JOINT STOCK COMPANY “ACRON”

Consolidated Condensed Interim Financial Information

For the nine months ended 30 September 2015

Contents

JSC KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Auditors' Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Board of Directors
JSC "Acron"

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of JSC "Acron" and its subsidiaries (the "Group") as at 30 September 2015, and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine - month period then ended, and notes to the consolidated condensed interim financial information (the "consolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Financial Reporting Standard 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 2015 and for the nine - month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Audited entity: JSC "Acron".

Registered by administration of Veliky Novgorog on 19 November 1992, Registration No. 3835rz.

Entered in the Unified State Register of Legal Entities on 16 October 202 by the Veliky Novgorod Inter-Regional Tax Inspectorate No.9, Registration No. 1025300786610.

Acron site, Veliky Novgorod, Russian Federation, 173012.

Independent auditor: JSC KPMG, a company incorporated under the Laws of the Russian Federation, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Other Matter

The consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 30 September 2015 and the corresponding figures for the three-month period ended 30 September 2014 are not reviewed.

Ilya O. Belyatski,

Director, (power of attorney dated 16 March 2015 No. 34/15)

JSC KPMG

30 November 2015

Moscow, Russian Federation

(in millions of Russian Roubles)

	Note	30 September 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	9	79,930	72,552
Exploration and Evaluation Licences and Expenditure	10	32,930	32,103
Leasehold land		775	708
Goodwill	11	1,267	1,267
Available-for-sale investments	12	157	157
Investment in equity accounted investees	13	28,869	24,695
Long-term loans receivable		80	67
Long-term derivative financial instruments	14	-	366
Deferred tax assets		1,296	1,903
Other non-current assets		1,365	1,342
Total non-current assets		**146,669**	**135,160**
Current assets			
Inventories	8	16,613	13,420
Short-term loans receivable		76	107
Accounts receivable	7	12,290	12,049
Available-for-sale investments	12	5,220	3,475
Trading investments		161	254
Short-term derivative financial instruments	14	7,403	6,301
Cash and cash equivalents	6	37,973	24,773
Other current assets		888	401
Total current assets		**80,624**	**60,780**
TOTAL ASSETS		**227,293**	**195,940**
EQUITY			
Share capital	17	3,046	3,046
Treasury shares		(3)	(1)
Retained earnings		59,238	51,816
Revaluation reserve		4,082	2,686
Other reserves		(1,204)	(446)
Cumulative currency translation difference		16,102	13,411
Share capital and reserves attributable to the Company's owners		**81,261**	**70,512**
Non-controlling interest		24,197	23,261
TOTAL EQUITY		**105,458**	**93,773**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	63,175	28,002
Long-term derivative financial instruments	14	7,352	4,433
Deferred tax liabilities		5,615	4,699
Other long-term liabilities		1,087	951
Total non-current liabilities		**77,229**	**38,085**
Current liabilities			
Accounts payable	15	7,295	6,459
Notes payable		1,970	750
Taxes payable		734	708
Short-term borrowings	16	30,173	52,559
Advances received		3,007	3,125
Other current liabilities		1,427	481
Total current liabilities		**44,606**	**64,082**
TOTAL LIABILITIES		**121,835**	**102,167**
TOTAL LIABILITIES AND EQUITY		**227,293**	**195,940**

Approved for issue and signed on behalf of the Board of Directors on 30 November 2015.

V.Y. Kunitskiy
President

Открытое акционерное общество "АКРОН" № 2 Великий Новгород

A.V. Milenkov
Finance Director

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

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

	Note	For the nine months ended 30 September 2015	For the nine months ended 30 September 2014	For the three months ended 30 September 2015	For the three months ended 30 September 2014
Revenue	4	80,654	52,676	28,577	16,930
Cost of sales		(39,896)	(31,634)	(14,191)	(9,999)
Gross profit		**40,758**	**21,042**	**14,386**	**6,931**
Transportation expenses		(7,784)	(6,052)	(2,498)	(1,825)
Selling, general and administrative expenses		(6,304)	(4,548)	(2,157)	(1,777)
Gain on permits		-	183	-	183
Other operating income, net	19	1,129	574	2,185	1,749
Operating profit		**27,799**	**11,199**	**11,916**	**5,261**
Gain/(loss) on disposal of investment		(82)	8,098	38	4,943
Finance expense, net	18	(6,510)	(6,643)	(7,988)	(6,118)
Interest expense		(3,068)	(727)	(1,336)	(131)
Loss on derivatives, net		(2,183)	(561)	84	(316)
Share of profit of equity accounted investees	13	1,720	20	308	20
Profit before taxation		**17,676**	**11,386**	**3,022**	**3,659**
Income tax expense	21	(3,354)	(1,691)	(763)	(514)
Profit for the period		**14,322**	**9,695**	**2,259**	**3,145**
Other comprehensive income/(loss) on items that will not be reclassified to profit or loss:					
Equity-accounted investees – share of OCI		(13)	-	13	-
Other comprehensive income/(loss) on items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
- Gains/(losses) arising during the year		1,745	1,491	1,119	(564)
- Reclassification of revaluation gain on disposal to profit or loss		-	(8,355)	-	(5,200)
- Income tax recorded directly in other comprehensive income		(349)	1,006	(224)	272
Currency translation differences		2,698	2,923	5,676	2,748
Other comprehensive income / (loss) for the period		**4,081**	**(2,935)**	**6,584**	**(2,744)**
Total comprehensive income for the period		**18,403**	**6,760**	**8,843**	**401**
Profit is attributable to:					
Owners of the Company		12,984	8,620	1,143	2,480
Non-controlling interest		1,338	1,075	1,116	665
Profit for the period		**14,322**	**9,695**	**2,259**	**3,145**
Total comprehensive income is attributable to:					
Owners of the Company		17,071	5,442	7,589	(456)
Non-controlling interest		1,332	1,318	1,254	857
Total comprehensive income for the period		**18,403**	**6,760**	**8,843**	**401**
Earnings per share					
Basic (expressed in RUB)	20	324.24	212.66	29.03	61.18
Diluted (expressed in RUB)	20	324.24	212.66	29.03	74.59

(in millions of Russian Roubles)

	Note	For the nine months ended 30 September 2015	30 September 2014
Cash flows from operating activities			
Profit before taxation		**17,676**	**11 386**
Adjustments for:			
Depreciation		3,377	2,700
Provision for impairment of accounts receivable		210	370
Share of profit of equity-accounted investees		(1,720)	(20)
Loss on disposal of property, plant and equipment		231	68
Gain on permits		-	(183)
Interest expense		3,068	727
Interest income		(708)	(374)
Loss on derivatives, net		2,183	561
Dividend income		-	(119)
Loss/(gain) on disposal of investments		82	(8,098)
Unrealised foreign exchange effect on non-operating balances		5,630	5,133
Operating cash flows before working capital changes		**30,029**	**12,151**
Increase in gross trade receivables		(871)	(1,455)
Decrease/(increase) in advances to suppliers		72	(747)
Increase in other receivables		(627)	(512)
Increase in inventories		(2,870)	(554)
Increase in trade payables		327	29
Increase in other payables		1,203	868
Decrease in advances from customers		(118)	(920)
(Increase)/decrease in other current assets		(487)	35
Increase/(decrease) in other current liabilities		945	(246)
Cash generated from operations		**27,603**	**8,649**
Income taxes paid		(1,155)	(1,554)
Interest paid		(3,335)	(1,682)
Net cash generated from operating activities		**23,113**	**5,413**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(10,171)	(7,556)
Loans provided		-	(3,997)
Proceeds from loans repaid		51	4,004
Interest received		650	206
Dividend received		-	98
Purchase of available-for-sale investments		-	(4,115)
Proceeds from sale of available-for-sale investments		-	4,119
Purchase of trading investments		(40)	-
Proceeds from sale of trading investments		51	-
Net change in other non-current assets and liabilities		113	(246)
Net cash used in investing activities		**(9,346)**	**(7,487)**
Cash flows from financing activities			
Acquisition of non-controlling interest		(324)	(766)
Dividend paid to shareholders		(5,613)	(6,270)
Acquisition of treasury shares		(760)	(13)
Disposal of subsidiary		(21)	(14)
Proceeds from sale of shares of subsidiary		-	6,672
Proceeds from irrevocable bank deposits		-	767
Proceeds from borrowings	16	44,025	26,137
Repayment of borrowings	16	(42,254)	(21,615)
Net cash (used in)/ generated from financing activities		**(4,947)**	**4,898**
Net increase in cash and cash equivalents		**8,820**	**2,824**
Effect of exchange rate changes on cash and cash equivalents		4,380	2,765
Cash and cash equivalents at the beginning of the period	6	**24,773**	**12,787**
Cash and cash equivalents at the end of the period	6	**37,973**	**18,376**

(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 2014	**3,046**	**-**	**52,944**	**9,374**	**(110)**	**992**	**13,231**	**79,477**
Comprehensive income								
Profit for the period	-	-	8,620	-	-	-	1,075	9,695
Other comprehensive income								
Fair value income on available-for-sale investments	-	-	-	1,491	-	-	-	1,491
Disposal of investments	-	-	-	(8,355)	-	-	-	(8,355)
Currency translation differences	-	-	-	(561)	-	3,241	243	2,923
Income tax recorded in other comprehensive income	-	-	-	1,006	-	-	-	1,006
Total other comprehensive loss	**-**	**-**	**-**	**(6,419)**	**-**	**3,241**	**243**	**(2,935)**
Total comprehensive income	**-**	**-**	**8,620**	**(6,419)**	**-**	**3,241**	**1,318**	**6,760**
Dividends declared	-	-	(6,176)	-	-	-	(94)	(6,270)
Acquisition of non-controlling interest	-	-	230	-	-	-	(996)	(766)
Sale of shares of subsidiaries	-	-	(384)	-	-	-	9,187	8,803
Disposal of subsidiaries	-	-	(12)	-	-	-	(2)	(14)
Acquisition of treasury shares	-	(1)	-	-	(12)	-	-	(13)
Balance at 30 September 2014	**3,046**	**(1)**	**55,222**	**2,955**	**(122)**	**4,233**	**22,644**	**87,977**
Balance at 1 January 2015	**3,046**	**(1)**	**51,816**	**2,686**	**(446)**	**13,411**	**23,261**	**93,773**
Comprehensive income								
Profit for the period	-	-	12,984	-	-	-	1,338	14,322
Other comprehensive income								
Fair value gain/(loss) on available-for-sale investments	-	-	-	1,745	-	-	-	1,745
Currency translation differences	-	-	-	-	-	2,691	(6)	2,685
Income tax recorded in other comprehensive income	-	-	-	(349)	-	-	-	(349)
Total other comprehensive income	**-**	**-**	**-**	**1,396**	**-**	**2,691**	**(6)**	**4,081**
Total comprehensive income	**-**	**-**	**12,984**	**1,396**	**-**	**2,691**	**1,332**	**18,403**
Dividends declared	-	-	(5,565)	-	-	-	(48)	(5,613)
Acquisition of non-controlling interest	-	-	24	-	-	-	(348)	(324)
Disposal of subsidiaries	-	-	(21)	-	-	-	-	(21)
Acquisition of treasury shares	-	(2)	-	-	(758)	-	-	(760)
Balance at 30 September 2015	**3,046**	**(3)**	**59,238**	**4,082**	**(1,204)**	**16,102**	**24,197**	**105,458**

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 2015 for Joint Stock Company "Acron" (the "Company" or "Acron") and its subsidiaries (together referred to as the "Group" or "Acron Group").

The Group's principal activities include the manufacture, distribution and sales of chemical fertilisers and related by-products. The Group's manufacturing facilities are primarily based in the Novgorodskaya, Smolenskaya and Murmanskaya regions of Russia and also in The People's Republic of China (the "PRC").

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

The Group's ultimate parent is Subero Associates Inc (British Virgin Islands). As at 30 September 2015 and 31 December 2014 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

2 Basis of Preparation

2.1 Statement of compliance

This consolidated condensed interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

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.

With the exception of specified in point 2.3 in preparing this consolidated condensed interim financial information for the nine months ended 30 September 2015, 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 2014.

2.3 Changes in accounting policy

Started from 1 January 2014 the Group made accounting policy choice regarding accounting of changes in status of equity-accounted investees. In accordance with chosen method performed remeasurement of previously held interest through profit or loss. Available-for-sale revaluation reserve reclassified to profit or loss. Implementation of this method taken place first (Note 13) and do not influence on opening balance.

3 Seasonality

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertilizer application and, as a result, fertilizer 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.

4 Segment Information

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

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

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

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

- 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. and Canada Ltd., both under being at the stage of development, exploration and evaluation;
- Logistics – representing transportation and logistic services rendered by Estonian ports of the Group and some minor transportation companies in Russia. Constitutes an aggregation of a number of operating segments;
- Trading – representing overseas and domestic distribution companies of the Group;
- Investment in equity accounted investees – representing the share in Polish company Grupa Azoty S.A.;
- 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 including share of profit of equity accounted investees adjusted by depreciation and amortisation, foreign exchange gain or loss, other non-cash and extraordinary items (EBITDA). Since this term is not a standard IFRS measure Acron Group's definition of EBITDA may differ from that of other companies.

Information for the reportable segments for the nine months ended 30 September 2015 is set out below:

	Segment sales	**Intersegment sales**	**External sales**	**EBITDA**
Acron	36,624	(29,642)	6,982	15,640
Dorogobuzh	19,440	(13,454)	5,986	8,819
Hongri Acron	11,939	-	11,939	(274)
Logistics	2,709	(2,236)	473	606
Trading	54,754	(2,057)	52,697	1,155
Mining NWPC	6,943	(4,873)	2,070	3,867
Mining excluding NWPC	-	-	-	(36)
Investment in equity accounted investees	-	-	-	1,626
Other	1,803	(1,296)	507	6
Total	**134,212**	**(53,558)**	**80,654**	**31,409**

Information for the reportable segments for the nine months ended 30 September 2014 is set out below:

	Segment sales	**Intersegment sales**	**External sales**	**EBITDA**
Acron	26,667	(22,125)	4,542	7,640
Dorogobuzh	12,206	(8,132)	4,074	2,870
Hongri Acron	7,922	(247)	7,675	568
Logistics	2,420	(2,094)	326	659
Trading	36,505	(1,497)	35,008	515
Mining NWPC	3,270	(2,836)	434	616
Mining excluding NWPC	-	-	-	(47)
Investment in equity accounted investees	-	-	-	20
Other	1,791	(1,174)	617	(10)
Total	**90,781**	**(38,105)**	**52,676**	**12,831**

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

Reconciliation of EBITDA to Profit Before Tax:

	For the nine months ended 30 September 2015	30 September 2014
Profit Before Tax	17,676	11,386
Loss on derivatives, net	2,183	561
Interest expense	3,068	727
Loss/(gain) on disposal of investments	82	(8,098)
Finance income, net	6,510	6,643
Operating Profit including share of profit of equity accounted investees	**29,519**	**11,219**
Depreciation and amortisation	3,377	2,700
Net foreign currency loss on operating activities	(1,718)	(973)
Gain on disposal of permits	-	(183)
Loss on disposal of property, plant and equipment	231	68
Total consolidated EBITDA	**31,409**	**12,831**

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.

	For the nine months ended 30 September 2015	30 September 2014
Revenue		
Russia	14,890	9,026
European Union	7,353	5,217
Commonwealth of Independent States	5,238	3,629
USA and Canada	8,709	6,548
Latin America	12,269	8,347
China	20,229	11,900
Asia (excluding China)	9,984	5,892
Other regions	1,982	2,117
Total	**80,654**	**52,676**

Revenue from sales of chemical fertilizers accounts for 99% of total revenues (for the nine months ended 30 September 2014: 90%).

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

5 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 30 September 2015 and 31 December 2014 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	30 September 2015	31 December 2014
Trade receivables, gross	7	Companies under common control	4	2
Trade payables	15	Companies under common control	(5)	(1)

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

ii Transactions with related parties

	Relationship	For the nine months ended 30 September 2015	30 September 2014
Sales of chemical fertilizers	Companies under common control	8	20
Purchases of raw materials	Companies under common control	(47)	(49)

6 Cash and Cash Equivalents

	30 September 2015	31 December 2014
Cash on hand and bank balances denominated in RUB	7,122	2,057
Bank balances denominated in USD	26,120	19,387
Bank balances denominated in EUR	2,955	2,152
Bank balances denominated in CAD	72	85
Bank balances denominated in CHF	10	19
Bank balances denominated in PLN	63	68
Bank balances denominated in CNY	1,631	1,005
Total cash and cash equivalents	**37,973**	**24,773**

Cash and cash equivalents include term deposits of RUB 27,458 (31 December 2014: RUB 18,367).

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.

7 Accounts Receivable

	30 September 2015	31 December 2014
Trade accounts receivable	4,092	3,221
Notes receivable	104	407
Other accounts receivable	634	557
Less: impairment provision	(546)	(336)
Total financial assets	**4,284**	**3,849**
Advances to suppliers	2,597	2,669
Value-added tax recoverable	4,412	3,835
Income tax prepayments	905	1,662
Other taxes receivable	151	93
Less: impairment provision	(59)	(59)
Total accounts receivable	**12,290**	**12,049**

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

8 Inventories

	30 September 2015	31 December 2014
Raw materials and spare parts, including	11,206	8,158
- Apatite-nepheline ore	707	576
- Apatite concentrate	28	24
Work in progress	582	572
Finished products	4,825	4,690
	16,613	**13,420**

Raw materials are shown net of obsolescence provision of RUB 114 (31 December 2014: RUB 535).

9 Property, Plant and Equipment

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

	2015	2014
Carrying amount at 1 January	**72,552**	**61,068**
Acquisitions	10,272	8,083
Disposals	(231)	(68)
Depreciation charge	(3,700)	(2,838)
Currency translation difference	1,037	849
Carrying amount at 30 September	**79,930**	**67,094**

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

Included in the nine months 2015 additions to assets under constructions is approximately RUB 827 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the nine months 2014: RUB 527) at the average borrowing rate of 4.3% (for the nine months 2014: 4.05%).

At 30 September 2015, buildings, machinery and equipment and construction in progress with a net book value of RUB 2,534 (31 December 2014: RUB 371) had been pledged as security for long-term loans (Note 16).

10 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 September 2015	31 December 2014
License on apatite-nepheline deposits (production / development stage)	851	860
License on potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	5,227	5,032
License and expenditure on deposit in exploration and evaluation stage	457	-
Asset related to the discharge of license obligations	184	-
	32,930	**32,103**

The Group did not capitalise borrowing costs to the assets of JSC VPC (for the nine months ended 30 September 2014: capitalised RUB 684 at the average borrowing rate of 4.05%). In 2016, the Group is finalizing the design documentation. The capitalization of interest on borrowings will be continued after the resumption of active construction phase.

Impairment test of JSC Verkhnekamsk Potash Company

Assets related to JSC VPC were in development stage as at 30 September 2015, therefore Group's management performed annual testing of this cash-generating unit (CGU) for impairment as at 30 September 2015.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections, prepared in nominal terms, based on financial budgets approved by management. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Based on the results of these calculations the Group concluded that no impairment charge was required. The key assumptions used for value-in-use calculations are as follows:

	30 September 2015	31 December 2014
EBITDA margin range over the forecast period	40-75%	41-76%
Revenue annual growth rate predictable	2%	2%
Start of production	2019	2019
Discount rate	13.6%	14.2%

Management determined budgeted EBITDA margin based on peers performance and its most realistic expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are post-tax, reflect specific risks relating to the CGU and were estimated on the weighted average cost of capital basis. Management regularly monitors market conditions and finance market for selection of the most favorable date for start of production within the license agreement.

The estimated recoverable amount of the CGU exceeded its carrying value by approximately RUB 52,450 (2014: RUB 41,178). Management identified that the recoverable amount is strongly dependent on changes in export price in rouble equivalent and discount rate. Decrease of export price in rouble equivalent more than 26% (2014: 26%) and increase of 5.3% (2014: 5.1%) in the discount rate used would have caused the discounted amount of the future cash flows to equal the carrying amount.

11 Goodwill

	2015	2014
Cost and carrying amount at 1 January	1,267	1,267
Cost and carrying amount at 30 September	1,267	1,267

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

Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment as follows:

	2015	2014
LLC Andrex	52	52
JSC Dorogobuzh / CGU Dorogobuzh	972	972
AS DBT / AS DBT	243	243
Total carrying amount of goodwill	**1,267**	**1,267**

Impairment test

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections, prepared in nominal terms, based on financial budgets approved by management covering a five year period. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Based on the results of these calculations the Group concluded that no impairment charge was required for major CGUs in 2015.

The key assumptions used for value-in-use calculations in 2015 are as follows:

- EBITDA margin range over the forecast period: 25%-34% (2014: 10%-37%)
- Growth rate beyond five years: 4% (2014: 3%)
- Discount rate: 12% (2014: 13%)

Management determined budgeted EBITDA margin based on past performance and its most realistic expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax, reflect specific risks relating to the relevant segments and were estimated on the weighted average cost of capital basis.

As the result of the annual testing there was no need to recognize impairment of goodwill, as there would be no such need if the projected sales growth rate used in calculating the value in use for each cash-generating unit would be to 2.0% (2014: 5.0%) less than management estimates. Impairment would also be not recognized if the estimated after-tax discount rate applied to the discounted cash flows for any CGU to 5% (2014: 4.5%) more than management expectations.

12 Available-for-Sale Investments

	2015	2014
Carrying amount at 1 January	**3,632**	**19 398**
Acquisitions	-	4,115
Fair value gain recognised directly in OCI	1,745	1,491
Disposals	-	(4,274)
Reclassification in other categories	-	(17,328)
Currency translation difference	-	566
Carrying amount at 30 September	**5,377**	**3,968**

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2015	31 December 2014
Current				
JSC Uralkali	Potash mining	Russia	5,220	3,475
Total current			**5,220**	**3,475**
Non-current				
Other			157	157
Total non-current			**157**	**157**
Total			**5,377**	**3,632**

As at 30 September 2015 and 31 December 2014 the investment in JCS Uralkali was classified as current according to management intention to dispose this investment within 12 months from the reporting date.

Fair value of the investments was determined by reference to the current market value at the close of business on 30 September 2015. The values of acqusitions and disposals were determined by reference on the date of a transaction. At 30 September 2015 the share price quoted by Moscow Stock Exhange for JSC Uralkali amounted to RUB 192.05 for 1 share (31 December 2014: RUB 127.85 for 1 share).

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

13 Investment in equity accounted investees

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

	2015	2014
Carrying amount as at 1 January	**24,695**	**-**
Acquisition cost	-	17,328
Share of:		
– profit from continuing operations	1,720	20
– other comprehensive income	(13)	12
Dividends declared	-	45
Currency translation difference in OCI	2,467	843
Carrying amount as at 30 September	**28,869**	**18,248**

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

30 September 2015:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	183,920	60,785	119,835	8,599	20%	Poland

30 September 2014:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	116,734	39,286	84,293	2,797	20%	Poland

14 Derivative Financial Assets and Liabilities

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

	As at 30 September 2015			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	7,403	7,352	-
	-	**7,403**	**7,352**	**-**

	As at 31 December 2014			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	366	6 301	4 433	-
	366	**6 301**	**4 433**	**-**

15 Accounts Payable

	30 September 2015	31 December 2014
Trade accounts payable	5,369	5,042
Dividends payable	19	17
Total financial payables	**5,388**	**5,059**
Payables to employees	871	943
Income tax payable	268	-
Accrued liabilities and other creditors	768	457
Total accounts payable and accrued expenses	**7,295**	**6,459**

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

16 Short-Term and Long-Term Loans and Borrowings

Borrowings consist of the following:

	30 September 2015	31 December 2014
Bonds issued	8,752	8,764
Credit lines	14,611	14,814
Term loans	69,985	56,983
	93,348	**80,561**

The Group’s loans and borrowings mature as follows:

	30 September 2015	31 December 2014
Borrowings due:		
- within 1 year	30,173	52,559
- between 1 and 5 years	62,590	27,442
- after 5 years	585	560
	93,348	**80,561**

The Group’s loans and borrowings are denominated in currencies as follows:

	30 September 2015	31 December 2014
Borrowings denominated in:		
- RUB	16,354	11,810
- EUR	5,131	4,707
- USD	67,881	59,604
- CNY	3,982	4,440
	93,348	**80,561**

Bank loans denominated in CNY in the amount of RUB 1,688 were collateralised by buildings, machinery and equipment with a net book value of RUB 2,534 (Note 9) and land use right with a net book value of RUB 452. The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 2,085 (31 December 2014: RUB 2,924).

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 30 September 2015 unused credit lines available under the long-term loan facilities were RUB 16,967 (31 December 2014: RUB 34,692).

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

	30 September 2015	31 December 2014
Short-term loans and borrowings		
RUB		
Loans with fixed interest rate of 13.5% per annum	1,002	46
Loans with floating key interest rate of CBRF + 2.75%	1,600	-
Bonds with fixed interest rate of 9.75% per annum	5,000	5,000
Bonds with fixed interest rate of 10.25% to 13.6% per annum	3,752	3,764
EUR		
Loans with floating interest rate of 6M EURIBOR + 0.75% to 6M EURIBOR + 2.85% per annum	542	353
Loans with fixed interest rate of 5.27% per annum	234	215
USD		
Loans with fixed interest rate of 4.7% to 5.15% per annum	172	1,271
Loans with floating interest rate of LIBOR + 3.55% to LIBOR+5.8% per annum	13,910	37,580
CNY		
Loans with fixed interest rate of 5.6% to 7.5% per annum	3,961	4,330
Total short-term liabilities	**30,173**	**52,559**

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

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

	30 September 2015	31 December 2014
Long-term loans and borrowings		
RUB		
Loans with fixed interest rate of 12.65% to 16.75% per annum	5,000	3,000
EUR		
Loans with floating interest rate of 6M EURIBOR + 0.75% to 6M EURIBOR + 2.85% per annum	3,651	3,387
Loans with fixed interest rate of 5.27% per annum	704	752
USD		
Loans with fixed interest rate of 4.7% to 5.15% per annum	478	504
Loans with floating interest rate of LIBOR + 4.6% to LIBOR + 4.85% per annum	53,321	20,249
CNY		
Loans with fixed interest rate of 5.52% to 7.21% per annum	21	110
Total long-term borrowings	**63,175**	**28,002**

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. The holders of this bonds issue were granted an option to redeem the bonds beginning in May 2014. In the first quarter of 2012 the Group redeemed bonds in the amount of RUB 3,377. At 30 September 2015 the Group's subsidiary JSC Dorogobuzh held bonds of this issue in the amount of RUB 351.

In October 2012 the Group placed through an offering to the public under an open subscription RUB denominated 9.75% non-convertible bonds with a face value of RUB 5,000 to be redeemed in October 2015. No option to redeem these bonds were granted.

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 2015 was RUB 8,767 with reference to Moscow Stock Exchange quotations as of this date (31 December 2014: RUB 8,457).

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

In January 2015 the Group attracted finance under the agreement on 5-year syndicated pre-export loan with the club of partner banks in the amount of 525 million US dollars and the rate of LIBOR + 4.85%. These borrowing were used to restructure the loan to be repaid in 2015.

17 Capital and Reserves

The total authorized number of ordinary shares is 40,534,000 (31 December 2014: 40,534,000) with a par value of RUB 5 per share. All authorized 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 2014	**40,534,000**	**-**	**3,046**	**-**	**3,046**
Acquisition of treasury shares	-	(76,697)	-	(1)	(1)
30 September 2014	**40,534,000**	**(76,697)**	**3,046**	**(1)**	**3,045**
1 January 2015	**40,534,000**	**(171,000)**	**3,046**	**(1)**	**3,045**
Acquisition of treasury shares	**-**	(429,000)	**-**	(2)	(2)
30 September 2015	**40,534,000**	**(600,000)**	**3,046**	**(3)**	**3,043**

In 2015 dividends were declared for 2014 year in the amount of 139 rubles per ordinary share (2014: 152 rubles).

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

18 Finance Costs, net

	For the nine months ended		For the three months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Interest income from loans provided and term deposits	708	374	230	187
Commissions expense	(300)	(231)	(143)	61
Dividend income	-	119	-	47
Foreign exchange gain on financial transactions	31,614	5,982	9,489	2,078
Foreign exchange loss on financial transactions	(38,532)	(12,887)	(17,564)	(8,491)
	(6,510)	**(6,643)**	**(7,988)**	**(6,118)**

19 Other Operating Income, net

	For the nine months ended		For the three months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Charity expenses	(242)	(229)	(85)	(80)
Loss on disposal of property, plant and equipment	(231)	(68)	(175)	(1)
Foreign exchange gain on operating activities	8,513	6,075	672	4,214
Foreign exchange loss on operating activities	(6,795)	(5,102)	1,427	(2,446)
Other (expenses)/income	(116)	(102)	346	62
	1,129	**574**	**2,185**	**1,749**

20 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The shares of the Company have dilutive potential related right to settlement in own shares. The dilution effect does not exist at the reporting date, therefore, the dilutive earnings per share equal the basic earnings per share

	For the nine months ended	
	30 September 2015	30 September 2014
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(489,750)	-
Weighted average number of shares outstanding (basic)	**40,044,250**	**40,534,000**
Effect of settlement in own equity instruments	-	-
Weighted average number of shares outstanding (diluted)	**40,044,250**	**40,534,000**
Profit attributable to the equity holders of the Company	12,984	8,620
Basic earnings per share (in Russian roubles) attributable to the equity holders of the Company	**324.24**	**212.66**
Diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	**324.24**	**212.66**

21 Income Taxes

	For the nine months ended	
	30 September 2015	30 September 2014
Income tax expense – current	2,180	1,392
Deferred tax expense – origination and reversal of temporary differences	1,174	299
Income tax charge	**3,354**	**1,691**

22 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 September 2015 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 19,519 (31 December 2014: RUB 14,861).

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.

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 30 September 2015 and 31 December 2014, the Group has issued financial guarantees to third parties in respect of loans and borrowings by the Group's counterparties in the amount of RUB 3,680 and RUB 3,567 respectively. No amount has been accrued in this consolidated condensed interim financial information for the Group's obligation under these guarantees as no outflows are expected from such guarantees.

ii Legal proceedings

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

iii Taxation contingencies in the 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; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

These transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules primarily 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. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts as transfer pricing tax audits under new rules started recently, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to recent reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In addition, a number of new laws introducing changes to the Russian tax legislation have been adopted in the fourth quarter 2014 and are effective 1 January 2015. In particular, those changes are aimed at regulating transactions with offshore companies and their activities which may potentially impact the Group's tax position and create additional tax risks going forward.

Management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, at 30 September 2015 no provision for potential tax liabilities had been recorded (2014: no provision).

Management estimates that the Group has no possible obligations from exposure to other than remote tax risks (2013: no obligations).

iv 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.

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

23 Fair Value of Financial Instruments

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

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

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

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 5,538 (2014: RUB 3,886).

All liabilities on bonds issued were included in level 1 category with the fair value of RUB 8,767 (2014: RUB 8,457)

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.

The spot price of JSC VPC is one of the inputs to the valuation using Black–Scholes Option Pricing Model. Since the shares are not quoted, management applied discounted cash flows method using risk-adjusted discount rate. The calculation was based on the cash flow forecast prepared in nominal terms and derived from financial budgets.

Significant unobservable inputs	**Inter-relationship between significant unobservable inputs data and fair value measurement**
• Forecast annual revenue growth rate: 2%. • Forecast EBITDA margin: 40-75%. • Risk-adjusted discount rate: 13.6%. • Production start year: 2019.	The estimated fair value of the shares of JSC VPC would increase (decrease) if: • The annual revenue growth rate were higher (lower); • The EBITDA margin were higher (lower); or • risk-adjusted discount rate were lower (higher) ; or • production began earlier (later). Generally, EBITDA margin follows any changes in the trend set by the annual revenue growth rate.

Significant unobservable inputs of Black–Scholes Option Pricing Model are shown in the following table:

Financial instrument	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs data and estimate of fair value**
Call option on shares of JSC VPC (asset)	• The current fair value of the shares (calculated as above) • Volatility: 30-35%. • Risk-free rate of return: 2.8-3.4% • No dividends assumed	The estimated fair value would increase (decrease) if: • spot price of the shares were higher (lower); • volatility were higher (lower); or • the risk-free rate of return were higher (lower).

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

Financial instrument	Significant unobservable inputs	Inter-relationship between significant unobservable inputs data and estimate of fair value
Put option on shares of JSC VPC (liability)	• Spot price of the shares (calculated above) • Volatility: 30-36%. • Risk-free rate of return: 2.8-4.7%. • Empirical overestimation percentage for 'up to more than 5-years' options: 34% • No dividends assumed	The estimated fair value would increase (decrease) if: • current fair value of the shares were lower (higher); or • volatility were higher (lower); or • the risk-free rate of return were lower (higher); • empirical overestimation percentage for 'up to more than 5-years' options were lower (higher).

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 2015 the fair value of borrowings was RUB 274 lower than their carrying amounts. At 31 December 2014 the fair value of borrowings was RUB 735 lower than their carrying amounts.

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

24 Subsequent Events

In October 2015 the Group repaid interest-bearing documentary exchange-traded bonds in the amount of RUB 5,000 and paid the coupon at the rate of 9.75%.

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