PUBLIC JOINT STOCK COMPANY "ACRON"

Consolidated Condensed Interim Financial Information for the nine months ended 30 September 2018

Contents

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" (the "Company") and its subsidiaries (the "Group") as at 30 September 2018, the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2018 and the related consolidated condensed interim statements of changes in equity and cash flows for the nine-month period then ended 30 September 2018, 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.

Conclusion

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

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628 * МОСКВА *
КПМГ
KPMG

Ilya O. Belyatski

JSC "KPMG"
Moscow, Russia

28 November 2018

(in millions of Russian Roubles)

	Note	30 September 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	10	90,933	87,820
Subsoil licences and related costs	11	35,666	33,134
Goodwill		1,267	1,267
Investment in equity instruments measured at fair value through other comprehensive income	12	11,404	22,698
Deferred tax assets		158	172
Other non-current assets		1,818	1,704
Total non-current assets		**141,246**	**146,795**
Current assets			
Inventories	9	16,158	14,950
Accounts receivable	8	9,794	9,940
Cash and cash equivalents	7	13,352	14,302
Other current assets		956	907
Total current assets		**40,260**	**40,099**
TOTAL ASSETS		**181,506**	**186,894**
EQUITY			
Share capital	16	3,046	3,046
Treasury shares		(6)	(6)
Retained earnings		61,135	68,035
Revaluation reserve		(14,389)	(2,902)
Other reserves		(3,712)	(3,416)
Cumulative currency translation difference		7,049	5,543
Equity attributable to the Company's owners		**53,123**	**70,300**
Non-controlling interest		20,512	20,656
TOTAL EQUITY		**73,635**	**90,956**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	68,310	55,593
Long-term derivative financial instruments	13	2,394	-
Deferred tax liabilities		6,430	5,446
Other long-term liabilities		679	750
Total non-current liabilities		**77,813**	**61,789**
Current liabilities			
Accounts payable	14	5,894	5,695
Short-term derivative financial instruments	13	-	3,359
Short-term borrowings	15	19,147	18,930
Advances received		2,693	4,041
Other current liabilities		2,324	2,124
Total current liabilities		**30,058**	**34,149**
TOTAL LIABILITIES		**107,871**	**95,938**
TOTAL LIABILITIES AND EQUITY		**181,506**	**186,894**

The Consolidated Condensed Interim Financial Information was approved for issue on 28 November 2018.

V.Y. Kunitskiy
President

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

A.V. Milenkov
Finance Director

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

		Nine months ended		Three months ended	
	Note	**30 September 2018**	**30 September 2017**	**30 September 2018**	**30 September 2017**
Revenue	5	77,779	69,289	28,366	22,400
Cost of sales		(41,024)	(37,774)	(14,549)	(12,841)
Gross profit		**36,755**	**31,515**	**13,817**	**9,559**
Transportation expenses		(12,069)	(10,310)	(4,436)	(3,305)
Selling, general and administrative expenses		(5,983)	(5,093)	(1,850)	(1,490)
Other operating (expense)/income, net	18	(126)	(1,297)	1,034	(432)
Operating profit		**18,577**	**14,815**	**8,565**	**4,332**
Finance (costs)/income, net	17	(5,892)	409	(2,797)	294
Interest expense		(853)	(3,189)	(486)	(948)
(Loss)/gain on disposal of investment		(24)	8	(4)	2
(Loss)/gain on derivatives, net		(1,890)	197	(112)	6,712
Profit before taxation		**9,918**	**12,240**	**5,166**	**10,392**
Income tax expense	20	(2,552)	(2,105)	(1,225)	(2,203)
Profit for the period		**7,366**	**10,135**	**3,941**	**8,189**
Other comprehensive loss on items that will never be reclassified to profit or loss:					
Investment in equity instruments measured at fair value through other comprehensive income:					
- Losses arising during the period		(11,487)	-	(3,071)	-
Other comprehensive income on items that are or may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
- Gains arising during the period		-	7,121	-	5,069
Currency translation differences		1,551	707	840	320
Other comprehensive (loss)/income for the period		**(9,936)**	**7,828**	**(2,231)**	**5,389**
Total comprehensive (loss)/income for the period		**(2,570)**	**17,963**	**1,710**	**13,578**
Profit is attributable to:					
Owners of the Company		7,003	9,610	3,817	7,943
Non-controlling interest		363	525	124	246
Profit for the period		**7,366**	**10,135**	**3,941**	**8,189**
Total comprehensive (loss)/income is attributable to:					
Owners of the Company		(2,978)	17,405	1,572	13,304
Non-controlling interest		408	558	138	274
Total comprehensive (loss)/income for the period		**(2,570)**	**17,963**	**1,710**	**13,578**
Earnings per share					
Basic (expressed in RUB)	19	177.87	242.27	96.95	200.39
Diluted (expressed in RUB)	19	176.47	239.69	96.18	198.25

(in millions of Russian Roubles)

	Note	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Cash flows from operating activities			
Profit before taxation		**7,366**	**10,135**
Adjustments for:			
Income tax expense	20	2,552	2,105
Depreciation and amortisation		6,837	6,151
(Reversal of)/provision for impairment of accounts receivable		(4)	7
Provision for inventory obsolescence		1	-
Loss on disposal of property, plant and equipment		588	86
Interest expense		853	3,189
Interest income	17	(134)	(188)
Loss/(profit) on derivatives, net		1,890	(197)
Dividend income		(398)	(221)
Loss on disposal of exploration licences		905	-
Loss/(gain) on disposal of investment		24	(8)
Foreign exchange effect on non-operating balances		4,687	(638)
Operating cash flows before working capital changes		**25,167**	**20,421**
(Increase)/decrease in gross trade receivables		(249)	108
Decrease/(increase) in advances to suppliers		519	(381)
Decrease in other receivables		314	1,002
(Increase)/decrease in inventories		(1,322)	508
Increase/(decrease) in trade payables		250	(1,074)
Decrease in other payables		(126)	(841)
Decrease in advances from customers		(1,348)	(2,112)
(Increase)/decrease in other current assets		(73)	393
Increase in other current liabilities		239	543
Cash generated from operations		**23,371**	**18,567**
Income taxes paid		(2,489)	(1,958)
Interest paid		(3,070)	(3,234)
Net cash generated from operating activities		**17,812**	**13,375**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(9,204)	(8,181)
Interest received		87	206
Dividend received		398	221
Purchase of investment in equity instruments measured at fair value through other comprehensive income		(193)	(18)
Net change in other non-current assets and liabilities		(177)	(259)
Net cash used in investing activities		**(9,089)**	**(8,031)**
Cash flows from financing activities			
Acquisition of non-controlling interest		(245)	(315)
Purchase of shares of subsidiary		(15,905)	-
Proceeds from sale of shares of subsidiary		10,743	-
Acquisition and redemption of treasury shares		(369)	(1,364)
Dividend paid to shareholders		(11,700)	(3,782)
Dividend paid to non-controlling interest		(85)	(222)
Proceeds from borrowings	15	28,828	49,054
Repayment of borrowings	15	(22,278)	(55,716)
Loan arrangement costs		-	(689)
Security deposit made for auction		-	(1,060)
Repayment of security deposit made for auction		-	1,060
Net cash generated used financing activities		**(11,011)**	**(13,034)**
Net decrease in cash and cash equivalents		**(2,288)**	**(7,690)**
Effect of exchange rate changes on cash and cash equivalents		1,338	(477)
Cash and cash equivalents at the beginning of the period	7	**14,302**	**27,168**
Cash and cash equivalents at the end of the period	7	**13,352**	**19,001**

(in millions of Russian Roubles)

	Capital and reserves attributable to the Company’s owners							
	Share capital	**Treasury shares**	**Retained earnings**	**Revaluation reserve**	**Other reserves**	**Cumulative currency translation difference**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017	**3,046**	**(4)**	**68,439**	**(7,635)**	**(1,650)**	**4,960**	**20,566**	**87,722**
Total comprehensive income								
Profit for the period	-	-	9,610	-	-	-	525	10,135
Other comprehensive income								
Fair value gains on available-for-sale investments	-	-	-	7,121	-	-	-	7,121
Currency translation differences	-	-	-	-	-	674	33	707
Total other comprehensive income	**-**	**-**	**-**	**7,121**	**-**	**674**	**33**	**7,828**
Total comprehensive income	**-**	**-**	**9,610**	**7,121**	**-**	**674**	**558**	**17,963**
Acquisition of non-controlling interest	-	-	54	-	-	-	(369)	(315)
Loss at recognition of options for CSJC VPC shares	-	-	-	-	(433)	-	-	(433)
Dividend declared	-	-	(13,051)	-	-	-	(222)	(13,273)
Acquisition of treasury shares	-	(2)	-	-	(1,362)	-	-	(1,364)
Balance at 30 September 2017	**3,046**	**(6)**	**65,052**	**(514)**	**(3,445)**	**5,634**	**20,533**	**90,300**
Balance at 1 January 2018	**3,046**	**(6)**	**68,035**	**(2,902)**	**(3,416)**	**5,543**	**20,656**	**90,956**
Total comprehensive income								
Profit for the period	-	**-**	**7,003**	-	-	-	363	7,366
Other comprehensive (loss)/income								
Loss on investment measured at fair value through other comprehensive income	-	-	-	(11,487)	-	-	-	(11,487)
Currency translation differences	-	-	-	-	-	1,506	45	1,551
Total other comprehensive (loss)/income	**-**	**-**	**-**	**(11,487)**	**-**	**1,506**	**45**	**(9,936)**
Total comprehensive (loss)/income for the period	**-**	**-**	**7,003**	**(11,487)**	**-**	**1,506**	**408**	**(2,570)**
Acquisition of non-controlling interest	-	-	222	-	-	-	(467)	(245)
Acquisition and redemption of treasury shares	-	-	-	-	(369)	-	-	(369)
Dividend declared	-	-	(11,700)	-	-	-	(85)	(11,785)
Transactions with shares of subsidiary	-	-	(2,425)	-	73	-		(2,352)
Balance at 30 September 2018	**3,046**	**(6)**	**61,135**	**(14,389)**	**(3,712)**	**7,049**	**20,512**	**73,635**

1 Acron Group and its Operations

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting for the nine months ended 30 September 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 September 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 information 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 11 Construction Contracts, IAS 18 Revenue 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.

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

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

30 September 2018	***Note***	**Amounts according to IAS 18**	**Adjustments**	**Amounts with adoption of IFRS 15**
Revenue	5	78,300	(521)	77,779
Cost of sales		(41,545)	521	(41,024)
Gross profit		36,755	-	36,755

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.

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

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

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

Information for the reportable segments for the nine months ended 30 September 2018 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	46,654	(39,775)	6,879	16,012
Dorogobuzh	19,135	(13,651)	5,484	5,489
Logistics	3,551	(3,471)	80	707
Trading	66,588	(2,683)	63,905	1,495
Mining NWPC	7,023	(5,966)	1,057	1,958
Mining excluding NWPC	-	-	-	(48)
Other	1,099	(725)	374	(127)
Total	**144,050**	**(66,271)**	**77,779**	**25,486**

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

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

Reconciliation of EBITDA to Profit Before Tax:

	Nine months ended	
	30 September 2018	**30 September 2017**
Operating Profit	**18,577**	**14,815**
Depreciation and amortisation	6,837	6,151
Loss on disposal of exploration licences	905	-
Foreign currency (profit)/loss on operating activities, net	(1,421)	568
Loss on disposal of property, plant and equipment	588	86
Total consolidated EBITDA	**25,486**	**21,620**

Information about geographical areas:

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

	Nine months ended	
	30 September 2018	**30 September 2017**
Revenue		
Russia	14,126	13,447
European Union	14,415	10,873
Commonwealth of Independent States	5,559	9,848
USA and Canada	9,707	7,519
Latin America	15,781	10,561
PRC	3,061	4,348
Asia (excluding PRC)	11,619	8,260
Other regions	3,511	4,433
Total	**77,779**	**69,289**

Revenue from sales of chemical fertilisers accounts for 80% of total revenues (for the nine months ended 30 September 2017: 80%). Other revenue includes sale of industrial products and raw materials.

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

For the nine months ended 30 September 2018, revenues from logistics activities amounted to RUB 2,865. This revenue was accounted for as part of the Trading in Information for the reportable segments for the nine months ended 30 September 2018. Adjustment associated with price changes is not significant.

There is one individual customer contributing more than 10% to the total revenues (for the nine months ended 30 September 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

	30 September 2018	**31 December 2017**
Cash on hand and bank balances denominated in RUB	3,639	2,018
Bank balances denominated in USD	6,990	10,143
Bank balances denominated in EUR	2,369	1,680
Bank balances denominated in CNY	137	230
Bank balances denominated in other currency	217	231
Total cash and cash equivalents	**13,352**	**14,302**

Cash and cash equivalents include term deposits of RUB 5,570 (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

	30 September 2018	**31 December 2017**
Trade accounts receivable	2,566	2,317
Notes receivable	73	91
Other accounts receivable	371	498
Less: impairment provision	(50)	(50)
Total financial assets	**2,960**	**2,856**
Advances to suppliers	1,996	2,515
Value-added tax recoverable	3,474	3,546
Income tax prepayment	844	457
Other taxes receivable	556	606
Less: impairment provision	(36)	(40)
Total accounts receivable	**9,794**	**9,940**

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

As at 30 September 2018, the Group hold no collateral as security for trade receivable (31 December 2017: the Group held collateral as security for trade receivable in the amount of RUB 685, included in advances received).

9 Inventories

	30 September 2018	**31 December 2017**
Raw materials and spare parts	7,752	8,056
Work in progress	625	314
Finished products	7,781	6,580
	16,158	**14,950**

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

No inventory was pledged as security at 30 September 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
Carrying amount at 1 January	**87,820**	**84,173**
Acquisitions	10,008	8,318
Disposals	(588)	(85)
Depreciation charge	(6,715)	(6,052)
Currency translation difference	408	281
Carrying amount at 30 September	**90,933**	**86,635**

Included in the nine months ended 30 September 2018 additions to assets under constructions is approximately RUB 988 of capitalised borrowing costs in accordance with IAS 23 Borrowing costs (for the nine months ended 30 September 2017: RUB 597) at the average borrowing rate of 5.72% (for the nine months 2017: 7.84%).

As at 30 September 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 September 2018	31 December 2017
Apatite-nepheline deposits (production / development stage)	815	824
Potash deposits (development stage)	29,048	26,211
Exploration licences	4,558	4,894
Licence and expenditure on deposit in exploration and evaluation stage	940	940
Asset related to the discharge of license obligations	305	265
	35,666	**33,134**

The Group resumed active construction of the mining and processing enterprise JSC VPC and therefore capitalised borrowing costs for nine months of 2018 in amount of RUB 2,837 applying average borrowing rate of 5.72%.

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

	2018	2017
Carrying amount at 1 January	**22,698**	**17,965**
Fair value (loss)/gain recognised directly in OCI	(11,487)	7,121
Additions	193	18
Carrying amount at 30 September	**11,404**	**25,104**

The Group has investment in the following companies:

Name	Activity	Country of registration	30 September 2018	31 December 2017
Non-current				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	11,070	22,557
Other		Russian Federation	334	141
Total non-current			**11,404**	**22,698**
Total			**11,404**	**22,698**

Fair value of investment in Grupa Azoty S.A was determined by reference to the current market value on 30 September 2018. At 30 September 2018, the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to RUB 563.2 per share (31 December 2017: RUB 1,147.51 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 September 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 September 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 September and August 2020.

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

	30 September 2018			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	-	(2,394)	-
	-	**-**	**(2,394)**	**-**

	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 September 2018	31 December 2017
Trade accounts payable	3,497	3,247
Dividend payable	54	40
Notes payable	8	21
Total financial payables	**3,559**	**3,308**
Payables to employees	1,258	1,263
Accrued liabilities and other creditors	683	717
Taxes payable	394	407
Total accounts payable and accrued expenses	**5,894**	**5,695**

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 September 2018	31 December 2017
Bonds issued	23,767	23,767
Credit lines	5,050	5,890
Term loans	58,640	44,866
	87,457	**74,523**

The Group's borrowings mature as follows:

	30 September 2018	31 December 2017
Borrowings due:		
- within 1 year	19,147	18,930
- between 1 and 5 years	68,173	55,382
- after 5 years	137	211
	87,457	**74,523**

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

	30 September 2018	31 December 2017
Borrowings denominated in:		
- RUB	27,639	30,422
- EUR	3,277	3,551
- USD	56,541	40,550
	87,457	**74,523**

At 30 September 2018, unused credit lines available under the loan facilities were RUB 31,704 (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:

	30 September 2018	31 December 2017
Short-term borrowings		
RUB		
Bonds with fixed interest rate of 9.10% per annum	9,995	9,995
Loans with fixed interest rate of 7.25% (2017: 9.75%) per annum	90	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	2,755	5,811
EUR		
Loans with floating interest rate from 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	378	371
Loans with floating interest rate of 3M EURIBOR+1.7% (2017: from 3M EURIBOR+1.35% to 3M EURIBOR+1.7%) per annum	238	243
Loans with fixed interest rate of 5.27% per annum	240	217
USD		
Loans with fixed interest rate from 5.11% to 5.61% (2017: from 2.48% to 5.61%) per annum	133	1,015
Loans with floating interest rate of 1M LIBOR+2.25% (2017: from LIBOR O/N+1.56% to LIBOR O/N+2.05%) per annum	5,318	1,163
Total short-term borrowings	**19,147**	**18,930**

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

	30 September 2018	31 December 2017
Long-term borrowings		
RUB		
Bonds with fixed interest rate from 8.6% to 10.2% per annum	13,772	13,772
Loans with floating interest rate: the key rate of the Bank of Russia +2.0% per annum	1,027	729
EUR		
Loans with floating interest rate from 6M EURIBOR+0.75% to 6M EURIBOR+1.9% per annum	1,234	1,379
Loans with floating interest rate of 3M EURIBOR+1.7% per annum	1,187	1,233
Loans with fixed interest rate of 5.27% per annum	-	108
USD		
Loans with fixed interest rate from 5.11% to 5.61% per annum	-	68
Loans with floating interest rate of 3M LIBOR+2.9% per annum	-	2,016
Loans with floating interest rate from 1M LIBOR+2.1% to 1M LIBOR+2.25% (2017: 1M LIBOR+2.8%) per annum	51,090	36,288
Total long-term borrowings	**68,310**	**55,593**

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 September 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 September 2018 was RUB 24,081 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 with the lending banks. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on significant transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the loans. The Group is in compliance with the covenants.

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

16 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
1 January 2017	**40,534,000**	**(726,208)**	**3,046**	**(4)**	**3,042**
Acquisition of treasury shares	-	(414,464)	-	(2)	(2)
30 September 2017	**40,534,000**	**(1,140,672)**	**3,046**	**(6)**	**3,040**
1 January 2018	**40,534,000**	**(1,146,452)**	**3,046**	**(6)**	**3,040**
Redemption of treasury shares	-	41,600	-	-	-
Acquisition of treasury shares	-	(126,158)	-	-	-
30 September 2018	**40,534,000**	**(1,231,010)**	**3,046**	**(6)**	**3,040**

In January 2018, the Company declared dividends based on past years' results in the amount of RUB 112 per ordinary share.

In May 2018, the Company declared dividends based on results for 2017 in the amount of RUB 185 per share.

In October 2018, subsequent to the balance sheet date, the Company declared dividends based on 2017 results in the amount of RUB 40 per share.

17 Finance (Costs) / Income, net

	Nine months ended		Three months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Foreign exchange (loss)/gain, net	(6,029)	554	(3,210)	441
Commissions expense	(211)	(554)	(68)	(372)
Other finance (costs)/income, net	(184)	-	82	-
Dividend income	398	221	398	221
Interest income from loans provided and term deposits	134	188	1	4
	(5,892)	**409**	**(2,797)**	**294**

18 Other Operating (Expenses) / Income, net

	Nine months ended		Three months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Foreign exchange gain/(loss), net	1,421	(568)	791	(220)
Loss on disposal of exploration licences	(905)	-	-	-
Loss on disposal of fixed assets	(588)	(86)	(588)	(69)
Charity expenses	(149)	(305)	-	-
Other operating income/(expenses), net	95	(338)	831	(143)
	(126)	**(1,297)**	**1,034**	**(432)**

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 September 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)

	Nine months ended	
	30 September 2018	30 September 2017
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(1,162,287)	(867,071)
Weighted average number of shares outstanding (basic)	**39,371,713**	**39,666,929**
Effect of settlement in own equity instruments	312,998	425,997
Weighted average number of shares outstanding (diluted)	**39,684,711**	**40,092,926**
Profit attributable to the equity holders of the Company	7,003	9,610
Basic earnings per share (in Russian Roubles)	**177.87**	**242.27**
Diluted earnings per share (in Russian Roubles)	**176.47**	**239.69**

20 Income Taxes

	Nine months ended		Three months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Income tax expense – current	2,177	1,690	925	502
Deferred tax charge – origination and reversal of temporary differences	375	415	300	1,701
Income tax expense	**2,552**	**2,105**	**1,225**	**2,203**

21 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 September 2018, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 12,976 (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 September 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 condensed interim financial information 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. 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 condensed interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

The amount of possible tax liabilities related to uncertainties in practical application of legislation could be material, but cannot be determined with sufficient reliability. 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. Management believes that all necessary provisions in respect of probable tax risks were recognised as liabilities.

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 11,115 (31 December 2017: RUB 22,749).

All liabilities on bonds issued were included in Level 1 category in the amount of RUB 24,081 (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 September 2018, the fair value of borrowings was RUB 498 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.

24 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated condensed interim financial information.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.