

**PUBLIC JOINT STOCK COMPANY  
“ACRON”**

**Consolidated Condensed Interim  
Financial Information for the six months  
ended 30 June 2018**



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

## To the Shareholders and Board of Directors of 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 2018, and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated condensed interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with 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"  
Registration No. in the Unified State Register of Legal Entities  
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.

Registration No. in the Unified State Register of Legal Entities  
1027700125628.

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



**PJSC "Acron"**

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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial information as at 30 June 2018 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

**Other Matter**

The consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 30 June 2018 and the corresponding figures for the three-month period ended 30 June 2017 are not reviewed.



Ilya O. Belyatski

JSC "KPMG"  
Moscow, Russia

24 August 2018

**Public Joint Stock Company "Acron"**  
**Consolidated Condensed Interim Statement of Financial Position at 30 June 2018**  
*(in millions of Russian Roubles)*



	Note	30 June 2018	31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	89,858	87,820
Subsoil licences and related costs	11	34,611	33,134
Goodwill		1,267	1,267
Investment in equity instruments measured at fair value through other comprehensive income	12	14,282	22,698
Deferred tax assets		1,017	172
Other non-current assets		2,396	1,704
<b>Total non-current assets</b>		<b>143,431</b>	<b>146,795</b>
<b>Current assets</b>			
Inventories	9	14,938	14,950
Accounts receivable	8	10,986	9,940
Cash and cash equivalents	7	19,833	14,302
Other current assets		1,112	907
<b>Total current assets</b>		<b>46,869</b>	<b>40,099</b>
<b>TOTAL ASSETS</b>		<b>190,300</b>	<b>186,894</b>
<b>EQUITY</b>			
Share capital	16	3,046	3,046
Treasury shares		(6)	(6)
Retained earnings		57,796	68,035
Revaluation reserve		(11,318)	(2,902)
Other reserves		(3,649)	(3,416)
Cumulative currency translation difference		6,223	5,543
<b>Equity attributable to the Company's owners</b>		<b>52,092</b>	<b>70,300</b>
Non-controlling interest		20,736	20,656
<b>TOTAL EQUITY</b>		<b>72,828</b>	<b>90,956</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	15	69,929	55,593
Long-term derivative financial instruments	13	2,197	-
Deferred tax liabilities		6,362	5,446
Other long-term liabilities		692	750
<b>Total non-current liabilities</b>		<b>79,180</b>	<b>61,789</b>
<b>Current liabilities</b>			
Accounts payable	14	12,584	5,695
Short-term derivative financial instruments	13	-	3,359
Short-term borrowings	15	21,027	18,930
Advances received		2,918	4,041
Other current liabilities		1,763	2,124
<b>Total current liabilities</b>		<b>38,292</b>	<b>34,149</b>
<b>TOTAL LIABILITIES</b>		<b>117,472</b>	<b>95,938</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>190,300</b>	<b>186,894</b>

The Consolidated Condensed Interim Financial Information is approved on 24 August 2018.

V.Y. Kunitskiy  
President



A.V. Milenkov  
Finance Director

**Public Joint Stock Company "Acron"**  
**Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive**  
**Income for the six months ended 30 June 2018**



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

	Note	Six months ended		Three months ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue	5	49,413	46,889	25,363	22,816
Cost of sales		(26,475)	(24,933)	(13,684)	(12,126)
<b>Gross profit</b>		<b>22,938</b>	<b>21,956</b>	<b>11,679</b>	<b>10,690</b>
Transportation expenses		(7,633)	(7,005)	(4,124)	(3,495)
Selling, general and administrative expenses		(4,133)	(3,603)	(2,283)	(1,681)
Other operating expense, net	18	(1,160)	(865)	(728)	(111)
<b>Operating profit</b>		<b>10,012</b>	<b>10,483</b>	<b>4,544</b>	<b>5,403</b>
Finance (costs)/income, net	17	(3,095)	115	(3,367)	(2,498)
Interest expense		(367)	(2,241)	(228)	(1,020)
(Loss)/gain on disposal of investment		(20)	6	(10)	4
Loss on derivatives, net		(1,778)	(6,515)	(2,486)	(1,436)
<b>Profit/(loss) before taxation</b>		<b>4,752</b>	<b>1,848</b>	<b>(1,547)</b>	<b>453</b>
Income tax (expense)/benefit	20	(1,327)	98	(6)	(78)
<b>Profit/(loss) for the period</b>		<b>3,425</b>	<b>1,946</b>	<b>(1,553)</b>	<b>375</b>
<i>Other comprehensive (loss)/income on items that will never be reclassified to profit or loss:</i>					
Investment in equity instruments measured at fair value through other comprehensive income:					
- (Losses)/gains arising during the period		(8,416)	2,052	(4,307)	401
<i>Other comprehensive income on items that are or may be reclassified subsequently to profit or loss:</i>					
Currency translation differences		711	387	877	1,249
<b>Other comprehensive (loss)/income for the period</b>		<b>(7,705)</b>	<b>2,439</b>	<b>(3,430)</b>	<b>1,650</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(4,280)</b>	<b>4,385</b>	<b>(4,983)</b>	<b>2,025</b>
<b>Profit/(loss) is attributable to:</b>					
Owners of the Company		3,186	1,667	(1,579)	185
Non-controlling interest		239	279	26	190
<b>Profit/(loss) for the period</b>		<b>3,425</b>	<b>1,946</b>	<b>(1,553)</b>	<b>375</b>
<b>Total comprehensive (loss)/income is attributable to:</b>					
Owners of the Company		(4,550)	4,101	(5,076)	1,778
Non-controlling interest		270	284	93	247
<b>Total comprehensive (loss)/income for the period</b>		<b>(4,280)</b>	<b>4,385</b>	<b>(4,983)</b>	<b>2,025</b>
<b>Earnings/(loss) per share</b>					
Basic (expressed in RUB)	19	80.86	41.88	(40.08)	2.46
Diluted (expressed in RUB)	19	80.43	41.44	(40.08)	2.02

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

**Public Joint Stock Company "Acron"**  
**Consolidated Condensed Interim Statement of Cash Flows for the six months**  
**ended 30 June 2018**  
*(in millions of Russian Roubles)*



	Note	Six months ended	
		30 June 2018	30 June 2017
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>3,425</b>	<b>1,946</b>
<i>Adjustments for:</i>			
Income tax expense/(benefit)	20	1,327	(98)
Depreciation and amortisation		4,540	3,790
(Reversal of) / provision for impairment of accounts receivable		(4)	7
Provision for inventory obsolescence		1	-
Loss on disposal of property, plant and equipment		839	17
Interest expense		367	2,241
Interest income	17	(133)	(184)
Loss on derivatives, net		1,778	6,515
Loss on disposal of exploration licences		905	-
Loss/(gain) on disposal of investment		20	(6)
Foreign exchange effect on non-operating balances		2,592	446
<b>Operating cash flows before working capital changes</b>		<b>15,657</b>	<b>14,674</b>
Increase in gross trade receivables		(1,153)	(1,201)
Decrease/(increase) in advances to suppliers		315	(207)
Decrease in other receivables		338	377
(Increase)/decrease in inventories		(90)	108
Decrease in trade payables		(76)	(932)
Decrease in other payables		(810)	(509)
Decrease in advances from customers		(1,123)	(1,838)
(Increase)/decrease in other current assets		(225)	185
(Decrease)/increase in other current liabilities		(361)	104
<b>Cash generated from operations</b>		<b>12,472</b>	<b>10,761</b>
Income taxes paid		(1,567)	(1,298)
Interest paid		(1,438)	(2,816)
<b>Net cash generated from operating activities</b>		<b>9,467</b>	<b>6,647</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(6,201)	(5,702)
Interest received		52	189
Net change in other non-current assets and liabilities		(745)	31
<b>Net cash used in investing activities</b>		<b>(6,894)</b>	<b>(5,482)</b>
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interest		(76)	(87)
Purchase of shares of subsidiary		(15,905)	-
Proceeds from sale of shares of subsidiary		10,743	-
Acquisition of treasury shares		(305)	(907)
Dividend paid to shareholders		(5,094)	-
Dividend paid to non-controlling interest		(12)	(221)
Proceeds from borrowings	15	28,588	44,658
Repayment of borrowings	15	(15,887)	(55,503)
Loan arrangement costs		-	(689)
Security deposit made for auction		-	(1,060)
<b>Net cash generated from / (used in) financing activities</b>		<b>2,052</b>	<b>(13,809)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,625</b>	<b>(12,644)</b>
Effect of exchange rate changes on cash and cash equivalents		906	(255)
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>14,302</b>	<b>27,168</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>19,833</b>	<b>14,269</b>

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

**Public Joint Stock Company “Acron”**  
**Consolidated Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2018**  
*(in millions of Russian Roubles)*



	Capital and reserves attributable to the Company's owners						Non-controlling interest	Total equity
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves	Cumulative currency translation difference		
<b>Balance at 1 January 2017</b>	<b>3,046</b>	<b>(4)</b>	<b>68,439</b>	<b>(7,635)</b>	<b>(1,650)</b>	<b>4,960</b>	<b>20,566</b>	<b>87,722</b>
<b>Total comprehensive income</b>								
Profit for the period	-	-	1,667	-	-	-	279	1,946
<i>Other comprehensive income</i>								
Gains on investment measured at fair value through other comprehensive income	-	-	-	2,052	-	-	-	2,052
Currency translation differences	-	-	-	-	-	382	5	387
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,052</b>	<b>-</b>	<b>382</b>	<b>5</b>	<b>2,439</b>
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>1,667</b>	<b>2,052</b>	<b>-</b>	<b>382</b>	<b>284</b>	<b>4,385</b>
Acquisition of non-controlling interest	-	-	47	-	-	-	(134)	(87)
Dividend declared	-	-	(3,782)	-	-	-	(221)	(4,003)
Acquisition of treasury shares	-	(1)	-	-	(906)	-	-	(907)
<b>Balance at 30 June 2017</b>	<b>3,046</b>	<b>(5)</b>	<b>66,371</b>	<b>(5,583)</b>	<b>(2,556)</b>	<b>5,342</b>	<b>20,495</b>	<b>87,110</b>
<b>Balance at 1 January 2018</b>	<b>3,046</b>	<b>(6)</b>	<b>68,035</b>	<b>(2,902)</b>	<b>(3,416)</b>	<b>5,543</b>	<b>20,656</b>	<b>90,956</b>
<b>Total comprehensive income</b>								
Profit for the period	-	-	3,186	-	-	-	239	3,425
<i>Other comprehensive (loss)/income</i>								
Loss on investment measured at fair value through other comprehensive income	-	-	-	(8,416)	-	-	-	(8,416)
Currency translation differences	-	-	-	-	-	680	31	711
<b>Total other comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,416)</b>	<b>-</b>	<b>680</b>	<b>31</b>	<b>(7,705)</b>
<b>Total comprehensive loss for the reporting period</b>	<b>-</b>	<b>-</b>	<b>3,186</b>	<b>(8,416)</b>	<b>-</b>	<b>680</b>	<b>270</b>	<b>(4,280)</b>
Acquisition of non-controlling interest	-	-	13	-	-	-	(89)	(76)
Acquisition of treasury shares	-	-	-	-	(305)	-	-	(305)
Dividend declared	-	-	(11,701)	-	-	-	(85)	(11,786)
Transactions with shares of subsidiary	-	-	(1,737)	-	72	-	-	(1,665)
Other	-	-	-	-	-	-	(16)	(16)
<b>Balance at 30 June 2018</b>	<b>3,046</b>	<b>(6)</b>	<b>57,796</b>	<b>(11,318)</b>	<b>(3,649)</b>	<b>6,223</b>	<b>20,736</b>	<b>72,828</b>

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





## **1 Acron Group and its Operations**

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" for the six months ended 30 June 2018 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 2018, 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 2017.

### **2.2 Use of estimates and judgements**

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 significant estimates and 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 2017.

## **3 Significant Accounting Policies**

Except as described below, the accounting policies applied in these consolidated condensed interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients). The effect of initially applying this standard at the date of initial application (i.e. 1 January 2018) is estimated as inconsequential. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The Group assessed the impact of the new standard on the Group's performance and financial position. The Group identified that under contract conditions related to significant portion of fertilisers sales the Group promises to provide shipping and other freight services after the date when control of the goods passes to the customer at the loading port. Under IAS 18, the Group recognised revenue for such services and associated costs in full immediately after loading as revenue from trading activities. Under IFRS 15 such revenue is expected to be a separate performance obligation and shall be recognised over time of shipping as revenue from logistic services. However, the Group recognises revenue from logistic services at a point in time at the end of shipping due to the fact that potential impact was calculated and estimated as inconsequential.

The Group has also assessed the impact of the new standard on revenue disclosures. The Group concluded that existing disclosures are consistent with the new requirements. The Group will continue monitoring the impact of treating logistic services as a separate performance obligation and will adjust its accounting policies as appropriate in the future if and when such impact becomes material.



The impact of applying the new standard as at 30 June 2018:

30 June 2018 mIn RUB	Note	Amounts according to IAS 18	Adjustments	Amounts with adoption of IFRS 15
Revenue	5	50,023	(610)	49,413
Cost of sales		(27,085)	610	(26,475)
Gross profit		22,938	-	22,938

In addition, according to the terms of a number of contracts, the final price for the delivered goods is determined after the transfer of control over the goods to the buyer. In accordance with current requirements, the Group recognises revenue based on an estimate of the expected price. At the time of determining the final price, the difference between expected and final price is recognised as other revenue. IFRS 15 application did not result in a significant change in the amount of recognised revenue. However IFRS 15 impacts the classification of the revenue recognised: only the revenue initially recognised at the moment of control transfer to the customer is recognised as revenue from contract with customers.

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new classification and measurement requirements, a single forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. This Standard does not have a significant impact on the Group's consolidated financial statements.

#### **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, JSC Mining Company Partomchorr, 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.

**Public Joint Stock Company "Acron"**  
**Notes to the Consolidated Condensed Interim Financial Information for the six months ended 30 June 2018**



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

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 six months ended 30 June 2018 is set out below:

	<b>Segment sales</b>	<b>Intersegment sales</b>	<b>External sales</b>	<b>EBITDA</b>
Acron	29,209	(25,934)	3,275	9,907
Dorogobuzh	11,635	(7,071)	4,564	2,830
Logistics	2,209	(2,140)	69	383
Trading	41,842	(1,211)	40,631	1,058
Mining NWPC	4,577	(3,912)	665	1,516
Mining excluding NWPC	-	-	-	(5)
Other	738	(529)	209	(23)
<b>Total</b>	<b>90,210</b>	<b>(40,797)</b>	<b>49,413</b>	<b>15,666</b>

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

	<b>Segment sales</b>	<b>Intersegment sales</b>	<b>External sales</b>	<b>EBITDA</b>
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)
<b>Total</b>	<b>81,377</b>	<b>(34,488)</b>	<b>46,889</b>	<b>14,638</b>

Reconciliation of EBITDA to Profit Before Tax:

	<b>Six months ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Operating Profit</b>	<b>10,012</b>	<b>10,483</b>
Depreciation and amortisation	4,540	3,790
Loss on disposal of exploration licences	905	-
Foreign currency (profit)/loss on operating activities, net	(630)	348
Loss on disposal of property, plant and equipment	839	17
<b>Total consolidated EBITDA</b>	<b>15,666</b>	<b>14,638</b>

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.

	<b>Six months ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Revenue</b>		
Russia	10,006	10,157
European Union	7,939	6,594
Commonwealth of Independent States	3,513	6,239
USA and Canada	6,921	6,090
Latin America	8,642	6,360
PRC	2,938	2,744
Asia (excluding PRC)	7,148	5,879
Other regions	2,306	2,826
<b>Total</b>	<b>49,413</b>	<b>46,889</b>

Revenue from sales of chemical fertilisers accounts for 80% of total revenues (for the six months ended 30 June 2017: 80%).



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

For the six months ended 30 June 2018, revenues from logistics activities amounted to RUB 1,642. This revenue was accounted for as part of the Trading in Information for the reportable segments for the six months ended 30 June 2018. Adjustment associated with price changes is not significant.

There is one individual customer contributing more than 10% to the total revenues (for the six months ended 30 June 2017: one customer).

## 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

	<b>30 June 2018</b>	<b>31 December 2017</b>
Cash on hand and bank balances denominated in RUB	7,114	2,018
Bank balances denominated in USD	10,538	10,143
Bank balances denominated in EUR	1,827	1,680
Bank balances denominated in CNY	166	230
Bank balances denominated in other currency	188	231
<b>Total cash and cash equivalents</b>	<b>19,833</b>	<b>14,302</b>

Cash and cash equivalents include term deposits of RUB 11,329 (31 December 2017: RUB 3,679).

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

	<b>30 June 2018</b>	<b>31 December 2017</b>
Trade accounts receivable	3,470	2,317
Notes receivable	250	91
Other accounts receivable	320	498
Less: impairment provision	(50)	(50)
<b>Total financial assets</b>	<b>3,990</b>	<b>2,856</b>
Advances to suppliers	2,200	2,515
Value-added tax recoverable	3,327	3,546
Income tax prepayment	918	457
Other taxes receivable	587	606
Less: impairment provision	(36)	(40)
<b>Total accounts receivable</b>	<b>10,986</b>	<b>9,940</b>

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

As at 30 June 2018, the Group hold collateral as security for trade receivable in the amount of RUB 175, which is included in advances received (31 December 2017: RUB 685).

## 9 Inventories

	<b>30 June 2018</b>	<b>31 December 2017</b>
Raw materials and spare parts	7,085	8,056
Work in progress	612	314
Finished products	7,241	6,580
	<b>14,938</b>	<b>14,950</b>

Raw materials are shown net of obsolescence provision RUB 128 (31 December 2017: RUB 127).

No inventory was pledged as security at 30 June 2018 and 31 December 2017.



(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:

	2018	2017
<b>Carrying amount at 1 January</b>	<b>87,820</b>	<b>84,173</b>
Acquisitions	7,081	5,775
Disposals	(839)	(17)
Depreciation charge	(4,433)	(3,937)
Currency translation difference	229	224
<b>Carrying amount at 30 June</b>	<b>89,858</b>	<b>86,218</b>

Included in the six months ended 30 June 2018 additions to assets under constructions is approximately RUB 498 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the six months ended 30 June 2017: RUB 463) at the average borrowing rate of 5.32% (for the six months 2017: 8.07%).

As at 30 June 2018 and 31 December 2017, there were no pledges over property, plant and equipment.

## 11 Subsoil licences and related costs

Subsoil licences and related costs comprise of:

	30 June 2018	31 December 2017
Apatite-nepheline deposits (production / development stage)	818	824
Potash deposits (development stage)	28,289	26,211
Exploration licences	4,299	4,894
Licence and expenditure on deposit in exploration and evaluation stage	940	940
Asset related to the discharge of license obligations	265	265
	<b>34,611</b>	<b>33,134</b>

The Group resumed active construction of the mining and processing enterprise JSC VPC and therefore capitalised borrowing costs for six months of 2018 in amount of RUB 1,522 applying average borrowing rate of 5.32%.

## 12 Investment in Equity Instruments Measured at Fair Value through Other Comprehensive Income

	2018	2017
<b>Carrying amount at 1 January</b>	<b>22,698</b>	<b>17,965</b>
Fair value (loss)/gain recognised directly in OCI	(8,416)	2,052
<b>Carrying amount at 30 June</b>	<b>14,282</b>	<b>20,017</b>

The Group has investment in the following companies:

Name	Activity	Country of registration	30 June 2018	31 December 2017
<b>Non-current</b>				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	14,141	22,557
Other		Russian Federation	141	141
<b>Total non-current</b>			<b>14,282</b>	<b>22,698</b>
<b>Total</b>			<b>14,282</b>	<b>22,698</b>

Fair value of investment 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 2018. At 30 June 2018, the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to 719.7 roubles per share (31 December 2017: 1,147.51 roubles per share).

## 13 Derivative Financial Assets and Liabilities

In June 2018, Sberbank Investments LLC, being a financial equity investor of JSC VPC, decided to extend the term of participation in the potash project. At the same time, the Group compensated the partner for the accumulated profitability through the exercise of the put-option on 19.9% of the shares of JSC VPC with the simultaneous sale of the said block of shares back to Sberbank Investments LLC and setting up a number of option agreements. The effect from acquisition and sale back of the shares of JSC VPC was recognised in equity.

The net liability as at 30 June 2018 is represented by one call option, which gives Group the right to purchase from non-controlling shareholders the 19.9% stake in JSC VPC up to June 2020 and two put options that give non-controlling shareholders the right to sell to the Group their 20% and 19.9% stakes of their interest in JSC VPC correspondingly in June and August 2020.



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

	30 June 2018			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	-	(2,197)	-
	-	-	(2,197)	-

	31 December 2017			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	-	-	(3,359)
	-	-	-	(3,359)

#### 14 Accounts Payable

	30 June 2018	31 December 2017
Trade accounts payable	3,171	3,247
Dividend payable	6,720	40
Notes payable	15	21
<b>Total financial payables</b>	<b>9,906</b>	<b>3,308</b>
Payables to employees	1,270	1,263
Accrued liabilities and other creditors	652	717
Taxes payable	756	407
<b>Total accounts payable and accrued expenses</b>	<b>12,584</b>	<b>5,695</b>

#### 15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2018	31 December 2017
Bonds issued	23,767	23,767
Credit lines	5,694	5,890
Term loans	61,495	44,866
	<b>90,956</b>	<b>74,523</b>

The Group's borrowings mature as follows:

	30 June 2018	31 December 2017
Borrowings due:		
- within 1 year	21,027	18,930
- between 1 and 5 years	69,759	55,382
- after 5 years	170	211
	<b>90,956</b>	<b>74,523</b>

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

	30 June 2018	31 December 2017
Borrowings denominated in:		
- RUB	31,435	30,422
- EUR	3,324	3,551
- USD	56,197	40,550
	<b>90,956</b>	<b>74,523</b>

At 30 June 2018, unused credit lines available under the loan facilities were RUB 30,416 (31 December 2017: RUB 18,614). 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:

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Short-term borrowings</b>		
<b>RUB</b>		
Bonds with fixed interest rate of 9.10% per annum	9,995	9,995
Loans with fixed interest rate 9.75% per annum	101	115
Loans with floating interest from key rate of the Bank of Russia to key rate of the Bank of Russia +1.5% per annum	6,598	5,811
<b>EUR</b>		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	362	371
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	242	243
Loans with fixed interest rate of 5.27% per annum	230	217
<b>USD</b>		
Loans with fixed interest rate of 5.11% to 5.61% (2017: from 2.48% to 5.61%) per annum	156	1,015
Loans with floating interest rate from 1M LIBOR+1.25% to 1M LIBOR+2.05% (2017: from LIBOR O/N+1.56% to LIBOR O/N+2.05%) per annum	3,343	1,163
<b>Total short-term borrowings</b>	<b>21,027</b>	<b>18,930</b>

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

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Long-term borrowings</b>		
<b>RUB</b>		
Bonds with fixed interest rate from 8.6% to 10.2% per annum	13,772	13,772
Loans with floating interest rates: the key rate of the Bank of Russia +2.0% per annum	969	729
<b>EUR</b>		
Loans with floating interest rate from 6M EURIBOR+0.75% to 6M EURIBOR+1.9% per annum	1,296	1,379
Loans with floating interest rate 3M EURIBOR+1.7% per annum	1,194	1,233
Loans with fixed interest rate of 5.27% per annum	-	108
<b>USD</b>		
Loans with fixed interest rate from 5.11% to 5.61% per annum	-	68
Loans with floating interest rate 3M LIBOR+2.9% per annum	2,196	2,016
Loans with floating interest rate from 1M LIBOR+2.0% to 1M LIBOR+2.1% (2017: 1M LIBOR+2.8%) per annum	50,502	36,288
<b>Total long-term borrowings</b>	<b>69,929</b>	<b>55,593</b>

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 2018, 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 2018 was RUB 24,195 with reference to Moscow Stock Exchange quotations as of this date (31 December 2017: RUB 24,450).

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, and EBITDA/interest expense ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened



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

with the lending banks. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on significant transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the loans. The Group is in compliance with the covenants.

## 16 Share Capital

The total authorised number of ordinary shares is 40,534,000 (31 December 2017: 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
<b>1 January 2017</b>	<b>40,534,000</b>	<b>(726,208)</b>	<b>3,046</b>	<b>(4)</b>	<b>3,042</b>
Acquisition of treasury shares	-	(289,852)	-	(1)	(1)
<b>30 June 2017</b>	<b>40,534,000</b>	<b>(1,016,060)</b>	<b>3,046</b>	<b>(5)</b>	<b>3,041</b>
<b>1 January 2018</b>	<b>40,534,000</b>	<b>(1,146,452)</b>	<b>3,046</b>	<b>(6)</b>	<b>3,040</b>
Acquisition of treasury shares	-	(71,561)	-	-	-
<b>30 June 2018</b>	<b>40,534,000</b>	<b>(1,218,013)</b>	<b>3,046</b>	<b>(6)</b>	<b>3,040</b>

In January 2018, dividend was declared and paid in the amount of RUB 112 per ordinary share for previous years.

In May 2018, dividend was declared in respect of 2017 in the amount of RUB 185 per share.

## 17 Finance (Costs)/Income, net

	Six months ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Interest income from loans provided and term deposits	133	184	108	15
Other finance costs, net	(266)	-	(59)	-
Commissions expense	(143)	(182)	(72)	(106)
Foreign exchange (loss)/gain on financial transactions, net	(2,819)	113	(3,344)	(2,407)
	<b>(3,095)</b>	<b>115</b>	<b>(3,367)</b>	<b>(2,498)</b>

## 18 Other Operating Expenses, net

	Six months ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Charity expenses	(149)	(305)	(79)	(257)
Loss on disposal of exploration licences	(905)	-	(905)	-
Other operating expenses, net	(736)	(212)	(747)	(125)
Foreign exchange gain/(loss) on operating activities, net	630	(348)	1,003	271
	<b>(1,160)</b>	<b>(865)</b>	<b>(728)</b>	<b>(111)</b>

## 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 2018 ordinary shares of the Company have a potential dilutive effect associated with the right to exercise obligations under the redemption put-options by transferring its own ordinary shares.





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

	Six months ended	
	30 June 2018	30 June 2017
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(1,134,150)	(734,447)
<b>Weighted average number of shares outstanding (basic)</b>	<b>39,399,850</b>	<b>39,799,553</b>
Effect of settlement in own equity instruments	210,533	425,318
<b>Weighted average number of shares outstanding (diluted)</b>	<b>39,610,383</b>	<b>40,224,871</b>
Profit attributable to the equity holders of the Company	3,186	1,667
<b>Basic earnings per share (in Russian Roubles)</b>	<b>80.86</b>	<b>41.88</b>
<b>Diluted earnings per share (in Russian Roubles)</b>	<b>80.43</b>	<b>41.44</b>

## 20 Income Taxes

	Six months ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Income tax expense – current	1,252	1,188	280	221
Deferred tax charge – origination and reversal of temporary differences	75	(1,286)	(274)	(143)
<b>Income tax expense/(benefit)</b>	<b>1,327</b>	<b>(98)</b>	<b>6</b>	<b>78</b>

## 21 Contingencies, Commitments and Operating Risks

### i Contractual commitments and guarantees

As at 30 June 2018, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 14,510 (31 December 2017: RUB 12,771).

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 2018 and 31 December 2017, 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. 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 Russian Federal law 376-FZ 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 provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

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

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

All 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 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 2018, no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2017: 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.** Investment measured at fair value through profit or loss, investment in equity instruments measured at fair value through other comprehensive income, 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 measured at fair value through other comprehensive income financial instruments of the Group were included in Level 1 category in the amount of RUB 14,184 (31 December 2017: RUB 22,749).

All liabilities on bonds issued were included in Level 1 category in the amount of RUB 23,767 (31 December 2017: RUB 23,767).

The fair value of the call/put options on shares of JSC VPC was determined similar to 2017 based on the Black-Scholes Option Pricing Model with the adjustments. Thus, the fair value of options was included in Level 3 category (31 December 2017: 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 2018, the fair value of borrowings was RUB 251 higher than their carrying amounts. At 31 December 2017, the fair value of borrowings was RUB 539 higher than their carrying amounts.

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

## **23 Subsequent Events**

There were no subsequent events.