

**PUBLIC JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information for the three months
ended 31 March 2017**



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Public Joint Stock Company "Acron"
Consolidated Condensed Interim Statement of Financial Position at 31 March 2017 (unaudited)
(in millions of Russian Roubles)



	Note	31 March 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	84,643	84,173
Exploration and evaluation licences and expenditure	11	32,069	32,090
Goodwill		1,267	1,267
Available-for-sale investments	12	19,616	17,965
Deferred tax assets		370	341
Other non-current assets		2,179	2,231
Total non-current assets		140,144	138,067
Current assets			
Inventories	9	14,169	14,453
Accounts receivable	8	9,091	8,566
Short-term derivative financial instruments	13	-	5,177
Cash and cash equivalents	7	14,302	27,168
Other current assets		1,083	856
Total current assets		38,645	56,220
TOTAL ASSETS		178,789	194,287
EQUITY			
Share capital		3,046	3,046
Treasury shares		(4)	(4)
Retained earnings		70,261	68,439
Revaluation reserve		(5,984)	(7,635)
Other reserves		(1,650)	(1,650)
Cumulative currency translation difference		4,150	4,960
Share capital and reserves attributable to the Company's owners		69,819	67,156
Non-controlling interests		20,110	20,566
TOTAL EQUITY		89,929	87,722
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	35,659	39,231
Long-term derivative financial instruments	13	8,348	8,443
Deferred tax liabilities		4,196	5,310
Other long-term liabilities		788	788
Total non-current liabilities		48,991	53,772
Current liabilities			
Accounts payable	14	4,254	6,302
Notes payable		26	34
Taxes payable		567	953
Short-term borrowings	15	30,012	39,886
Advances received		2,827	4,200
Other current liabilities		2,183	1,418
Total current liabilities		39,869	52,793
TOTAL LIABILITIES		88,860	106,565
TOTAL LIABILITIES AND EQUITY		178,789	194,287

Approved for issue and signed on behalf of the Board of Directors on 30 May 2017.

V.Y. Kunitskiy
 President



A.V. Milenkov
 Finance Director

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive
Income for the three months ended 31 March 2017 (unaudited)



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

	Note	Three months ended	
		31 March 2017	31 March 2016
Revenue	5	24,073	25,015
Cost of sales		(12,807)	(10,603)
Gross profit		11,266	14,412
Transportation expenses		(3,510)	(3,261)
Selling, general and administrative expenses		(1,922)	(1,952)
Other operating (expenses)/income, net	18	(754)	(1,736)
Operating profit		5,080	7,463
Finance income/(costs), net	17	2,613	3,387
Interest expense		(1,221)	(1,110)
Gain/(loss) on disposal of investment		2	5,461
Gain/(loss) on derivatives, net		(5,079)	196
Share of profit of equity accounted investees		-	1,170
Profit before taxation		1,395	16,567
Income tax expense	20	176	(2,816)
Profit from continuing operations for the year		1,571	13,751
Loss from discontinued operation		-	(1,094)
Profit for the period		1,571	12,657
Other comprehensive loss on items that will not be reclassified to profit or loss:			
Share of other comprehensive loss of equity-accounted investees		-	(100)
Other comprehensive income/(loss) on items that are or may be reclassified to profit or loss:			
Available-for-sale investments:			
- Gains arising during the period		1,651	-
- Reclassification of revaluation gain on disposal to profit or loss		-	(4,690)
- Income tax recorded directly in other comprehensive income		-	938
Currency translation differences		(862)	(1,526)
Other comprehensive income / (loss) for the period		789	(5,378)
Total comprehensive income for the period		2,360	7,279
Profit is attributable to:			
Owners of the Company		1,482	13,186
Non-controlling interest		89	(529)
Profit for the period		1,571	12,657
Total comprehensive income is attributable to:			
Owners of the Company		2,323	7,847
Non-controlling interest		37	(568)
Total comprehensive income for the period		2,360	7,279
Earnings per share			
Basic (expressed in RUB per share)	19	39.42	316.96
Diluted (expressed in RUB per share)	19	39.42	316.96

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

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Cash Flows for the three months
ended 31 March 2017 (unaudited)
(in millions of Russian Roubles)



	Note	Three months ended	
		31 March 2017	31 March 2016
Cash flows from operating activities			
Profit for the period		1,571	12,657
<i>Adjustments for:</i>			
Income tax expense on continuing operations		(176)	2,816
Income tax expense on discontinued operation		-	386
Depreciation and amortisation on continuing operations		1,726	1,115
Depreciation and amortisation on discontinued operation		-	189
(Reversal of provision)/provision for impairment of accounts receivable		(2)	(17)
(Reversal of provision)/provision for obsolescence of inventory		(1)	6
Loss on disposal of property, plant and equipment on continuing operations		9	47
Loss on disposal of property, plant and equipment on discontinued operation		-	50
Share of profit of equity-accounted investees		-	(1,170)
Interest expense on continuing operations		1,221	1,110
Interest expense on discontinued operation		-	69
Interest income		(169)	(47)
(Gain)/loss on derivatives, net		5,079	(196)
(Gain)/loss on disposal of investments		(2)	(5,461)
Unrealised foreign exchange effect on non-operating balances		(2,263)	(1,856)
Operating cash flows before working capital changes		6,993	9,698
Decrease/(increase) in gross trade receivables		(1,128)	(942)
Decrease/(increase) in advances to suppliers		122	(146)
Decrease/(increase) in other receivables		287	1,047
Decrease/(increase) in inventories		371	2,774
(Decrease)/increase in trade payables		(2,077)	(1,409)
(Decrease)/increase in other payables		(1,069)	(2,654)
(Decrease)/increase in advances from customers		(1,373)	(3,122)
Decrease/(increase) in other current assets		(225)	103
(Decrease)/increase in other current liabilities		765	281
Cash generated from operations		2,666	5,630
Income taxes paid		(553)	(803)
Interest paid		(944)	(1,011)
Net cash generated from operating activities		1,169	3,816
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(2,462)	(4,040)
Interest received		145	49
Proceeds from sale of available-for-sale investments		-	5,632
Net change in other non-current assets and liabilities		47	21
Net cash (used in) / generated from investing activities		(2,270)	1,662
Cash flows from financing activities			
Acquisition of non-controlling interest		(50)	(14)
Dividend paid		(103)	-
Proceeds from borrowings	15	3 379	5,728
Repayment of borrowings	15	(13,861)	(1,554)
Net cash (used in) / generated from financing activities		(10,635)	4 160
Net (decrease) / increase in cash and cash equivalents		(11,736)	9,638
Effect of exchange rate changes on cash and cash equivalents		(1,130)	(2,190)
Cash and cash equivalents at the beginning of the period	7	27,168	30,421
Cash and cash equivalents at the end of the period	7	14,302	37,869

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



	Capital and reserves attributable to the Company's owners					Cumulative currency translation difference	Non- controlling interest	Total equity
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves			
Balance at 1 January 2016	3,046	(3)	60,523	3,752	(1,209)	18,877	24,812	109,798
Comprehensive income								
Profit for the period	-	-	13,186	-	-	-	(529)	12,657
<i>Other comprehensive income / (loss)</i>								
Disposal of fair value revaluation gain on available-for-sale investments	-	-	-	(4,690)	-	-	-	(4,690)
Currency translation differences	-	-	-	-	-	(1,587)	(39)	(1,626)
Income tax recorded in other comprehensive income	-	-	-	938	-	-	-	938
Total other comprehensive income / (loss)	-	-	-	(3,752)	-	(1,587)	(39)	(5,378)
Total comprehensive income	-	-	13,186	(3,752)	-	(1,587)	(568)	7,279
Acquisition of non-controlling interest	-	-	9	-	-	-	(23)	(14)
Balance at 31 March 2016	3,046	(3)	73,718	-	(1,209)	17,290	24,221	117,063
Balance at 1 January 2017	3,046	(4)	68,439	(7,635)	(1,650)	4,960	20,566	87,722
Comprehensive income								
Profit for the period	-	-	1,482	-	-	-	89	1,571
<i>Other comprehensive income</i>								
Gain on revaluation of available-for-sale investments	-	-	-	1,651	-	-	-	1,651
Currency translation differences	-	-	-	-	-	(810)	(52)	(862)
Total other comprehensive income	-	-	-	1,651	-	(810)	(52)	789
Total comprehensive income	-	-	1,482	1,651	-	(810)	37	2,360
Dividend declared	-	-	-	-	-	-	(103)	(103)
Acquisition of non-controlling interest	-	-	340	-	-	-	(390)	(50)
Balance at 31 March 2017	3,046	(4)	70,261	(5,984)	(1,650)	4,150	20,110	89,929

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



1 Acron Group and its Operations

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the three months ended 31 March 2017 for Public Joint Stock Company “Acron” (the “Company” or “Acron”) and its subsidiaries (together referred to as the “Group” or “Acron Group”). The Company’s shares are traded on the Moscow and London Stock Exchange.

The Group’s principal activities include the manufacture, distribution and sale of chemical fertilisers and related by-products. The Group’s manufacturing facilities are primarily based in the Novgorod, Smolensk and Murmansk regions of Russia.

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

As at 31 March 2017, the Group’s immediate parent company is Redbrick Investments S.a.r.l. (Luxembourg). At 31 March 2017 and 31 December 2016, the Group’s ultimate parent is Subero Associates Inc. (British Virgin Islands). The Group is ultimately controlled by Mr. Viatcheslav Kantor.

2 Basis of Preparation

2.1 Statement of compliance

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

2.2 Judgements and estimates

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

In preparing this consolidated condensed interim financial information for the three months ended 31 March 2017, significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

3 Significant Accounting Policies

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

4 Seasonality

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group’s revenue is partially offset by the facts that the Group sells its fertilisers globally and fertiliser application and purchases vary by region. The seasonality does not significantly influence production, and inventory levels are adjusted for movements in demand. Seasonality does not impact the revenue or cost recognition policies of the Group.

5 Segment Information

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

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

- Acron – representing manufacturing and distribution of chemical fertilisers by PJSC Acron;
- Dorogobuzh – representing manufacturing and distribution of chemical fertilisers by PJSC Dorogobuzh;
- Mining NWPC – representing production of apatite-nepheline ore and subsequent processing in apatite concentrate;
- Mining excluding NWPC - comprise mining entities JSC VPC and North Atlantic Potash Inc., both under being at the stage of development, exploration and evaluation;



(in millions of Russian Roubles)

- Logistics – representing transportation and logistics services rendered by Estonian ports of the Group and some minor transportation companies in Russia. Constitutes an aggregation of a number of operating segments;
- Trading – representing overseas and domestic distribution companies of the Group;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations.

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

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

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

Information for the reportable segments for the three months ended 31 March 2017 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	13,999	(11,787)	2,212	3,905
Dorogobuzh	6,089	(2,916)	3,173	1,597
Logistics	870	(811)	59	175
Trading	19,294	(1,050)	18,244	1,097
Mining NWPC	2,113	(1,883)	230	690
Mining excluding NWPC	-	-	-	(25)
Other	438	(283)	155	(5)
Total	42,803	(18,730)	24,073	7,434

Information for the reportable segments for the three months ended 31 March 2016 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	13,705	(12,118)	1,587	5,079
Dorogobuzh	7,203	(4,117)	3,086	2,776
Logistics	826	(717)	109	159
Trading	21,231	(1,895)	19,336	32
Mining NWPC	3,397	(2,587)	810	2,272
Mining excluding NWPC	-	-	-	(20)
Other	649	(562)	87	(12)
Total	47,011	(21,996)	25,015	10,286

Reconciliation of EBITDA to Profit Before Tax:

	Three months ended	
	31 March 2017	31 March 2016
Operating Profit	5,080	7,463
Depreciation and amortisation	1,726	1,115
Net foreign currency loss on operating activities	619	1,661
Loss on disposal of property, plant and equipment	9	47
Total consolidated EBITDA	7,434	10,286



Information about geographical areas:

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

	Three months ended	
	31 March 2017	31 March 2016
Revenue		
Russia	5,369	7,289
European Union	3,766	2,526
Commonwealth of Independent States	2,995	2,905
USA and Canada	3,002	2,250
Latin America	3,331	3,047
PRC	1,674	2,348
Asia (excluding PRC)	2,395	3,360
Other regions	1,541	1,290
Total	24,073	25,015

Revenue from sales of chemical fertilisers accounts for 80% of total revenues (for the three months ended 31 March 2016: 85%).

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

6 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 March 2017 and 31 December 2016 are detailed below.

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

i Balances with related parties

Statement of financial position caption	Note	Relationship	31 March 2017	31 December 2016
Trade receivables, gross	8	Companies under common control	6	6
Trade payables	14	Companies under common control	(5)	(4)

ii Transactions with related parties

	Relationship	Three months ended	
		31 March 2017	31 March 2016
Sales of chemical fertilisers	Companies under common control	1	5
Purchases of raw materials	Companies under common control	(16)	(14)

7 Cash and Cash Equivalents

	31 March 2017	31 December 2016
Cash on hand and bank balances denominated in RUB	1,400	7,954
Bank balances denominated in USD	11,677	17,320
Bank balances denominated in EUR	1,062	1,367
Bank balances denominated in PLN	114	313
Bank balances denominated in CNY	49	214
Total cash and cash equivalents	14,302	27,168

Cash and cash equivalents include term deposits of RUB 8,865 (31 December 2016: RUB 20,414).

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



8 Accounts Receivable

	31 March 2017	31 December 2016
Trade accounts receivable	2,618	1,490
Notes receivable	223	138
Other accounts receivable	283	265
Less: impairment provision	(39)	(41)
Total financial assets	3,085	1,852
Advances to suppliers	1,364	1,486
Value-added tax recoverable	3,968	4,350
Income tax prepayment	434	654
Other taxes receivable	274	258
Less: impairment provision	(34)	(34)
Total accounts receivable	9,091	8,566

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

9 Inventories

	31 March 2017	31 December 2016
Raw materials and spare parts, including	8,078	8,174
Work in progress	410	304
Finished products	5,681	5,975
	14,169	14,453

Raw materials are shown net of obsolescence provision RUB 119 (31 December 2016: RUB 120).

10 Property, Plant and Equipment

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

	2017	2016
Carrying amount at 1 January	84,173	84,680
Acquisitions	2,478	4,157
Disposals	(9)	(97)
Depreciation charge	(1,804)	(1,369)
Currency translation difference	(195)	(623)
Carrying amount at 31 March	84,643	86,748

Included in the three months 2017 additions to assets under constructions is approximately RUB 233 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the three months 2016: RUB 265) at the average borrowing rate of 11.3% (for the three months 2016: 6.05%).

At 31 March 2017 and 31 December 2016, no buildings, machinery and equipment and construction in progress had been pledged.

11 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	31 March 2017	31 December 2016
Apatite-nepheline deposits (production / development stage)	833	836
Potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	3,900	3,921
License and expenditure on deposit in exploration and evaluation stage	852	852
Asset related to the discharge of license obligations	273	270
	32,069	32,090

12 Available-for-Sale Investments

	2017	2016
Carrying amount at 1 January	17,965	4,956
Fair value gain recognised directly in OCI	1,651	-
Disposals	-	(4,808)
Carrying amount at 31 March	19,616	148



The Group has investments in the following companies:

Name	Activity	Country of registration	31 March 2017	31 December 2016
Non-current				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	19,475	17,824
Other		Russia	141	141
Total non-current			19,616	17,965
Total			19,616	17,965

13 Derivative Financial Assets and Liabilities

Put and call options on JSC VPC shares are recognised within the shares issue to non-controlling interests. The liabilities comprise put options giving the non-controlling shareholders a right to sell their 39,9% of JSC VPC shares back to the Group in 2017-2024.

	31 March 2017			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	-	(8,348)	-
	-	-	(8,348)	-

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

14 Accounts Payable

	31 March 2017	31 December 2016
Trade accounts payable	2,258	4,335
Dividends payable	23	22
Total financial payables	2,281	4,357
Payables to employees	1,282	1,251
Accrued liabilities and other creditors	691	694
Total accounts payable and accrued expenses	4,254	6,302

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	31 March 2017	31 December 2016
Bonds issued	18,772	18,772
Credit lines	5,949	5,237
Term loans	40,950	55,108
	65,671	79,117

The Group's borrowings mature as follows:

	31 March 2017	31 December 2016
Borrowings due:		
- within 1 year	30,012	39,886
- between 1 and 5 years	35,364	38,820
- after 5 years	295	411
	65,671	79,117



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

	31 March 2017	31 December 2016
Borrowings denominated in:		
- RUB	31,290	32,090
- EUR	3,702	4,061
- USD	30,679	42,966
	65,671	79,117

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

At 31 March 2017, unused credit lines available under the long-term loan facilities were RUB 25,376 (31 December 2016: RUB 26,881). Terms and conditions of unused credit lines correspond to the terms and conditions of other borrowings.

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

	31 March 2017	31 December 2016
Short-term borrowings		
RUB		
Bonds with fixed interest rate of 11.6% per annum	10,000	10,000
Loans with fixed interest rate from 12.1% to 14% per annum	4,118	5,118
Loans with floating interest from key rate of the Bank of Russia +1.4% to key rate of the Bank of Russia +1.6% per annum	2,800	2,600
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	327	1,911
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	1,441	-
Loans with fixed interest rate of 5.27% per annum	191	201
USD		
Loans with fixed interest rate of 3.95% to 5.61% per annum	710	764
Loans with floating interest rate from LIBOR O/N+2.05% to 1M LIBOR+4.6% per annum	10,425	19,292
Total short-term borrowings	30,012	39,886

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

	31 March 2017	31 December 2016
Long-term borrowings		
RUB		
Bonds with fixed interest rate from 9.55% to 10.2% per annum	8,772	8,772
Loans with floating interest rates from the key rate of the Bank of Russia +1.5% to the key rate of the Bank of Russia+2.5% per annum	5,600	5,600
EUR		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	1,445	1,648
Loans with floating interest rate of 3M EURIBOR+1.35% per annum	12	-
Loans with fixed interest rate of 5.27% per annum	286	301
USD		
Loans with fixed interest rate of 5.11% to 5.61% per annum	187	229
Loans with floating interest rate from 1M LIBOR+4.6% to 3M LIBOR+3.65% per annum	19,357	22,681
Total long-term borrowings	35,659	39,231

In May 2011, the Group placed through an offering to the public under an open subscription RUB non-convertible bonds with a face value of RUB 7,500 and redemption in May 2021. In 2012 the Group redeemed bonds in the amount of RUB 3,377. The holders of this bond issue were granted with an option to redeem the bonds in May 2015 and 2016 which resulted in early redemption of bonds for RUB 1,354. The Group further placed again the bonds of this issue for RUB 1,354. At 31 March 2017 the Group's subsidiary PJSC Dorogobuzh held bonds in the amount of RUB 351.

In November 2015, the Group placed non-convertible interest-bearing documentary bonds in the amount of RUB 10,000 to be redeemed in November 2018. The bonds were placed at 11.6% with the option of early redemption in May 2017.



(in millions of Russian Roubles)

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.

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 31 March 2017 was RUB 18,935 with reference to Moscow Stock Exchange quotations as of this date (31 December 2016: RUB 18,944).

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

16 Capital and Reserves

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

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

	Number of outstanding ordinary shares	Number of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
31 December 2015	40,534,000	(601,880)	3,046	(3)	3,043
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
31 March 2016	40,534,000	(601,880)	3,046	(3)	3,043
1 January 2017	40,534,000	(726,208)	3,046	(4)	(3,042)
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
31 March 2017	40,534,000	(726,208)	3,046	(4)	(3,042)

17 Finance Income / (Costs), net

	Three months ended	
	31 March 2017	31 March 2016
Interest income from loans provided and term deposits	169	47
Other financial expenses	-	(62)
Commissions expense	(76)	(135)
Foreign exchange gain on financial transactions	2,737	5,491
Foreign exchange loss on financial transactions	(217)	(1,954)
	2,613	3,387

18 Other Operating (Expenses) / Income, net

	Three months ended	
	31 March 2017	31 March 2016
Charity expenses	(48)	(58)
Other expenses	(87)	(17)
Foreign exchange gain on operating activities	370	2,725
Foreign exchange loss on operating activities	(989)	(4,386)
	(754)	(1,736)

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. At 31 March 2017, the shares of the Company have dilutive potential related right to settle in own shares. The dilution effect do not exist at the reporting date, therefore, the dilutive earnings per share equal the basic earnings per share.



	Three months ended	
	31 March 2017	31 March 2016
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(676,477)	(601,880)
Weighted average number of shares outstanding (basic)	39,857,523	39,932,120
Effect of settlement in own equity instruments	-	-
Weighted average number of shares outstanding (diluted)	39,857,523	39,932,120
Profit attributable to the equity holders of the Company	1,571	12,657
Basic earnings per share (in Russian roubles)	39.42	316.96
Diluted earnings per share (in Russian roubles)	39.42	316.96

20 Income Taxes

	Three months ended	
	31 March 2017	31 March 2016
Income tax expense – current	967	2,836
Deferred tax charge – origination and reversal of temporary differences	(1,143)	(20)
Income tax charge	(176)	2,816

21 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 31 March 2017, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 10,370 (31 December 2016: RUB 12,840).

In accordance with the conditions of the exploration licenses the Group has to commence the extraction of certain mineral resources by certain dates as stipulated by license agreements (Note 11).

The Group has already allocated the necessary 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. As at 31 March 2017 and 31 December 2016, the Group had no issued guarantees.

ii Legal proceedings

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

iii Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.



iv Taxation contingencies in Russian Federation

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

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years. 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 31 March 2017, no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2016: no provision). Management believes that all necessary provisions were recognised in respect of other probable tax risks.

v Environmental matters

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

22 Fair Value of Financial Instruments

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

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

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

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



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

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

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 20,044 (31 December 2016: RUB 18,087).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 18,772 (31 December 2016: RUB 18,772).

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

The fair value of the call/put options on shares of JSC VPC was determined based on the Black–Scholes Option Pricing Model with the adjustments and using of unobservable inputs, and included in level 3. Determination method is equal to applied in 2016.

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

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 31 March 2017, the fair value of borrowings was RUB 564 higher than their carrying amounts. At 31 December 2016, the fair value of borrowings was RUB 478 higher than their carrying amounts.

23 Subsequent Events

In May 2017, Acron Group signed a 5-year syndicated structured pre-export loan with a partner banks' club for up to USD 750 million.

In May 2017, The Board of Directors of PJSC Acron recommended the annual general meeting of shareholders to declare dividends on the outstanding common shares of PJSC Acron in 2016 in cash in the amount of 250 roubles per share.