

**PUBLIC JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information for the six months
ended 30 June 2019**



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

To the Shareholders and Board of Directors of PJSC "Acron"

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of PJSC "Acron" and its subsidiaries (the "Group") as at 30 June 2019, and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated condensed interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Reviewed entity: PJSC "Acron"
Registration No. in the Unified State Register of Legal Entities
No. 1025300786610.
Veliky Novgorod, Russia

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

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

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



PJSC "Acron"

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial information as at 30 June 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Other Matter

The consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 30 June 2019 and the corresponding figures for the three-month period ended 30 June 2018 are not reviewed.

Andrey V. Ryazantsev

JSC "KPMG"
Moscow, Russia

23 August 2019





	Note	30 June 2019	31 December 2018*
ASSETS			
Non-current assets			
Property, plant and equipment	10	97,049	93,532
Subsoil licences and related costs	11	38,003	36,557
Investment in equity instruments measured at fair value through other comprehensive income	12	14,328	11,670
Long-term derivative financial instruments	13	-	2,844
Right-of-use assets	3	1,525	-
Deferred tax assets		214	164
Other non-current assets		3,003	3,092
Total non-current assets		154,122	147,859
Current assets			
Inventories	9	17,040	16,724
Accounts receivable	8	12,849	10,815
Cash and cash equivalents	7	8,380	10,460
Short-term derivative financial instruments	13	2,995	-
Other current assets		1,158	926
Total current assets		42,422	38,925
TOTAL ASSETS		196,544	186,784
EQUITY			
Share capital	16	3,046	3,046
Treasury shares		(7)	(6)
Retained earnings		70,020	65,253
Revaluation reserve		(11,539)	(14,137)
Other reserves		(4,646)	(3,963)
Cumulative currency translation difference		6,329	7,400
Equity attributable to the Company's owners		63,203	57,593
Non-controlling interest		20,732	20,572
TOTAL EQUITY		83,935	78,165
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	66,976	66,946
Long-term derivative financial instruments	13	1,084	1,875
Long-term lease liabilities	3	1,064	-
Deferred tax liabilities		7,886	6,951
Other long-term liabilities		1,703	641
Total non-current liabilities		78,713	76,413
Current liabilities			
Accounts payable	14	14,678	7,226
Short-term borrowings	15	13,300	17,539
Advances received		3,626	5,737
Short-term lease liabilities	3	443	-
Other current liabilities		1,849	1,704
Total current liabilities		33,896	32,206
TOTAL LIABILITIES		112,609	108,619
TOTAL LIABILITIES AND EQUITY		196,544	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 23 August 2019.

V.Y. Kunitskiy
President



A.V. Milenkov
Finance Director

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive
Income for the six months ended 30 June 2019
(in millions of Russian Roubles, except for per share amounts)



	Note	Six months ended		Three months ended	
		30 June 2019	30 June 2018*	30 June 2019	30 June 2018
Revenue	5	60,472	49,413	30,968	25,363
Cost of sales		(30,380)	(26,475)	(14,992)	(13,684)
Gross profit		30,092	22,938	15,976	11,679
Transportation expenses		(9,413)	(7,633)	(4,627)	(4,124)
Selling, general and administrative expenses		(4,823)	(4,133)	(2,609)	(2,283)
Other operating expense, net	18	(834)	(1,160)	(399)	(728)
Operating profit		15,022	10,012	8,341	4,544
Finance income/(costs), net	17	6,321	(3,115)	1,533	(3,377)
Interest expense		(928)	(367)	(780)	(228)
Profit/(loss) on derivatives, net		941	(1,778)	1,023	(2,486)
Profit/(loss) before taxation		21,356	4,752	10,117	(1,547)
Income tax expense	20	(4,160)	(1,327)	(1,695)	(6)
Profit/(loss) for the period		17,196	3,425	8,422	(1,553)
<i>Other comprehensive income/(loss) on items that will never be reclassified to profit or loss:</i>					
<i>Investment in equity instruments measured at fair value through other comprehensive income:</i>					
- Gains/(losses) arising during the period		2,598	(8,416)	225	(4,307)
<i>Other comprehensive (loss)/income on items that are or may be reclassified subsequently to profit or loss:</i>					
Currency translation differences		(1,111)	711	(176)	877
Other comprehensive income/(loss) for the period		1,487	(7,705)	49	(3,430)
Total comprehensive income/(loss) for the period		18,683	(4,280)	8,471	(4,983)
Profit/(loss) is attributable to:					
Owners of the Company		16,827	3,186	8,218	(1,579)
Non-controlling interest		369	239	204	26
Profit/(loss) for the period		17,196	3,425	8,422	(1,553)
Total comprehensive income/(loss) is attributable to:					
Owners of the Company		18,354	(4,550)	8,267	(5,076)
Non-controlling interest		329	270	204	93
Total comprehensive income/(loss) for the period		18,683	(4,280)	8,471	(4,983)
Earnings/(loss) per share					
Basic (expressed in RUB)	19	428.93	80.86	209.48	(40.08)
Diluted (expressed in RUB)	19	427.88	80.43	208.97	(40.08)

*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.

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Cash Flows for the six months
ended 30 June 2019
(in millions of Russian Roubles)



	Note	Six months ended	
		30 June 2019	30 June 2018*
Cash flows from operating activities			
Profit before taxation		17,196	3,425
<i>Adjustments for:</i>			
Income tax expense	20	4,160	1,327
Depreciation and amortisation		5,167	4,540
Reversal of impairment of accounts receivable		(1)	(4)
Provision for inventory obsolescence		1	1
Loss on disposal of property, plant and equipment		19	839
Interest expense		928	367
Interest income	17	(66)	(133)
(Gain)/loss on derivatives, net		(941)	1,778
Loss on disposal of exploration licences		-	905
Loss on disposal of investment		-	20
Foreign exchange effect on non-operating balances		(5,867)	2,592
Operating cash flows before working capital changes		20,596	15,657
Increase in gross trade receivables		(1,508)	(1,153)
Decrease in advances to suppliers		919	315
(Increase)/decrease in other receivables		(1,694)	338
Increase in inventories		(429)	(90)
Increase/(decrease) in trade payables		1,891	(76)
Decrease in other payables		(80)	(810)
Decrease in advances from customers		(2,111)	(1,123)
Increase in other current assets		(232)	(225)
Decrease in other current liabilities		(552)	(361)
Cash generated from operations		16,800	12,472
Income taxes paid		(2,695)	(1,567)
Interest paid		(2,225)	(1,438)
Net cash generated from operating activities		11,880	9,467
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(8,314)	(6,201)
Interest received		41	52
Purchase of investment in equity instruments measured at fair value through other comprehensive income		(60)	-
Net change in other non-current assets and liabilities		251	(745)
Net cash used in investing activities		(8,082)	(6,894)
Cash flows from financing activities			
Acquisition of non-controlling interest		(13)	(76)
Purchase of shares of subsidiary		-	(15,905)
Proceeds from sale of shares of subsidiary		-	10,743
Acquisition of treasury shares		(684)	(305)
Dividend paid to shareholders		(5,573)	(5,094)
Dividend paid to non-controlling interest		(146)	(12)
Proceeds from borrowings	15	6 991	28,588
Repayment of borrowings	15	(5,366)	(15,887)
Payment of lease liabilities		(225)	-
Net cash (used in)/generated from financing activities		(5,016)	2,052
Net (decrease)/increase in cash and cash equivalents		(1,218)	4,625
Effect of exchange rate changes on cash and cash equivalents		(862)	906
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	8,380	19,833

*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.

Public Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2019
(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	-	-	3,186	-	-	-	239	3,425
<i>Other comprehensive loss</i>								
Loss on investment measured at fair value through other comprehensive income	-	-	-	(8,416)	-	-	-	(8,416)
Currency translation differences	-	-	-	-	-	680	31	711
Total other comprehensive loss	-	-	-	(8,416)	-	680	31	(7,705)
Total comprehensive loss for the reporting period	-	-	3,186	(8,416)	-	680	270	(4,280)
Acquisition of non-controlling interest	-	-	13	-	-	-	(89)	(76)
Acquisition of treasury shares	-	-	-	-	(305)	-	-	(305)
Dividend declared	-	-	(11,701)	-	-	-	(85)	(11,786)
Transactions with shares of subsidiary	-	-	(1,737)	-	72	-	-	(1,665)
Other	-	-	-	-	-	-	(16)	(16)
Balance at 30 June 2018	3,046	(6)	57,796	(11,318)	(3,649)	6,223	20,736	72,828
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	-	-	16,827	-	-	-	369	17,196
<i>Other comprehensive income</i>								
Profit on investment measured at fair value through other comprehensive income	-	-	-	2,598	-	-	-	2,598
Currency translation differences	-	-	-	-	-	(1,071)	(40)	(1,111)
Total other comprehensive income	-	-	-	2,598	-	(1,071)	(40)	1,487
Total comprehensive income for the reporting period	-	-	16,827	2,598	-	(1,071)	329	18,683
Dividend declared	-	-	(10,394)	-	-	-	(146)	(10,540)
Acquisition of treasury shares	-	(1)	-	-	(683)	-	-	(684)
Acquisition of non-controlling interest	-	-	34	-	-	-	(23)	11
Provision for previous years obligations	-	-	(760)	-	-	-	-	(760)
Other	-	-	(940)	-	-	-	-	(940)
Balance at 30 June 2019	3,046	(7)	70,020	(11,539)	(4,646)	6,329	20,732	83,935

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



1 Acron Group and its Operations

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

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 June 2019	1,525	1,525

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.
- 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.

	<u>1 January 2019</u>
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 six months ended 30 June 2019, the Group recognised RUB 210 of depreciation charges and RUB 37 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;

Public Joint Stock Company “Acron”
Notes to the Consolidated Condensed Interim Financial Information for the six months ended 30 June 2019



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

- Mining excluding NWPC - comprise mining entities JSC VPC, JSC Mining Company Partomchorr, North Atlantic Potash Inc., and other assets in Canada being at the stage of development, exploration and evaluation;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations.

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

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

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 six months ended 30 June 2019 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	36,095	(30,466)	5,629	13,618
Dorogobuzh	13,195	(11,854)	1,341	3,174
Logistics	2,380	(1,955)	425	952
Trading	53,939	(1,156)	52,783	2,396
Mining NWPC	5,054	(5,030)	24	780
Mining excluding NWPC	-	-	-	-
Other	769	(499)	270	115
Total	111,432	(50,960)	60,472	21,035

Information for the reportable segments for the six months ended 30 June 2018 is set out below:

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

Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2019	30 June 2018
Operating Profit	15,022	10,012
Depreciation and amortisation	5,167	4,540
Loss on disposal of exploration licences	-	905
Foreign currency loss/(profit) on operating activities, net	827	(630)
Loss on disposal of property, plant and equipment	19	839
Total consolidated EBITDA	21,035	15,666

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.



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

	Six months ended	
	30 June 2019	30 June 2018
Revenue		
European Union	11,944	7,939
Latin America	11,681	8,642
Russian Federation	11,362	10,006
USA and Canada	9,075	6,921
Asia (excluding PRC)	7,440	7,148
Other regions	3,693	2,306
PRC	3,075	2,938
Commonwealth of Independent States	2,202	3,513
Total	60,472	49,413

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

For the six months ended 30 June 2019, revenues from logistics activities representing a separate performance obligation under IFRS 15 amounted to RUB 3,263 (for the six months ended 30 June 2018: RUB 1,642). 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 six months ended 30 June 2019.

There is one individual customer contributing more than 10% to the total revenues (for the six months ended 30 June 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 June 2019	31 December 2018
Cash on hand and bank balances denominated in RUB	1,574	2,602
Bank balances denominated in USD	3,967	5,582
Bank balances denominated in EUR	2,474	1,952
Bank balances denominated in CNY	153	154
Bank balances denominated in other currency	212	170
Total cash and cash equivalents	8,380	10,460

Cash and cash equivalents include term deposits of RUB 1,459 (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.

8 Accounts Receivable

	30 June 2019	31 December 2018
Trade accounts receivable	5,063	3,555
Notes receivable	312	85
Other accounts receivable	616	588
Less: impairment provision	(42)	(43)
Total financial assets	5,949	4,185
Advances to suppliers	1,552	2,471
Value-added tax recoverable	4,573	3,123
Income tax prepayment	108	383
Other taxes receivable	670	656
Less: impairment provision	(3)	(3)
Total accounts receivable	12,849	10,815



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

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

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

9 Inventories

	30 June 2019	31 December 2018
Raw materials and spare parts	7,639	8,079
Work in progress	860	460
Finished products	8,541	8,185
	17,040	16,724

Raw materials are shown net of obsolescence provision in the amount of RUB 100 (31 December 2018: RUB 99).

No inventory was pledged as security at 30 June 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	8,771	7,081
Disposals	(19)	(839)
Depreciation charge	(4,839)	(4,433)
Currency translation difference	(396)	229
Carrying amount at 30 June	97,049	89,858

Included in the six months ended 30 June 2019 additions to assets under constructions is approximately RUB 737 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the six months ended 30 June 2018: RUB 1,044) at the average borrowing rate from 5.31% to 10.2% (for the six months 2018: from 5.32% to 10%).

As at 30 June 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 June 2019	31 December 2018
Apatite-nepheline deposits (production / development stage)	806	812
Potash deposits (development stage)	31,144	29,716
Exploration licences	4,709	4,685
Licence and expenditure on deposit in exploration and evaluation stage	1,039	1,039
Asset related to the discharge of license obligations	305	305
	38,003	36,557

The Group capitalised borrowing costs for the six months 2019 in the amount of RUB 1,428 applying average borrowing rate of 10.2% (for the six months ended 30 June 2018: RUB 2,078 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
Additions	60	-
Fair value gain/(loss) recognised directly in OCI	2,598	(8,416)
Carrying amount at 30 June	14,328	14,282



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

The Group has investment in the following companies:

Name	Activity	Country of registration	30 June 2019	31 December 2018
Non-current				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	13,920	11,322
Other		Russian Federation	408	348
Total non-current			14,328	11,670
Total			14,328	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 June 2019. At 30 June 2019, the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to RUB 708.13 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 June 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 June 2019			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	2,995	(1,084)	-
	-	2,995	(1,084)	-

	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 June 2019	31 December 2018
Trade accounts payable	5,914	4,023
Dividend payable	4,916	71
Notes payable	-	8
Total financial payables	10,830	4,102
Payables to employees	1,588	1,411
Accrued liabilities and other creditors	979	774
Taxes payable	1,281	939
Total accounts payable and accrued expenses	14,678	7,226

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2019	31 December 2018
Bonds issued	13,772	13,772
Credit lines	5,979	7,160
Term loans	60,525	63,553
	80,276	84,485

The Group's borrowings mature as follows:

	30 June 2019	31 December 2018
Borrowings due:		
- within 1 year	13,300	17,539
- between 1 and 5 years	66,731	66,671
- after 5 years	245	275
	80,276	84,485



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

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

	30 June 2019	31 December 2018
Borrowings denominated in:		
- RUB	20,946	21,813
- EUR	9,035	4,930
- USD	50,295	57,742
	80,276	84,485

At 30 June 2019, unused credit lines available under the loan facilities were RUB 27,428 (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 June 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+0.55% to key rate of the Bank of Russia +1.5% per annum	5,829	6,813
EUR		
Loans with floating interest rate from 6M EURIBOR+0.65% to 6M EURIBOR+1.9% per annum	374	414
Loans with floating interest rate of 3M EURIBOR+1.7% (2018: from 3M EURIBOR+1.35% to 3M EURIBOR+1.7%) per annum	224	248
Loans with fixed interest rate of 5.27% per annum	113	125
USD		
Loans with fixed interest rate from 5.11% to 5.61% per annum	-	82
Loans with floating interest rate from LIBOR O/N+1.56% to 1M LIBOR+2.10% (2018: 1M LIBOR+2.25%) per annum	2,988	9,857
Total short-term borrowings	13,300	17,539

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

	30 June 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	1,345	1,228
EUR		
Loans with floating interest rate from 6M EURIBOR+0.65% to 6M EURIBOR+1.9% per annum	1,197	1,531
Loans with floating interest rate from 3M EURIBOR+1.25% to 3M EURIBOR+1.7% per annum	7,127	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	47,307	47,803
Total long-term borrowings	66,976	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 June 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 June 2019 was RUB 14,011 with reference to Moscow Stock Exchange quotations as of this date (31 December 2018: RUB 14,001).



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

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
Acquisition of treasury shares	-	(71,561)	-	-	-
30 June 2018	40,534,000	(1,218,013)	3,046	(6)	3,040
1 January 2019	40,534,000	(1,285,800)	3,046	(6)	3,040
Acquisition of treasury shares	-	(149,500)	-	(1)	(1)
30 June 2019	40,534,000	(1,435,300)	3,046	(7)	3,039

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 in the amount of RUB 135 per ordinary share.

17 Finance Income/(Costs), net

	Six months ended		Three months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Interest income from loans provided and term deposits	66	133	24	108
Other finance (costs)/income, net	(62)	(266)	139	(59)
Commission expenses	(419)	(143)	(156)	(72)
Foreign exchange gain/(loss) on financial transactions, net	6,736	(2,819)	1,526	(3,344)
Loss on disposal of investments	-	(20)	-	(10)
	6,321	(3,115)	1,533	(3,377)

18 Other Operating Expenses, net

	Six months ended		Three months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Charity expenses	(200)	(149)	(132)	(79)
Loss on disposal of exploration licences	-	(905)	-	(905)
Other operating income/(expenses), net	193	(736)	(15)	(747)
Foreign exchange (loss)/gain on operating activities, net	(827)	630	(252)	1,003
	(834)	(1,160)	(399)	(728)

19 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. Ordinary shares of the Company have a potential dilutive effect associated with the right to exercise obligations under the redemption put-options on JSC VPC shares by transferring its own ordinary shares. At 30 June 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.



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

	Six months ended	
	30 June 2019	30 June 2018
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(1,304,003)	(1,134,150)
Weighted average number of shares outstanding (basic)	39,229,997	39,399,850
Effect of settlement in own equity instruments	96,021	210,533
Weighted average number of shares outstanding (diluted)	39,326,018	39,610,383
Profit attributable to the equity holders of the Company	16,827	3,186
Basic earnings per share (in Russian Roubles)	428.93	80.86
Diluted earnings per share (in Russian Roubles)	427.88	80.43

20 Income Taxes

	Six months ended		Three months ended	
	30 June 2019	30 June 2018	30 June 2018	30 June 2018
Income tax expense – current	3,190	1,252	1,232	280
Deferred tax charge – origination and reversal of temporary differences	970	75	463	(274)
Income tax expense	4,160	1,327	1,695	6

21 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 June 2019, the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 11,931 (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 June 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 13,920 (31 December 2018: RUB 11,322).

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).

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

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 30 June 2019, the fair value of borrowings was RUB 230 lower 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

There were no subsequent events.