2,905	957
USA and Canada	2,250	3,036
Latin America	3,047	3,381
PRC	4,930	7,351
Asia (excluding PRC)	3,360	3,410
Other regions	1,290	1,031
Total	27,597	27,653

Revenue from sales of chemical fertilisers accounts for 87% of total revenues (for the three months ended 31 March 2015: 87%).

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

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.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 March 2016 and 31 December 2015 are detailed below.

The following turnovers and balances arise from transactions with related parties:

i Balances with related parties

Statement of financial position caption	Note	Relationship	31 March 2016	31 December 2015
Trade receivables, gross	8	Companies under common control	9	8
Trade payables	15	Companies under common control	(5)	(4)

ii Transactions with related parties

	Relationship	Three months ended	
		31 March 2016	31 March 2015
Sales of chemical fertilisers	Companies under common control	5	2
Purchases of raw materials	Companies under common control	(14)	(15)



7 Cash and Cash Equivalents

	31 March 2016	31 December 2015
Cash on hand and bank balances denominated in RUB	5,220	2,910
Bank balances denominated in USD	29,988	22,883
Bank balances denominated in EUR	1,306	2,405
Bank balances denominated in CAD	215	66
Bank balances denominated in CHF	9	7
Bank balances denominated in PLN	7	34
Bank balances denominated in CNY	1,124	2,116
Total cash and cash equivalents	37,869	30,421

Cash and cash equivalents include term deposits of RUB 35,674 (31 December 2015: RUB 18,441).

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

	31 March 2016	31 December 2015
Trade accounts receivable	3,793	2,851
Notes receivable	863	530
Other accounts receivable	1,065	772
Less: impairment provision	(556)	(572)
Total financial assets	5,165	3,581
Advances to suppliers	2,499	2,353
Value-added tax recoverable	2,998	3,375
Other taxes receivable	263	177
Less: impairment provision	(42)	(43)
Total accounts receivable	10,883	9,443

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

9 Inventories

	31 March 2016	31 December 2015
Raw materials and spare parts, including	7,695	8,713
Work in progress	820	656
Finished products	6,576	8,431
	15,091	17,800

Raw materials are shown net of obsolescence provision RUB 135 (31 December 2015: RUB 129).

10 Property, Plant and Equipment

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

	2016	2015
Carrying amount at 1 January	84,680	72,552
Acquisitions	4,157	3,798
Disposals	(97)	(42)
Depreciation charge	(1,369)	(1,163)
Currency translation difference	(623)	(159)
Carrying amount at 31 March	86,748	74,986

Included in the three months 2016 additions to assets under constructions is approximately RUB 265 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the three months 2015: RUB 126) at the average borrowing rate of 6.05% (for the three months 2015: 4.05%).

At 31 March 2016, buildings, machinery and equipment and construction in progress with a net book value of RUB 2,425 (31 December 2015: RUB 2,712) had been pledged as security for long-term loans (Note 16).



11 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	31 March 2016	31 December 2015
Apatite-nepheline deposits (production / development stage)	845	848
Potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	4,548	4,454
License and expenditure on deposit in exploration and evaluation stage	469	469
Asset related to the discharge of license obligations	250	250
	32,323	32,232

12 Available-for-Sale Investments

	2016	2015
Carrying amount at 1 January	4,956	3,632
Fair value gain recognised directly in OCI	-	727
Disposals	(4 808)	-
Carrying amount at 31 March	148	4,359

The Group has investments in the following companies:

Name	Activity	Country of registration	31 March 2016	31 December 2015
Current				
PJSC Uralkali	Potash mining	Russia	-	4,808
Total current			-	4,808
Non-current				
Other			148	148
Total non-current			148	148
Total			148	4,956

In March 2016 the Group disposed its stake in PJSC Uralkali to third parties.

13 Investment in Equity Accounted Investees

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of the associate.

	2016	2015
Balance at 1 January	31,263	24,695
Share of:		
– Profit from continuing operations	1,170	1,015
– OCI	(100)	-
Currency translation difference comprising in OCI	(1,405)	(1,127)
Balance at 31 March	30,928	24,583

The Group's interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

31 March 2016:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	200,509	67,075	119,835	5,850	20%	Poland

31 March 2015:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	158,170	52,855	48,792	5,075	20%	Poland



14 Derivative Financial Assets and Liabilities

Put and call options on JSC VPC shares are recognised within the shares issue to non-controlling interests. The liabilities comprise put options giving the non-controlling shareholders a right to sell their 49% of JSC VPC shares back to the Group in 2017-2024. Assets comprise call options, which give the Group a right to buy 29% of JSC VPC shares from the non-controlling shareholders till 2018.

	31 March 2016			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	7,693	8,964	-
	-	7,693	8,964	-

	31 December 2015			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	7,816	9,282	-
	-	7,816	9,282	-

15 Accounts Payable

	31 March 2016	31 December 2015
Trade accounts payable	4,223	5,632
Dividends payable	6	15
Total financial payables	4,229	5,647
Payables to employees	1,451	1,112
Accrued liabilities and other creditors	1,386	1,676
Total accounts payable and accrued expenses	7,066	8,435

16 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	31 March 2016	31 December 2015
Bonds issued	13,752	13,752
Credit lines	8,600	6,500
Term loans	58,796	61,354
	81,148	81,606

The Group's borrowings mature as follows:

	31 March 2016	31 December 2015
Borrowings due:		
- within 1 year	26,488	12,995
- between 1 and 5 years	54,156	67,989
- after 5 years	504	622
	81,148	81,606

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

	31 March 2016	31 December 2015
Borrowings denominated in:		
- RUB	23,952	21,852
- EUR	4,914	5,261
- USD	48,914	49,849
- CNY	3,368	4,644
	81,148	81,606

Bank loans denominated in CNY in total amount of RUB 1,903 (31 December 2015: RUB 2,190) are collateralised by buildings, machinery and equipment with a net book value of RUB 2,425 (31 December 2015: RUB 2,712) (Note 10) and land use right with a net book value of RUB 442 (31 December 2015: RUB 481). The loans obtained from banks in PRC are secured by guarantees issued by third parties totalled RUB 1,464 (31 December 2015: RUB 2,222).



The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

At 31 March 2016 unused credit lines available under the long-term loan facilities were RUB 15,968 (31 December 2015: RUB 24,400). 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:

	31 March 2016	31 December 2015
Short-term borrowings		
RUB		
Loans with fixed interest rate of 12.65% to 13.5% per annum	2,000	2,000
Loans with floating interest key rate of CB RF+1.4% per annum	1,600	1,600
Bonds with fixed interest rate of 13.6% per annum	3,752	3,752
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	319	582
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	270	-
Loans with fixed interest rate of 5.27% per annum	240	250
USD		
Loans with fixed interest rate of 4.75% to 5.61% per annum	2,879	189
Loans with floating interest rate of 3M LIBOR+3.7% per annum	10,141	-
Loans with floating interest rate of 1M LIBOR+4.6% per annum	1,919	-
CNY		
Loans with fixed interest rate of 5.22% to 7.5% per annum	3,368	4,622
Total short-term borrowings	26,488	12,995

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

	31 March 2016	31 December 2015
Long-term borrowings		
RUB		
Bonds with fixed interest rate of 11.6% per annum	10,000	10,000
Loans with fixed interest rate of 13.7% to 14% per annum	4,000	4,000
Loans with floating interest key rate of CB RF+1.5% per annum	2,600	500
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	1,647	3,802
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	1,835	-
Loans with fixed interest rate of 5.27% per annum	603	627
USD		
Loans with fixed interest rate of 5.11% to 5.61% per annum	400	464
Loans with floating interest rate of LIBOR+4.6% per annum	33,575	49,196
CNY		
Loans with fixed interest rate of 5.52% to 7.21% per annum	-	22
Total long-term borrowings	54,660	68,611

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 material 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.



17 Capital and Reserves

The total authorised number of ordinary shares is 40,534,000 (31 December 2015: 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
31 December 2014	40,534,000	(171,000)	3,046	(1)	3,045
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(423,000)	-	(2)	(2)
31 March 2015	40,534,000	(594,000)	3,046	(3)	3,043
1 January 2016	40,534,000	(601,880)	3,046	(3)	3,043
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
31 March 2016	40,534,000	(601,880)	3,046	(3)	3,043

18 Finance Income / (Costs), net

	Three months ended	
	31 March 2016	31 March 2015
Interest income from loans provided and term deposits	47	291
Other financial expenses	(62)	-
Commissions expense	(135)	(83)
Foreign exchange gain on financial transactions	5,491	13,974
Foreign exchange loss on financial transactions	(1,954)	(16,002)
	3,387	(1,820)

19 Other Operating (Expenses) / Income, net

	Three months ended	
	31 March 2016	31 March 2015
Charity expenses	(58)	(82)
Other expenses	(97)	(42)
Foreign exchange gain on operating activities	2,725	5,540
Foreign exchange loss on operating activities	(4,386)	(4,874)
	(1,816)	542

20 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. At 31 March 2016 the shares of the Company have dilutive potential related right to settle in own shares. The dilution effect do not exist at the reporting date, therefore, the dilutive earnings per share equal the basic earnings per share.

	Three months ended	
	31 March 2016	31 March 2015
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(601 880)	-
Weighted average number of shares outstanding (basic)	39,932,120	40,534,000
Effect of settlement in own equity instruments	-	-
Weighted average number of shares outstanding (diluted)	39,932,120	40,534,000
Profit attributable to the equity holders of the Company	12,657	6,776
Basic earnings per share (in Russian roubles)	316.96	167.17
Diluted earnings per share (in Russian roubles)	316.96	167.17



21 Income Taxes

	Three months ended	
	31 March 2016	31 March 2015
Income tax expense – current	2,836	966
Deferred tax charge – origination and reversal of temporary differences	366	201
Income tax charge	3,202	1,167

22 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 31 March 2016 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 9,445 (31 December 2015: RUB 12,563).

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 31 March 2016 and 31 December 2015, the Group has issued financial guarantees to third parties in respect of borrowings by the Group’s counterparties in the amount of RUB 3,263 and RUB 3,504 respectively. No amount has been accrued in this consolidated condensed interim financial information for the Group’s obligation under these guarantees as no outflows are expected from such 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 Operating environment of the Group

Russian Federation

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.

People’s Republic of China

The Group’s major subsidiary, Shandong Hongri Acron Chemical Joint Stock Company Ltd., is located in the PRC. The PRC economic and legal system is not fully developed and has inherent uncertainties. The economy of the PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange, and allocation of resources.

Since 1978, the PRC Government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for the PRC in the last two decades. Many of the reforms are unprecedented or experimental and are expected to be modified from time to time.

The business and operations of the Group in the PRC are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of a dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit legal protections available to the Group. In addition, any litigation in the PRC may be protracted and result in substantial costs and



diversion of resources and management attention.

iv Taxation contingencies

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 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, at 31 March 2016 no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2015: no provision). Management believes that all provisions were recognised in respect of other possible 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.



23 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 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 values.

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 295 (31 December 2015: RUB 5,128).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 13,859 (31 December 2015: RUB 13,781).

Fair values of cross-currency swaps was determined based on valuation technique with inputs observable in markets and was included in level 2.

The fair value of the call/put options on shares of JSC VPC was determined based on the Black–Scholes Option Pricing Model with the adjustments and using of unobservable inputs, and included in level 3. Determination method is equal to applied in 2015.

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 31 March 2016 the fair value of borrowings was RUB 185 higher than their carrying amounts. At 31 December 2015 the fair value of borrowings was RUB 735 lower than their carrying amounts.

24 Subsequent Events

In May 2016 the shareholders of the Company on the proposal of the Board of Directors decided to pay dividends on ordinary shares of JSC Acron in the amount of 180 roubles per share.

In May 2016 the Group reduced its stake in Polish company Grupa Azoty S.A. to 19.7%.

In April 2016 JSC Acron sold call option and redeemed share of the Eurasian Development Bank in a subsidiary of JSC VPC in the amount of 9.1%, increasing its ownership to 60.1%.