PUBLIC JOINT STOCK COMPANY “ACRON”

Consolidated Condensed Interim Financial Information for the nine months ended 30 September 2019

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" and its subsidiaries (the "Group") as at 30 September 2019, and 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 2019 and the related consolidated condensed interim statements of changes in equity and cash flows for the nine-month period then ended, and notes to the consolidated condensed interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of consolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 2019, and for the three-month and nine-month periods ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Andrey V. Ryazantsev

JSC "KPMG"
Moscow, Russia

26 November 2019

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
КПМГ
KPMG
МОСКВА

(in millions of Russian Roubles)

	Note	30 September 2019	31 December 2018*
ASSETS			
Non-current assets			
Property, plant and equipment	10	99,156	93,532
Subsoil licences and related costs	11	38,800	36,557
Investment in equity instruments measured at fair value through other comprehensive income	12	11,086	11,670
Long-term derivative financial instruments	13	-	2,844
Right-of-use assets	3	1,729	-
Deferred tax assets		179	164
Other non-current assets		3,107	3,092
Total non-current assets		**154,057**	**147,859**
Current assets			
Inventories	9	17,601	16,724
Accounts receivable	8	12,950	10,815
Cash and cash equivalents	7	6,307	10,460
Short-term derivative financial instruments	13	4,676	-
Other current assets		1,140	926
Total current assets		**42,674**	**38,925**
TOTAL ASSETS		**196,731**	**186,784**
EQUITY			
Share capital	16	3,046	3,046
Treasury shares		(8)	(6)
Retained earnings		75,285	65,253
Revaluation reserve		(14,781)	(14,137)
Other reserves		(5,675)	(3,963)
Cumulative currency translation difference		6,232	7,400
Equity attributable to the Company's owners		**64,099**	**57,593**
Non-controlling interest		20,865	20,572
TOTAL EQUITY		**84,964**	**78,165**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	70,738	66,946
Long-term derivative financial instruments	13	-	1,875
Long-term lease liabilities		1,103	-
Deferred tax liabilities		8,517	6,951
Other long-term liabilities		1,679	641
Total non-current liabilities		**82,037**	**76,413**
Current liabilities			
Accounts payable	14	8,744	7,226
Short-term borrowings	15	14,241	17,539
Advances received		3,231	5,737
Short-term derivative financial instruments	13	647	-
Short-term lease liabilities		599	-
Other current liabilities		2,268	1,704
Total current liabilities		**29,730**	**32,206**
TOTAL LIABILITIES		**111,767**	**108,619**
TOTAL LIABILITIES AND EQUITY		**196,731**	**186,784**

*The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

The Consolidated Condensed Interim Financial Information was approved on 26 November 2019.

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

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

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

	Note	Nine months ended 30 September 2019	Nine months ended 30 September 2018*	Three months ended 30 September 2019	Three months ended 30 September 2018
Revenue	5	89,615	77,779	29,143	28,366
Cost of sales		(46,223)	(41,024)	(15,843)	(14,549)
Gross profit		**43,392**	**36,755**	**13,300**	**13,817**
Transportation expenses		(14,557)	(12,069)	(5,144)	(4,436)
Selling, general and administrative expenses		(7,010)	(5,983)	(2,187)	(1,850)
Other operating (expense)/income, net	18	(744)	(126)	90	1,034
Operating profit		**21,081**	**18,577**	**6,059**	**8,565**
Finance income/(costs), net	17	5,882	(5,916)	(439)	(2,801)
Interest expense		(1,545)	(853)	(617)	(486)
Profit/(loss) on derivatives, net		3,060	(1,890)	2,119	(112)
Profit before taxation		**28,478**	**9,918**	**7,122**	**5,166**
Income tax expense	20	(5,490)	(2,552)	(1,330)	(1,225)
Profit for the period		**22,988**	**7,366**	**5,792**	**3,941**
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		(644)	(11,487)	(3,242)	(3,071)
Other comprehensive (loss)/income on items that are or may be reclassified to profit or loss:					
Currency translation differences		(1,202)	1,551	(91)	840
Other comprehensive loss for the period		**(1,846)**	**(9,936)**	**(3,333)**	**(2,231)**
Total comprehensive income/(loss) for the period		**21,142**	**(2,570)**	**2,459**	**1,710**
Profit is attributable to:					
Owners of the Company		22,462	7,003	5,635	3,817
Non-controlling interest		526	363	157	124
Profit for the period		**22,988**	**7,366**	**5,792**	**3,941**
Total comprehensive income/(loss) is attributable to:					
Owners of the Company		20,650	(2,978)	2,296	1,572
Non-controlling interest		492	408	163	138
Total comprehensive income/(loss) for the period		**21,243**	**(2,570)**	**2,459**	**1,710**
Earnings/(loss) per share					
Basic (expressed in RUB)	19	573.84	177.87	143.96	96.95
Diluted (expressed in RUB)	19	573.02	176.47	143.75	96.18

*The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

(in millions of Russian Roubles)

	Note	Nine months ended 30 September 2019	30 September 2018*
Cash flows from operating activities			
Profit before taxation		**22,988**	**7,366**
Adjustments for:			
Income tax expense	20	5,490	2,552
Depreciation and amortisation		7,834	6,837
Provision/(reversal of) impairment of accounts receivable		26	(4)
Provision for inventory obsolescence		6	1
Loss on disposal of property, plant and equipment		64	588
Interest expense		1,545	853
Interest income	17	(186)	(134)
(Gain)/loss on derivatives, net		(3,060)	1,890
Dividend income		-	(398)
Loss on disposal of exploration licences		-	905
Loss on disposal of investment		-	24
Foreign exchange effect on non-operating balances		(5,431)	4,687
Operating cash flows before working capital changes		**29,276**	**25,167**
Increase in gross trade receivables		(369)	(249)
Decrease in advances to suppliers		539	519
(Increase)/decrease in other receivables		(2,410)	314
Increase in inventories		(1,031)	(1,322)
Increase in trade payables		1,038	250
Decrease in other payables		(485)	(126)
Decrease in advances from customers		(2,506)	(1,348)
Increase in other current assets		(214)	(73)
(Decrease)/increase in other current liabilities		(491)	239
Cash generated from operations		**23,347**	**23,371**
Income taxes paid		(3,844)	(2,489)
Interest paid		(3,047)	(3,070)
Net cash generated from operating activities		**16,456**	**17,812**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(12,696)	(9,204)
Interest received		54	87
Dividend received		-	398
Purchase of investment in equity instruments measured at fair value through other comprehensive income		(60)	(193)
Net change in other non-current assets and liabilities		123	(177)
Net cash used in investing activities		**(12,579)**	**(9,089)**
Cash flows from financing activities			
Acquisition of non-controlling interest		(13)	(245)
Purchase of shares of subsidiary		-	(15,905)
Proceeds from sale of shares of subsidiary		-	10,743
Acquisition of treasury shares		(1,714)	(369)
Dividend paid to shareholders		(10,394)	(11,700)
Dividend paid to non-controlling interest		(149)	(85)
Contribution of non-controlling interest		101	-
Proceeds from borrowings	15	13,148	28,828
Repayment of borrowings	15	(7,948)	(22,278)
Payment of lease liabilities		(343)	-
Net cash used in financing activities		**(7,312)**	**(11,011)**
Net decrease in cash and cash equivalents		**(3,435)**	**(2,288)**
Effect of exchange rate changes on cash and cash equivalents		(718)	1,338
Cash and cash equivalents at the beginning of the period	7	**10,460**	**14,302**
Cash and cash equivalents at the end of the period	7	**6,307**	**13,352**

*The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

(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 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								
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	**-**	**-**	**-**	**(11,487)**	**-**	**1,506**	**45**	**(9,936)**
Total comprehensive loss for the reporting period	**-**	**-**	**7,003**	**(11,487)**	**-**	**1,506**	**408**	**(2,570)**
Acquisition of non-controlling interest	-	-	222	-	-	-	(467)	(245)
Acquisition 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**
Balance at 1 January 2019	**3,046**	**(6)**	**65,253**	**(14,137)**	**(3,963)**	**7,400**	**20,572**	**78,165**
Total comprehensive income								
Profit for the period	-	-	22,462	-	-	-	526	22,988
Other comprehensive loss								
Loss on investment measured at fair value through other comprehensive income	-	-	-	(644)	-	-	-	(644)
Currency translation differences	-	-	-	-	-	(1,168)	(34)	(1,202)
Total other comprehensive loss	**-**	**-**	**-**	**(644)**	**-**	**(1,168)**	**(34)**	**(1,846)**
Total comprehensive income for the reporting period	**-**	**-**	**22,462**	**(644)**	**-**	**(1,168)**	**492**	**21,142**
Dividend declared	-	-	(10,394)	-	-	-	(296)	(10,690)
Acquisition of treasury shares	-	(2)	-	-	(1,712)	-	-	(1,714)
Contribution of non-controlling interest	-	-	-	-	-	-	101	101
Acquisition of non-controlling interest	-	-	14	-	-	-	(4)	10
Provision for previous years obligations	-	-	(1,150)	-	-	-	-	(1,150)
Other	-	-	(900)	-	-	-	-	(900)
Balance at 30 September 2019	**3,046**	**(8)**	**75,285**	**(14,781)**	**(5,675)**	**6,232**	**20,865**	**84,964**

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 2019 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 Russian Federation.

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

As at 30 September 2019, 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 2018.

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 2018 except for new significant judgements related to lessee accounting under IFRS 16, which are described in Note 3.

3 Significant Accounting Policies

Except as described below, the accounting policies applied in these consolidated condensed interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The Group started to apply IFRS 16 Leases on and after 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. 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 2019.

IFRS 16 *Leases*

The Group has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, the effect on retained earnings is nill. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

The Group leases many assets, including properties and production equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment) and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in the statement of financial position separately from other assets.

The carrying amounts of right-of-use assets are as below.

	Property	**Total**
Balance at 1 January 2019	1,711	1,711
Balance at 30 September 2019	1,729	1,729

The Group presents lease liabilities in "Lease liabilities" in the statement of financial position separately from other liabilities.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

In accordance with IFRS 16 variable payments which do not depend on index or rate, i.e. do not reflect changes in market rental rates, should not be included in calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not be included in the measurement of the lease liability.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

– applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

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

– excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Impact on financial information

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets	1,711
Lease liabilities	(1,711)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate at 1 January 2019 was from 1.4% to 9.0% per annum depending on the economic environment of the lessee.

Impacts for the period

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognised RUB 320 of depreciation charges and RUB 64 of interest costs from these leases.

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 Russian Federation. 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;

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

- 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 EBITDA and extraordinary items are not standard IFRS measures Acron Group's definitions of EBITDA and of extraordinary items may differ from those of other companies.

Information for the reportable segments for the nine months ended 30 September 2019 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	52,159	(44,696)	7,463	18,418
Dorogobuzh	19,849	(18,022)	1,827	4,961
Logistics	3,635	(2,953)	682	1,593
Trading	81,749	(2,664)	79,085	2,530
Mining NWPC	8,220	(8,182)	38	1,705
Mining excluding NWPC	-	-	-	-
Other	1,191	(671)	520	296
Total	**166,803**	**(77,188)**	**89,615**	**29,503**

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**

Reconciliation of EBITDA to Profit Before Tax:

	Nine months ended	
	30 September 2019	**30 September 2018**
Operating Profit	**21,081**	**18,577**
Depreciation and amortisation	7,834	6,837
Loss on disposal of exploration licences	-	905
Foreign currency loss/(profit) on operating activities, net	524	(1,421)
Loss on disposal of property, plant and equipment	64	588
Total consolidated EBITDA	**29,503**	**25,486**

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

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 2019	**30 September 2018**
Revenue		
Latin America	19,906	15,781
European Union	18,240	14,415
Russian Federation	14,844	14,126
USA and Canada	13,095	9,707
Asia (excluding PRC)	10,310	11,619
PRC	5,337	3,061
Other regions	4,926	3,511
Commonwealth of Independent States	2,957	5,559
Total	**89,615**	**77,779**

Revenue from sales of chemical fertilisers accounts for 82% of total revenues (for the nine months ended 30 September 2018: 80%).

For the nine months ended 30 September 2019, revenues from logistics activities representing a separate performance obligation under IFRS 15 amounted to RUB 4,858 (for the nine months ended 30 September 2018: RUB 2,865). Adjustment associated with price changes is not significant.

This revenue was accounted for as part of the Trading in Information for the reportable segments for the nine months ended 30 September 2019.

There is one individual customer contributing more than 10% to the total revenues (for the nine months ended 30 September 2018: 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 2019	**31 December 2018**
Cash on hand and bank balances denominated in RUB	1,167	2,602
Bank balances denominated in USD	2,587	5,582
Bank balances denominated in EUR	2,275	1,952
Bank balances denominated in CNY	119	154
Bank balances denominated in other currency	159	170
Total cash and cash equivalents	**6,307**	**10,460**

Cash and cash equivalents include term deposits of RUB 441 (31 December 2018: RUB 2,391).

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.

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

8 Accounts Receivable

	30 September 2019	31 December 2018
Trade accounts receivable	3,924	3,555
Notes receivable	51	85
Other accounts receivable	380	588
Less: impairment provision	(43)	(43)
Total financial assets	**4,312**	**4,185**
Advances to suppliers	1,932	2,471
Value-added tax recoverable	5,959	3,123
Income tax prepayment	172	383
Other taxes receivable	604	656
Less: impairment provision	(29)	(3)
Total accounts receivable	**12,950**	**10,815**

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

As at 30 September 2019 and 31 December 2018, the Group hold no collateral as security for trade receivable.

9 Inventories

	30 September 2019	31 December 2018
Raw materials and spare parts	8,166	8,079
Work in progress	782	460
Finished products	8,653	8,185
	17,601	**16,724**

Raw materials are shown net of obsolescence provision in the amount of RUB 105 (31 December 2018: RUB 99).

No inventory was pledged as security at 30 September 2019 and 31 December 2018.

10 Property, Plant and Equipment

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

	2019	2018
Carrying amount at 1 January	**93,532**	**87,820**
Acquisitions	13,519	10,008
Disposals	(64)	(588)
Depreciation charge	(7,357)	(6,715)
Currency translation difference	(474)	408
Carrying amount at 30 September	**99,156**	**90,933**

Included in the nine months ended 30 September 2019 additions to assets under constructions is approximately RUB 1,133 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the nine months ended 30 September 2018: RUB 988) at the average borrowing rate from 5.31% to 10.2% (for the nine months 2018: from 5.72% to 10%).

As at 30 September 2019 and 31 December 2018, there were no pledges over property, plant and equipment.

11 Subsoil licences and related costs

Subsoil licences and related costs comprise of:

	30 September 2019	31 December 2018
Apatite-nepheline deposits (production / development stage)	803	812
Potash deposits (development stage)	31,875	29,716
Exploration licences	4,770	4,685
Licence and expenditure on deposit in exploration and evaluation stage	1,039	1,039
Asset related to the discharge of license obligations	313	305
	38,800	**36,557**

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

The Group capitalised borrowing costs for the nine months 2019 in the amount of RUB 2,159 applying average borrowing rate of 10.2% (for the nine months ended 30 September 2018: RUB 2,837 applying average borrowing rate of 10%).

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

	2019	2018
Carrying amount at 1 January	**11,670**	**22,698**
Fair value loss recognised directly in OCI	(644)	(11,487)
Additions	60	193
Carrying amount at 30 September	**11,086**	**11,404**

The Group has investment in the following companies:

Name	Activity	Country of registration	30 September 2019	31 December 2018
Non-current				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	10,678	11,322
Other		Russian Federation	408	348
Total non-current			**11,086**	**11,670**
Total			**11,086**	**11,670**

Fair value of investment in Grupa Azoty S.A was determined by reference to the current market value at the close of business on the date of a transaction or on 30 September 2019. At 30 September 2019, the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to RUB 542.77 per share (31 December 2018: RUB 575.99 per share).

13 Derivative Financial Assets and Liabilities

Options for the purchase and sale of shares are recognised as part of a transaction to sell shares of CJSC VPC to holders of non-controlling interests. The net assets as at 30 September 2019 are represented by one call option, which gives Group the right to purchase from non-controlling shareholders the 19.9% stake in JSC VPC up to June 2020 and two put options that give non-controlling shareholders the right to sell to the Group their 19.9% and 20% stakes of their interest in JSC VPC correspondingly in June and August 2020.

	30 September 2019			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	4,676	-	(647)
	-	**4,676**	**-**	**(647)**

	31 December 2018			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	2,844	-	(1,875)	-
	2,844	**-**	**(1,875)**	**-**

14 Accounts Payable

	30 September 2019	31 December 2018
Trade accounts payable	5,061	4,023
Dividend payable	218	71
Notes payable	-	8
Total financial payables	**5,279**	**4,102**
Payables to employees	1,318	1,411
Accrued liabilities and other creditors	1,011	774
Taxes payable	1,136	939
Total accounts payable and accrued expenses	**8,744**	**7,226**

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

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 September 2019	31 December 2018
Bonds issued	13,772	13,772
Credit lines	9,869	7,160
Term loans	61,338	63,553
	84,979	**84,485**

The Group's borrowings mature as follows:

	30 September 2019	31 December 2018
Borrowings due:		
- within 1 year	14,241	17,539
- between 1 and 5 years	70,479	66,671
- after 5 years	259	275
	84,979	**84,485**

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

	30 September 2019	31 December 2018
Borrowings denominated in:		
- RUB	25,108	21,813
- EUR	8,569	4,930
- USD	51,302	57,742
	84,979	**84,485**

At 30 September 2019, unused credit lines available under the loan facilities were RUB 18,347 (31 December 2018: RUB 41,818). 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:

	30 September 2019	31 December 2018
Short-term borrowings		
RUB		
Bonds with fixed interest rate of 10.2% per annum	3,772	-
Loans with floating interest rates: from key rate of the Bank of Russia+1.5% to key rate of the Bank of Russia +2.28% (2018: from key rate of the Bank of Russia+0,55% to key rate of the Bank of Russia +1.5%) per annum	2,894	6,813
Loans with fixed interest rate of 8.3% per annum	4,000	-
EUR		
Loans with floating interest rate from 6M EURIBOR+0.65% to 6M EURIBOR+1.9% per annum	366	414
Loans with floating interest rate of 3M EURIBOR+1.7% per annum	219	248
Loans with fixed interest rate of 5.27% per annum	-	125
USD		
Loans with fixed interest rate from 5.11% to 5.61% per annum	-	82
Loans with floating interest rate of 1M LIBOR+2.10% per annum	2,899	-
Loans with floating interest rate from LIBOR O/N+1.56% to 1M LIBOR+1.7% (2018: 1M LIBOR+2.25%) per annum	91	9,857
Total short-term borrowings	**14,241**	**17,539**

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

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

	30 September 2019	31 December 2018
Long-term borrowings		
RUB		
Bonds with fixed interest rate from 8.6% to 9.55% (2018: from 8.6% to 10.2%) per annum	10,000	13,772
Loans with floating interest rates: the key rate of the Bank of Russia +2.0% per annum	1,492	1,228
Loans with fixed interest rate 7.35% per annum	2,950	-
EUR		
Loans with floating interest rate from 6M EURIBOR+0.65% to 6M EURIBOR+1.9% per annum	1,061	1,531
Loans with floating interest rate from 3M EURIBOR+1.25% to 3M EURIBOR+1.7% per annum	6,923	2,612
USD		
Loans with floating interest rate from 1M LIBOR+2.0% (2018: from 1M LIBOR+2.1% to 1M LIBOR+2.25%) per annum	48,312	47,803
Total long-term borrowings	**70,738**	**66,946**

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 2019, the Group's subsidiary PJSC Dorogobuzh held bonds in the amount of RUB 351.

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 2019 was RUB 14,105 with reference to Moscow Stock Exchange quotations as of this date (31 December 2018: RUB 14,001).

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.

16 Share Capital

The total authorised number of ordinary shares is 40,534,000 (31 December 2018: 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 2018	**40,534,000**	**(1,146,452)**	**3,046**	**(6)**	**3,040**
Sale 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**
1 January 2019	**40,534,000**	**(1,285,800)**	**3,046**	**(6)**	**3,040**
Acquisition of treasury shares	-	(367,163)	-	(2)	(2)
30 September 2019	**40,534,000**	**(1,652,963)**	**3,046**	**(8)**	**3,038**

In March 2019, dividend for previous years was declared and paid in amount of RUB 130 per ordinary share.

In May 2019, dividend for 2018 was declared and paid in the amount of RUB 135 per ordinary share.

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

In November 2019, subsequent to the reporting period, the Board of Directors of the Company recommended the extraordinary general meeting of shareholders to declare dividend on the outstanding ordinary shares of PJSC Acron for the nine months 2019 in the amount of RUB 101 per share.

17 Finance Income/(Costs), net

	Nine months ended		Three months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Foreign exchange profit/(loss) on financial transactions, net	6,149	(6,029)	(587)	(3,210)
Commission expenses	(425)	(211)	(6)	(68)
Other finance (costs)/income, net	(28)	(208)	34	78
Dividend income	-	398	-	398
Interest income from loans provided and term deposits	186	134	120	1
	5,882	**(5,916)**	**(439)**	**(2,801)**

18 Other Operating (Expense)/Income, net

	Nine months ended		Three months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Foreign exchange (loss)/gain on operating activities, net	(524)	1,421	303	791
Loss on disposal of exploration licences	-	(905)	-	-
Loss on disposal of property, plant and equipment	(64)	(588)	(64)	(588)
Charity expenses	(322)	(149)	(122)	-
Other operating income/(expenses), net	166	95	(27)	831
	(744)	**(126)**	**90**	**1,034**

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 2019, 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.

	Nine months ended	
	30 September 2019	30 September 2018
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(1,390,993)	(1,162,287)
Weighted average number of shares outstanding (basic)	**39,143,007**	**39,371,713**
Effect of settlement in own equity instruments	56,235	312,998
Weighted average number of shares outstanding (diluted)	**39,199,242**	**39,684,711**
Profit attributable to the equity holders of the Company	22,462	7,003
Basic earnings per share (in Russian Roubles)	**573.84**	**177.87**
Diluted earnings per share (in Russian Roubles)	**573.02**	**176.47**

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

20 Income Taxes

	Nine months ended		Three months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Income tax expense – current	3,923	2,177	733	925
Deferred tax charge – origination and reversal of temporary differences	1,567	375	597	300
Income tax expense	**5,490**	**2,552**	**1,330**	**1,225**

21 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 September 2019, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 11,970 (31 December 2018: RUB 13,285).

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 2019 and 31 December 2018, 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 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. When assessing the impact of risks on the consolidated financial statements, management of the Group takes into account the results of regular tax audits. 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 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. Management believes that all necessary provisions were recognised in respect of other probable tax risks.

v Environmental matters

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

22 Fair Value of Financial Instruments

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

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

Financial instruments carried at fair value. Investment measured at fair value through profit or loss, investment in equity instruments measured at fair value through other comprehensive income, and derivatives are carried in the consolidated statement of financial position at their fair value.
This Group discloses the value of financial instruments that are measured in the consolidated statement of financial position at fair value by three levels in accordance with IFRS 13, Fair Value Measurement.

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

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

Investment in equity instruments was included in Level 1 category in the amount of RUB 10,678 (31 December 2018: RUB 11,322). Other investment was included in Level 3 category.

All liabilities on bonds issued were included in Level 1 category in the amount of RUB 13,772 (31 December 2018: RUB 13,772).

The fair value of the call/put options on shares of JSC VPC was determined similar to 2018 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 2018: Level 3 category). An increase in the fair value of options during the nine months of 2019 is mainly caused by forthcoming production start date.

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 2019, the fair value of borrowings was RUB 51 higher than their carrying amounts. At 31 December 2018, the fair value of borrowings was RUB 558 higher than their carrying amounts.

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

23 Subsequent Events

In November 2019, the Board of Directors of the Company recommended the extraordinary general meeting of shareholders to declare dividend on the outstanding ordinary shares of PJSC Acron for the nine months 2019 in the amount of RUB 101 per share.